FILING STATEMENT

IN RESPECT OF

THE REVERSE TAKE-OVER OF

FUSION GOLD LTD.

BY

BATTERY MINERAL RESOURCES CORP.

DATED February 5, 2021

*Neither the TSX Venture Exchange Inc. (the "**TSXV**", or the "**Exchange**") nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this filing statement.*

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GLOSSARY

Unless otherwise indicated, whenever used in this Filing Statement, the following words and terms have the indicated meanings or, if not defined herein, have the meanings set out in Policy 1.1 - *Interpretation* of the TSXV. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. All dollar amounts are in Canadian dollars, unless otherwise stated.

"**Affiliate**" means a company that is affiliated with another company as described below.

A company is an "Affiliate" of another company if:

(a) one of them is the subsidiary of the other, or

(b) each of them is controlled by the same Person.

A company is "controlled" by a Person if:

(a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

(a) a company controlled by that Person, or

(b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

"**Amalco**" means the entity formed upon the Amalgamation.

"**Amalgamation**" means the amalgamation of the Company and Fusion Subco on the terms and conditions contained in the Amalgamation Agreement.

"**Amalgamation Agreement**" means the amended and restated amalgamation agreement between the Company, Fusion, Fusion Subco, and Weston dated August 31, 2020 and amended by letter agreement dated December 29, 2020 and January 29, 2021.

"**Associate**" when used to indicate a relationship with a person or company, means

(a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,

(b) any partner of the person or company,

(c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity,

(d) in the case of a person, a relative of that person, including

(i) that person’s spouse or child, or

(ii) any relative of the person or of his spouse who has the same residence as that person;

but

(e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

"**ASX**" means the Australian Securities Exchange.

"**Battery**", "**BMR**" or the "**Company**" means Battery Mineral Resources Corp.

"**Battery Limited**" or "**Old BMR**" means Battery Mineral Resources Limited, ABN 79 612 991 116, a corporation existing under the laws of Australia.

"**BMR Board**" means the board of directors of BMR.

"**BMR Options**" means options to purchase BMR Shares.

"**BMR Shareholder**" means a holder of an issued and outstanding BMR Share.

"**BMR Shares**" means the issued and outstanding common shares of BMR.

"**CIM**" means Canadian Institute of Mining, Metallurgy and Petroleum.

"**CIM Definition Standards**" means the CIM Definition Standards for Mineral Resources and Mineral Reserves.

"**Cobalt District Exploration Project**" means the cobalt district exploration project of the Company, more particularly described in the Technical Report.

"**Completion of the Qualifying Transaction**" means the date the Final Exchange Bulletin is issued by the Exchange.

"**Consolidation**" means the consolidation of the Fusion Shares on the basis of one new Fusion Share for each two old Fusion Shares.

"**Control Person**" means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"**CPC**" means a corporation:

(a) that has been incorporated or organized in a jurisdiction in Canada,

(b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and

(c) in regard to which the Completion of the Qualifying Transaction has not yet occurred.

"**CPC Escrow Agreement**" means that Form 2F escrow agreement, dated June 19, 2018, between Fusion, Odyssey Trust Company, January Vandale, David De Witt, Christopher Cooper, Victoria McMillan, Marcel DeGroot, Marianne De Witt and Canaccord Genuity Corp.

"**CPC Policy**" means TSXV Policy 2.4 - *Capital Pool Companies.*

"**Escrow Agent**" means Odyssey Trust Company.

"**Escrow Policy**" means TSXV Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*.

"Escrow Release Conditions" means the satisfaction of the following conditions on or before the Escrow Release Date: (i) the completion, satisfaction or waiver of all conditions precedent to the Qualifying Transaction set forth in the Amalgamation Agreement; (ii) the receipt of all required approvals for closing of the Qualifying Transaction including, without limitation, the conditional acceptance of the TSXV thereto; and (iii) the Company will have delivered a release notice to the subscriber confirming that the conditions set forth have been met or waived;

"**Escrow Release Deadline**" 5:00 p.m. (Vancouver time) on February 15, 2021;

"**ESI**" means ESI Energy Services Inc., corporation existing under the laws of Alberta.

"**ESI Conditional Transaction Shares**" has the meaning specified in "*Information Concerning BMR – ESI Transaction*.

"**ESI Facility Agreement**" means the process facility and cobalt supply agreement among ESI, Old Battery and North American Cobalt Inc., then a wholly-owned subsidiary of Old BMR and now a wholly-owned subsidiary of the Company, dated May 17, 2018.

"**ESI Shares**" means the issued and outstanding common shares of ESI.

"**ESI Share Purchase Agreement**" has the meaning specified in "*Information Concerning BMR – History and Development of the Business – Acquisition of the Purchased ESI Shares*".

"**Final Exchange Bulletin**" means the Exchange Bulletin which is issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction.

"**Fusion**" means Fusion Gold Ltd.

"**Fusion Board**" means the board of directors of Fusion.

"**Fusion IPO**" means the initial public offering by Fusion of 2,000,000 Fusion Shares at a price of $0.10 per share for gross proceeds of $200,000 completed on September 21, 2018.

"**Fusion Options**" means options to purchase Fusion Shares.

"**Fusion Shares**" means the issued and outstanding common shares of Fusion.

"**Fusion Shareholder**" means a holder of an issued and outstanding Fusion Share.

"**Fusion Subco**" means 1234525 B.C. Ltd., a wholly-owned subsidiary of Fusion.

"**IFRS**" means International Financial Reporting Standards.

"**Insider**" if used in relation to an issuer, means:

(a) a director or senior officer of the issuer;

(b) a director or senior officer of a company that is an Insider or subsidiary of the issuer;

(c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the issuer; or

(d) the issuer itself if it holds any of its own securities.

"**NACI**" means North American Cobalt Inc.

"**NI 43-101**" means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators, as amended from time to time.

"**NI 52-110**" means National Instrument 52-110 - *Audit Committees* of the Canadian Securities Administrators, as amended from time to time.

"**NI 58-101**" means National Instrument 58-101 - *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators, as amended from time to time.

"**Non Arm's Length Party**" means in relation to a company, a promoter, officer, director, other Insider or Control Person of that company (including an issuer) and any Associates or Affiliates of any of such persons. In relation to an individual, means any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person.

"**Non Arm's Length Parties to the Qualifying Transaction**" means, in relation to a qualifying transaction, the Vendor(s), any Target Company(ies) and includes, in relation to Significant Assets or Target Company(ies), the Non Arm's Length Parties of the Vendor(s), the Non Arm's Length Parties of any Target Company(ies) and all other parties to or associated with that qualifying transaction and Associates or Affiliates of all such other parties.

"**Non Arm's Length Qualifying Transaction**" means a proposed qualifying transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed qualifying transaction.

"**Original Amalgamation Agreement**" means the amalgamation agreement between the Company, Fusion, Fusion Subco, and Weston dated December 23, 2019.

"**Person**" means a company or individual.

"**Private Placement**" means the non-brokered private placement of 735,294 Subscription Receipts for flow-through common shares of BMR at a price of $0.68 per Subscription Receipt and 1,923,077 Subscription Receipts for BMR Shares at a price of $0.65 per Subscription Receipt, completed on January 15, 2021, raising gross proceeds of $1,750,000, which proceeds are held in escrow by the Company pending satisfaction of the Escrow Release Conditions;.

"**Private Placement Shares**" means the BMR Shares issuable upon automatic conversion of the Subscription Receipts issued pursuant to the Private Placement.

"**Property Purchase Shares**" means up to 900,000 Resulting Issuer Shares to be issued by the Resulting Issuer pursuant to the Property Purchase Agreements.

"**Property Purchase Agreements**" means, collectively, (i) a purchase and sale agreement between Old Battery and John Brady dated January 13, 2017 (200,000 BMR Shares); (ii) a purchase and sale agreement between Old Battery and John Brady dated January 12, 2017 (200,000 shares); (iii) purchase and sale agreement between Lance H. Eden and NACI dated June 22, 2017 (10,000 BMR Shares); (iv) purchase and sale agreement between Lance H. Eden and NACI dated November 25, 2017 (60,000 BMR Shares); (v) purchase option and sale between Sherry Swain and NACI dated April 7, 2018 (15,000 BMR Shares); (vi) purchase option and sale agreement between Sherry Swain and NACI dated April 7, 2018 (85,000 BMR Shares); (vii) purchase and sale agreement between Lake Shore Gold Corp. and NACI and Old Battery dated January 15, 2018 (175,000 BMR Shares); (viii) purchase and sale agreement between Temex Resources Corp. and NACI and Old Battery dated November 1, 2017 (75,000 BMR Shares); (ix) purchase and sale agreement between 1571925 Ontario Ltd., J. Legault, B. Bouchard, L. Gervais, NACI and Old Battery dated May 10, 2017 (10,000 BMR Shares); (x) purchase and sale agreement between 2254022 Ontario Ltd. and NACI dated December 2016 (50,000 BMR Shares); (xi) purchase and sale agreement between 2254022 Ontario Ltd. and NACI dated September 11, 2017 (10,000 BMR Shares); (xii) purchase and sale agreement between 2254022 Ontario Ltd. and NACI dated September 11, 2017 (10,000 BMR Shares).

"**Purchased ESI Shares**" has the meaning specified herein under "*Summary- Battery Mineral Resources Corp*.".

"**Qualifying Transaction**" means the transactions and corporate procedures contemplated by the Amalgamation Agreement that will result in the reverse-takeover of Fusion by BMR and "**qualifying transaction**" has the meaning ascribed to that term in Policy 2.4 of the TSXV.

"**Resulting Issuer**" means Fusion after completion of the Qualification Transaction.

"**Resulting Issuer Board**" means the board of directors of the Resulting Issuer;

"**Resulting Issuer Options**" means options to purchase Resulting Issuer Shares.

"**Resulting Issuer Shares**" means the common shares of the Resulting Issuer to be listed under the trading symbol "BMR" following the completion of the Qualified Transaction.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval, available at www.sedar.com.

"**Settlement Shares**" means the 200,000 BMR Shares to be issued to Idaho Metals Corp. in settlement of the claim described herein under "*Information Concerning BMR – Legal Proceedings – International Cobalt Settlement*".

"**Share Purchase Agreements**" means, collectively, those share purchase agreements dated December 23, 2019 between Weston with each of David De Witt and January Vandale (collectively, the "**Fusion Vendors**"), pursuant to which the Fusion Vendors agreed to sell and transfer to Weston, concurrently with the completion of the Qualifying Transaction, an aggregate of 3,200,000 outstanding Fusion Shares at a price of CDN$0.08 per share.

"**Share Sale Agreement**" means the share sale agreement dated December 2, 2019 between the Company, as purchaser, Old BMR, as vendor (pursuant to an administration process), and Weston, as guarantor of the Company's obligations thereunder.

"**Significant Assets**" means one or more assets or businesses which, when purchased, optioned or otherwise acquired by a CPC, together with any other concurrent transactions would result in the CPC meeting the initial listing requirements of the Exchange.

"**Sponsor**" has the meaning specified in Exchange Policy 2.2 – Sponsorship and Sponsorship Requirements.

"**Subscription Receipt**" means a subscription receipt issued by BMR pursuant to the Private Placement, each entitling the holder thereof to one flow-through BMR Share or one BMR Share without the payment of any additional consideration by the holder thereof upon satisfaction of the Escrow Release Conditions on or before the Escrow Release Deadline, failing which the subscription proceeds will be returned to the subscriber;

"**Target Company**" means a company to be acquired by the CPC as its Significant Asset pursuant to a Qualifying Transaction.

"**Technical Report**", means the technical report entitled "Technical Report on Cobalt Exploration Assets in Canada" dated as of February 5, 2021 with an effective date of October 31, 2020, prepared by Glen Cole, PGeo, of SRK Consulting (Canada) Inc.

"**TSXV**" or "**Exchange**" means the TSX Venture Exchange.

"**U.S. Securities Act**" means the United States *Securities Act of 1933*, as amended.

"**Value Escrow Agreement**" means the escrow agreement in TSXV Form 5D to which securities held by the Value Escrowed Shareholders will be subject, to be entered into in conjunction with the Qualifying Transaction in accordance with the Escrow Policy, among Fusion, the Escrow Agent and the Value Escrowed Shareholders.

"**Value Escrowed Shareholders**" means Weston, Weston Cobalt, Weston II and the Yorktown Entities.

"**Vendors**" means one or all of the beneficial owners of the Significant Assets (other than a Target Company(ies)).

"**Weston**" means Weston Energy, LLC.

"**Weston II**" means Weston Energy II, LLC.

"**Weston Cobalt**" means Weston Cobalt, LLC.

"**Yorktown IV**" means Yorktown Energy Partners IV, L.P.

"**Yorktown VI**" means Yorktown Energy Partners VI, L.P

"**Yorktown XI**" means Yorktown Energy Partners XI, L.P.

"**Yorktown Entities**" means collectively, Yorktown IV, Yorktown VI and Yorktown XI.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Filing Statement contains forward-looking statements that relate to the current expectations and views of future events of BMR and Fusion. In some cases, but not necessarily in all cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "is positioned", "estimates", "intends", "assumes", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, predictions, indications, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Forward-looking statements relating to BMR, Fusion, and the Resulting Issuer include, among other things, statements relating to:

- the completion, expenses and timing of the closing of the Qualifying Transaction;
- costs, timing and results of future exploration and drilling activities;
- the intended use of the net proceeds of the Private Placement;
- forecasted trends in the global cobalt and other battery metals markets, including in respect of price, supply, and demand;
- the adequacy of BMR's financial resources and the availability and terms of additional debt or equity financing;
- the completion, expenses and timing and result of the ESI Sale Transaction or if not completed, any other, direct or indirect, disposition of all or any part of the assets or securities of ESI; and
- environmental, permitting, legal, taxation, title, socio-economic, community relations or political issues that may adversely affect BMR's current and anticipated operations.

These statements and other forward-looking information are based on opinions, assumptions and estimates made by BMR and Fusion in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors that Fusion and BMR believe are appropriate and reasonable in the circumstances, as of the date of this Filing Statement, including, without limitation, the ability to raise any necessary additional capital on reasonable terms to pursue planned exploration and development; future prices of cobalt and other battery metals; the timing and results of exploration and drilling programs; the completion of the ESI Sale Transaction; favourable operating conditions, including that BMR is able to operate in a safe, efficient and effective manner; the receipt and maintenance of governmental and third party approvals, licenses and permits on favourable terms; and stability in financial and capital markets. There can be no assurance that such estimates and assumptions will prove to be correct. In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this Filing Statement. Although each of BMR and Fusion believe that the assumptions underlying the statements related to BMR and Fusion, respectively, are reasonable, they may prove to be incorrect.

Forward-looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by BMR and Fusion as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the following factors described in greater detail in "*Risk Factors*": uncertainty of additional capital; negative cash flow of the Company; limited operating history of the Company; risks related to commodity prices; risks associated with current global financial condition; mineral property exploration, development and operating risks; uncertainty of inferred mineral resources; risks related to ownership of a public company (ESI), risks related to the completion of the ESI Sale Transaction, social activism against companies undertaking natural resource development; risks associated with First Nations relations; risks associated with land title; government regulation of the mineral exploration and development industry; environmental risks and hazards; land reclamation requirements; climate change legislation; foreign subsidiaries; changes in technology and future demand; risks related to dependence on key personnel; insurance risks; uninsured risks; competition; legal proceedings and the enforceability of judgments; anti-corruption and bribery regulations; price volatility; absence of a market for the Resulting Issuer Shares; the potential for additional dilution; risks associated with becoming a public company including financial reporting and other public company requirements; currency exchange rate risks; payment of dividends; the publication of unfavourable research or reports on the Company; a number of conditions precedent must be satisfied for the Qualifying Transaction to proceed; the Qualifying Transaction may not be completed; the limited operating history of Fusion; and risk related to management and conflicts of interest of Fusion, each of which could impact the price of the Resulting Issuer Shares.

Although BMR has attempted to identify important factors that could cause actual actions, events, conditions, results, performance or achievements to differ materially from those described in forward-looking information, there may be other factors that cause actions, events, conditions, results, performance or achievements to differ from those anticipated, estimated or intended. See "*Risk Factors*" for a discussion of certain factors investors should carefully consider before deciding to invest in Resulting Issuer Shares.

These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect BMR. Given these risks, uncertainties and assumptions, investors should not place undue reliance on forward-looking information.

All of the forward-looking information in this Filing Statement (including any schedules and appendices) is expressly qualified by these cautionary statements. Statements containing forward-looking information contained herein are made only as of the date of this Filing Statement. Fusion expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law. Investors should read this entire Filing Statement and consult their own professional advisors to assess the income tax consequences, risk factors and other aspects connected to the Qualifying Transaction.

INFORMATION PERTAINING TO BMR

The information contained or referred to in this Filing Statement with respect to BMR has been provided by the management of BMR and is the responsibility of BMR. Management of Fusion has relied upon BMR for the accuracy of the information provided by BMR without independent verification.

NOTICE TO INVESTORS

Date of Information

Unless otherwise stated, the information contained in this Filing Statement is given as of February 5, 2021.

Reporting Currencies and Exchange Rate Information

All dollar amounts set forth in this Filing Statement are in Canadian dollars, except where otherwise indicated. In this Filing Statement, references to "$", "dollars" or "Canadian dollars" are to Canadian dollars.

The table below sets out, for each period indicated, the rates of exchange for Australian dollars expressed in Canadian dollars at the end of such period and the high, low, average (based on the exchange rate on the last day of each month during such period) exchange rates for such period (such rates, which are expressed in Canadian dollars, are based on the average daily exchange rate for Australian dollars reported by the Bank of Canada).

	Year ended June 30,		Period ended December 31
	2019 ($)	**2018 ($)**	**2019 ($)**
Rate at the end of period	0.9177	0.9733	0.9122
Average rate during period	0.9468	0.9842	0.9055
Highest rate during period	0.9790	1.0207	0.9141
Lowest rate during period	0.9132	0.9591	0.8988

Scientific and Technical Information

Scientific and technical information relating to the Cobalt District Exploration Project (as defined herein) contained in this Filing Statement is derived from, and in some instances extracted from, and based on the assumptions, qualifications and procedures set out in, the Technical Report. Glen Cole, PGeo, of SRK Consulting (Canada) Inc., reviewed and approved the scientific and technical information relating to the Cobalt District Exploration Project contained in this Filing Statement and is a "qualified person" and "independent" of the Company within the meaning ascribed to those terms under NI 43-101.

Reference should be made to the full text of the Technical Report, a copy of which has been filed and is available for review under the Company's profile on SEDAR at www.sedar.com.

Additional scientific and technical information relating to the Company's mineral properties and the Company's expected activities with respect thereto contained in this Filing Statement has been reviewed and approved by Messrs. Peter Doyle and Mr. Glen Cole, each of whom is a "qualified person" within the meaning of that term under NI 43-101. Mr. Doyle is Vice-President of Exploration for the Company, and therefore not independent of the Company within the meaning of that term under NI 43-101.

Non Arm's Length Parties

Each person whose identity is disclosed in this Filing Statement other than: Weston, Weston II, Weston Cobalt, the Yorktown Entities, Yorktown Partners LLC, January Vandale, David De Witt, Christopher Cooper, Victoria McMillan, Marcel de Groot, Marianne De Witt, Peter Doyle, Lazaros Nikeas, Jack Cartmel, Dr. Henry Sandri, John Kiernan, Stephen Dunmead and Old Battery is arm's length to the Company, ESI and Fusion. Further, ESI was not an arm's length party to the Company prior to the ESI becoming an 89% subsidiary of the Company.

Weston, Weston II and the Yorktown Entities are all controlled by Yorktown Partners LLC (and its Affiliates). Yorktown Partners LLC is a prominent private equity venture capital firm based in New York City. The founding partner of Yorktown Partners LLC is Bryan Lawrence (a director of ESI).

The insiders of ESI are Christopher Argue, the Company, Robert Dunstan, Bryan Lawrence (the founding partner of Yorktown Partners LLC), Yook Mah, Priyanka Banbarana, Brian Roberts, Jason Stabell, the Yorktown Entities and Zimmer Harold.

The insiders of Old Battery are Gary Lewis, Jack Cartmel, Henry Sandri, Stephen Dunmead, James Hughes, George Pirie, Lazaros Nikeas, Ian Pringle, George Young and Warwick Browne. LTL Capital Pty Ltd, a shareholder of the Company is controlled by Stephen Silver, formerly a promoter of Old Battery.

Specifically, each counterparty to a Property Purchase Agreement (including in particular Transition Metals Corp. and Sky Gold Corp.) and the counterparty to the Settlement Agreement is arm's length to the Company.

SUMMARY

The following is a summary of certain information relating to BMR, Fusion and the Resulting Issuer (assuming Completion of the Qualifying Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this filing statement.

The Companies

Battery Mineral Resources Corp.

BMR was incorporated under the British Columbia *Business Corporations Act* (the "**BCBCA**") on November 26, 2019 to acquire the assets of Battery Mineral Resources Limited, an Australian corporation. Its head office is located at 744 West Hastings St., Suite 400, Vancouver, BC V6C 1A5, and its registered office is located at 550 Burrard St., Suite 2900, Vancouver, BC, V6C 0A3.

BMR was organized by Weston. Weston is a limited liability company formed under the laws of Delaware to acquire energy and natural resources assets. Weston and its Affiliate, Weston II, collectively own, directly or indirectly, in excess of 50% of the outstanding voting shares of BMR and, accordingly, control BMR. The outstanding voting securities of Weston and Weston II are owned by Yorktown XI and affiliates of Yorktown Partners LLC. Yorktown Partners LLC manages the investment activities of various limited partnerships within the Yorktown group, including Yorktown IV, Yorktown VI and Yorktown XI. The head office of Yorktown Partners LLC and each of the Yorktown Entities is in New York City.

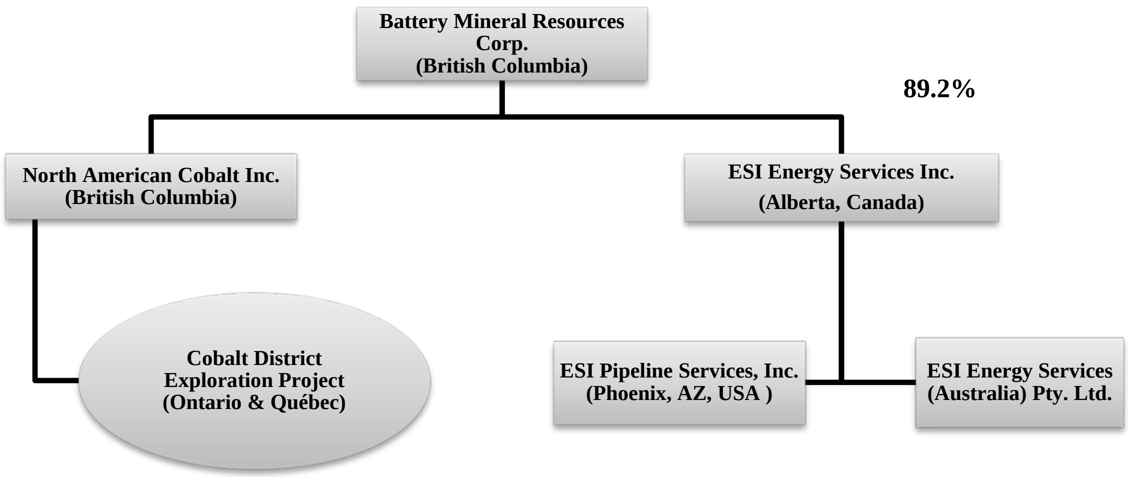
BMR is a multi-commodity explorer focused on minerals required to meet the anticipated growth in the demand for the raw materials used in the lithium-ion battery and energy storage sector. Its principal business activity since incorporation has been the acquisition, consolidation and exploration of the Cobalt District Exploration Project in Ontario and Quebec, Canada comprised of mineral claims and leases covering an aggregate of 119,548 hectares in Ontario and 1,813 hectares in Quebec. The Company also holds interests in mineral properties prospective for cobalt, lithium, and graphite in the United States and South Korea.

On September 9, 2020, BMR acquired 89.2% of the issued and outstanding common shares of ESI (CSE:OPI), a pipeline and renewables equipment rental and sales company with principal operations in Leduc, Alberta and Phoenix, Arizona, from Yorktown IV, Yorktown VI and Yorktown XI (the "**Purchased ESI Shares**"), for aggregate consideration of 30 million BMR Shares at a deemed price of $0.65 per share (an aggregate value of $19.5 million). On January 29, 2021, in connection therewith and, as consideration for BMR agreeing to support (as majority shareholder) a going private transaction by ESI, if such a transaction is deemed appropriate and in the best interests of ESI based on an independent valuation, BMR and ESI agreed to terminate the ESI Facility Agreement without further liability.

As of the date hereof, it is BMR's intent to sell its 89.2% equity interest ESI to a third party within the ensuing 12 months (or undertake a sale of ESI in its entirety in the event BMR subsequently acquires a 100% interest in ESI), in either case, providing it with funds with which to pursue its mineral exploration activities. For more information about ESI see "*Part III – Information Concerning BMR*".

The Company’s business objective is to become a leading low-cost producer of high quality, ethically sourced battery metals from high-grade, low impact mines in stable jurisdictions. In order to achieve this objective, the Company plans to: further explore and assess the potential for the development of its principal asset, the Cobalt District Exploration Project, through, among other things, additional surveying, sampling and drilling programs, resource delineation, metallurgical testing, and conducting pre-feasibility.

The following chart identifies BMR's material subsidiaries, including the jurisdiction of formation or incorporation of the various entities. BMR owns 100% of the shares of each subsidiary except as otherwise noted.



Fusion Gold Ltd.

Fusion Gold Ltd. was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on April 16, 2007. The head office and registered office of Fusion are both located at 400 Burrard Street, Suite 1400, Vancouver, British Columbia, V6C 3A6.

Fusion completed its initial public offering on September 21, 2018. It is classified as a CPC for the purposes of TSXV Policy 2.4, and its shares are listed for trading on the TSXV under the stock symbol "FML.P". Fusion's current business is to identify and evaluate other businesses and assets with a view to the acquisition thereof or participation therein in accordance with TSXV qualifying transaction rules. Until Fusion completes a qualifying transaction, such as the Qualifying Transaction, Fusion may not carry on any other business.

With the consent of the TSXV, Fusion may take steps to raise additional funds in order to finance its execution of the Qualifying Transaction. If Fusion fails to complete the Qualifying Transaction, or any qualifying transaction pursuant to TSXV rules, within two years of the date it listed on the TSXV, the TSXV may delist or suspend the Fusion Shares from trading. In the event that Fusion is de-listed, then the Fusion Shares issued to its directors and officers prior to the completion of its initial public offering would be cancelled.

See "*Part II – Information Concerning Fusion*".

Terms of the Qualifying Transaction

On December 23, 2019, BMR, Weston, Fusion and Fusion Subco entered into the Original Amalgamation Agreement (which was subsequently amended and restated by way of the Amalgamation Agreement to, among other things, reflect BMR's acquisition of the Purchased ESI Shares). The Amalgamation Agreement sets out the terms on which BMR will amalgamate with Fusion Subco, BMR Shareholders will exchange their BMR Shares for Fusion Shares on one-for-one basis (on a post-Consolidation basis), and Amalco will become a wholly-owned subsidiary of Fusion. The Fusion Shares will be issued to holders of BMR Shares at a deemed price of US$0.50/CDN$0.65 per share. In connection with (and immediately prior to) the Qualifying Transaction, Fusion will consolidate its common shares on a 2:1 basis. Prior to or concurrently with the completion of the Qualifying Transaction, Fusion will change its name to "Battery Mineral Resources Corp."

Following completion of the Qualifying Transaction, and after giving effect to (i) to the sale of 3,200,000 Fusion Shares to Weston under the Share Purchase Agreements, (ii) the issuance of the Settlement Shares; (iii) the completion of the Private Placement; (iv) the issuance of the Property Purchase Shares; and (v) the ESI Conditional Transaction Shares there will be an aggregate of 165,476,856 Resulting Issuer Shares issued and outstanding, and an additional 75,000 convertible securities of the Resulting Issuer outstanding, exercisable to purchase Resulting Issuer Shares. On a non-diluted basis, former BMR shareholders (other than Weston, its Affiliates and the Yorktown Entities) will hold 19.56% of the Resulting Issuer Shares, Weston, its Affiliates and the Yorktown Entities will hold approximately 79.53% of the Resulting Issuer Shares, the pre-Qualifying Transaction Fusion shareholders will hold 0.91% of the Resulting Issuer Shares and shareholders holding the Settlement Shares, Private Placement Shares and the Property Purchase Shares will hold in the aggregate 3.36% of the Resulting Issuer Shares.

Interests of Insiders, Promoters or Control Persons

Upon completion of the Qualifying Transaction, it is expected that the management of the Resulting Issuer will consist of Lazaros Nikeas (Chief Executive Officer), Jack Cartmel (Chief Financial Officer), Peter Doyle (VP Exploration), and Dr. Henry Sandri (VP, Business Development). It is further expected that the Resulting Issuer Board (will consist of Lazaros Nikeas, Stephen Dunmead, and John Kiernan. The Resulting Issuer will explore opportunities to nominate one additional nominee to the Resulting Issuer Board. Each of the individuals noted above presently serve as a director and/or officer of BMR. All directors and officers of Fusion will resign at the closing of the Qualifying Transaction.

Weston may be considered a "promoter" of the Company for the purposes of applicable securities laws. Weston will not receive any consideration if the Qualifying Transaction proceeds by way of compensation for the completion of the Qualifying Transaction.

The ownership (directly or indirectly) by Insiders, Promoters and Control Persons of BMR with respect to BMR Shares is, and the ownership (directly or indirectly) by Insiders, Promoters and Control Persons of the Resulting Issuer with respect to Resulting Issuer Shares, will be, in each case on a fully-diluted basis, as follows:

Insider, Promoter or Control Person	**BMR Common Shares**		**Resulting Issuer Shares (After Giving Effect to the Qualifying Transaction)**	
	Number[(1)]	**Approx. Percentage[(2)]**	**Number**	**Percentage[(3)]**
Weston Promoter and Control Person	130,001,000[(4)]	78.6%	131,601,000[(5)]	79.49%
Lazaros Nikeas Chief Executive Officer, Director, BMR; Partner, Weston	Nil	0%	Nil	0%
Jack Cartmel Chief Financial Officer, BMR	Nil	0%	Nil	0%
Dr. Henry Sandri Vice President, Business Development, BMR	Nil	0%	Nil	0%
Peter Doyle Vice President, Exploration, BMR	Nil	0%	Nil	0%
John Kiernan[(6)] Director, BMR	Nil	0%	Nil	0%
Stephen Dunmead[(6)] Director, BMR	Nil	0%	Nil	0%

Notes:

(1) Prior to giving effect to the Qualifying Transaction.

(2) Calculated on a non-diluted basis, based on 165,476,856 Resulting Issuer Shares outstanding.

(3) Based on 165,551,856 Resulting Issuer Shares outstanding on a fully diluted basis after giving effect to the Qualifying Transaction (comprised of 165,476,856 Resulting Issuer Shares issued and outstanding (including the Private Placement Shares, the Settlement Shares, the ESI Conditional Transaction Shares and the Property Purchase Shares) plus 75,000 Resulting Issuer Options).

(4) Consists of BMR Shares held by Weston and/or its Affiliates (70,001,000 BMR Shares) and the Yorktown Entities (30,000,000 BMR Shares as consideration for the ESI Purchased Shares and 30,000,000 ESI Conditional Transaction Shares).
(5) Assumes completion of the transfer of Fusion Shares (on a post-Consolidation basis) pursuant to the Share Purchase Agreements and the issuance of the ESI Conditional Transaction Shares.
(6) Independent director.

See "Part III - Information Concerning BMR" and "Part V – Information Concerning the Resulting Issuer – Directors, Officers and Promoters".

Arm's Length Qualifying Transaction

The proposed Qualifying Transaction is not a Non Arm's Length Qualifying Transaction in accordance with the policies of the TSXV.

Available Funds and Principal Purposes

Available Funds

As of January 31, 2021 (the most recent month end prior to the date of this Filing Statement), Fusion had working capital of approximately $72,147 and BMR had working capital of approximately $4,997,364. The consolidated pro forma working capital of the Resulting Issuer is $5,069,511 as at January 31, 2021.

On January 15, 2021, the Private Placement was completed resulting in gross proceeds of $1,750,000, which proceeds are held in escrow pending closing of the Qualifying Transaction.

The following table sets out the principal purposes, using approximate amounts, for which the Resulting Issuer currently intends to use the total available funds during the 12 months following the completion of the Qualifying Transaction and therefore assuming release of the proceeds of the Private Placement from escrow.

Item	Amount
Costs of Fusion and BMR to complete the Qualifying Transaction	$350,000(1)
General and administrative expenses for the next 12 months	$725,000(2)
Phase 1 exploration and drilling activities as recommended in Technical Report	$200,000 (3)
Phase 2 exploration and drilling activities as recommended in Technical Report	$986,250 (4)
Property maintenance costs (in respect of mineral property interests other than the Cobalt District Exploration Project)	$100,000
Advance royalty and option payments due under the Company's mineral properties (5)(6)(7)(8))(9)	$230,000
Unallocated working capital	$2,478,261
Total	$5,069,511

Notes

(1) Transaction costs are comprised of legal fees and listing fees ($200,000) accounting and professional fees ($150,000).

(2) The general and administrative expenses are comprised of salaries of the Company's NEO's other than Mr. Doyle ($482,000), director fees ($96,000), audit fees ($40,000), legal fees ($25,000), annual filing fees ($10,000), transfer agent fees ($15,000), corporate secretary fee ($12,000), D&O insurance ($20,000) and other general and administrative expenses ($25,000).

(3) The Phase 1 work program at the Cobalt District Exploration Project includes property maintenance fees for the claims ($20,000), trenching and assay ($40,000), geological contracting ($60,000) and project management ($70,000 (including Mr. Doyle's salary ($60,000)) and a contingency of ($10,000).

(4) The Phase 2 work program for the Cobalt District Exploration Project includes drilling ($390,000), field and drill support ($70,000), assaying ($38,500), claim management ($25,000), first nation consultation and compensation ($25,000), geological contracting ($225,250) and project management ($187,500 (including Mr. Doyle's salary $180,000)) and contingency ($25,000).

(5) Pursuant to an option and joint venture agreement between Battery Mineral Resources Limited (Canada) and Old Battery and Transition Metals Corp. dated March 2, 2019 and amended December 17, 2019 relating to the acquisition of a 60% interest in claims comprising the Gowganda claims, the Resulting Issuer is required to make a cash payment of $150,000 and incur $1M in expenditures by March 2, 2021, which expenditures have been satisfied in full) and make a cash payment of $250,000 and incur $2M in expenditures by March 2, 2022. In the event its shares are then listed on a designated exchange (including the TSXV), BMR may elect to satisfy the $250,000 cash payment in BMR Shares (the "**Gowganda Shares**").

(6) Pursuant to a purchase and sale agreement between Old Battery and John Brady dated January 13, 2017 relating to the Wilder claims, there is an outstanding payment of $45,000 to be made by Battery and Battery is obligated to pay advance royalty payments to John Brady of $10,000 per year ($5,000 to be paid on March 1 and $5,000 to be paid on September 1).

(7) Pursuant to a purchase and sale agreement between Old Battery and John Brady dated January 12, 2017 relating to the Iron Mask claims, Battery is obligated to pay advance royalty payments to John Brady of $10,000 per year ($5,000 to be paid on March 1 and $5,000 to be paid on September 1).

(8) Pursuant to a purchase and sale agreement between Skead Holdings Ltd. and Ashley Gold Mines Limited (collectively, Skead and Ashley) and Battery Mineral Resources Limited (now NACI) and Skead Holdings Ltd. dated February 17, 2017 relating to the Skead / Ashley claims, Battery is obligated to pay advance royalty payments to Skead and Ashley of $5,000 per year ($2,500 to each party) to be paid annually on February 17.

(9) Pursuant to a purchase and sale agreement between Skead Holdings Ltd. and Battery Mineral Resources Limited (now NACI) and Skead Holdings LTD. dated February 17, 2017 relating to the Skead claims, Battery is obligated to pay advance royalty payments to Skead Holdings LTD of $10,000 per year to be paid annually on February 17.

For the period November 26, 2019 to September 30, 2020, the Company has expended an aggregate of CDN$3,846,802 (of which CDN$382,795 was attributed to salaries, including Mr. Doyle's salary of CDN$220,000) on the District Exploration Project.

There may be circumstances where, on the basis of results obtained or for other sound business reasons, a re-allocation of funds may be necessary or prudent. Accordingly, management of the Resulting Issuer will have broad discretion in the application of the working capital. The actual amount that the Resulting Issuer spends in connection with each intended purpose set out above may vary significantly from the amounts specified above and will depend on a number of factors, including those referred to under "*Part I - Risk Factors*". See "*Part III – Information Concerning BMR*" and "*Part V – Information Concerning the Resulting Issuer*".

Selected Pro Forma Financial Information

The following table sets out selected financial information for each of Fusion and BMR, as well as unaudited pro forma financial information for the Resulting Issuer on a consolidated basis, in all cases as of September 30, 2020 and after giving effect to the Qualifying Transaction. The following information should be read in conjunction with the financial statements of each of Fusion, BMR and ESI attached as Exhibits hereto.

	Fusion	**BMR**	**Pro Forma Adjustments**	**Pro Forma Consolidated**
Cash and cash equivalents	93,859	74,957	6,469,594 (1)	6,638,410
Total assets (including non-current assets)	100,241	57,020,133	1,501,174	58,621,548
Total liabilities (including non-current liabilities)	12,092	5,976,706	22,059	6,010,857
Shareholders' Equity	88,149	51,043,427	1,479,115 (1)	52,610,691

Notes

(1) The unaudited pro-forma consolidated financial statements reflect the following assumptions and adjustments: (i) transaction costs associated with the Qualifying Transaction are estimated to be $350,000, which comprises accounting and legal fees, listing fees, consulting fees and all other fees related to closing; and (b) completion of the Private Placement.

Details Respecting Fusion's TSXV Listing

On September 21, 2018, Fusion completed an Initial Public Offering ("**IPO**") and issued 2,000,000 Fusion Shares for gross proceeds of $200,000. The Fusion Shares commenced trading on the TSXV on September 25, 2018, under the symbol FML.P. There are currently 6,200,000 Fusion Shares outstanding. BMR Shares are not listed on any stock exchange and there is currently no public market for BMR securities.

Market Price of Fusion Shares

The closing price of Fusion Shares on the TSXV on August 30, 2019, the last trading day prior to the Fusion Shares being halted, was $0.165 per Fusion Share.

See "*Part II – Information Concerning Fusion – Stock Exchange Price*."

Conditional Listing Approval

The TSXV has conditionally accepted the Qualifying Transaction subject to Fusion fulfilling all of the requirements of the TSXV on or before February 5, 2021. The TSXV has conditionally approved the listing of the Resulting Issuer Shares under the symbol "BMR".

Securities Laws Matters

The Resulting Issuer Shares to be issued to holders of BMR Shares pursuant to the Amalgamation will be pursuant to Section 2.11 of NI 45-106 and other available exemptions from prospectus requirements of applicable Canadian securities laws. Pursuant to NI 45-102, the Resulting Issuer Shares to be issued pursuant to the Amalgamation to BMR Shareholders will not be subject to a hold period under applicable Securities Laws (subject to satisfaction of the conditions in section 2.5 of NI 45-102). Shareholders are advised to consult their financial or legal advisors with respect to the resale of the Resulting Issuer Shares issued on completion of the Amalgamation.

Conflicts of Interest

Certain directors and officers of the Company are or may become associated with other companies, which may give rise to conflicts of interest. The directors and some of the officers of the Company have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers. See "*Directors and Executive Officers - Conflicts of Interest*".

Experts

Except as disclosed herein, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement holds any beneficial interest, direct or indirect, in any securities or property of Fusion or BMR or of an Associate or Affiliate of Fusion or BMR, respectively, and no such person is expected to be elected, appointed or employed as a director, officer or employee of Fusion or BMR or of an Associate or Affiliate of Fusion or BMR, respectively.

Risk Factors

The current business of BMR will be the business of the Resulting Issuer upon completion of the Amalgamation. BMR's future development and operating results may be very different from those expected as at the date of this Filing Statement. Readers should carefully consider the risks related to BMR's and the Resulting Issuer's future performance. See "*Part I – Risk Factors*".

Risk factors relating to BMR and the Resulting Issuer include, but are not limited to, the following:

- Risks relating to the Resulting Issuer's business including:
  - uncertainty of additional capital;
  - negative cash flow;
  - limited operating history;
  - commodity prices;
  - risks related to ESI;
  - current global financial conditions;
  - mineral property exploration, development and operating risks;
  - uncertainty of inferred mineral resources;
  - risks related to ownership of public company
  - risks related to completion of the ESI Sale Transaction;
  - social activism against extractive industries;
  - first nations rights;
  - land title;
  - governmental regulation of the mineral exploration and development industry;
  - environment risks and hazards;
  - land reclamation requirements;
  - climate change legislation;
  - foreign subsidiaries;
  - changes in technology and future demand;
  - dependence on key personnel;
  - insurance and uninsured risks;
  - competition;
  - legal proceedings and enforceability of judgments;
  - anti-corruption and bribery regulations;
  - price volatility;
  - no assurance of active market for shares;
  - dilution to the Resulting Issuer Shares;
  - public company shares;
  - currency fluctuations;
  - dividend policy; and
  - publication of inaccurate or unfavorable research and reports.
- Risks relating to Fusion:
  - conditions precedent to the proposed transaction;

- the transaction may not be completed;
- operation history; and
- management and conflicts of interest.

PART I - RISK FACTORS

The Company's current business will be the Resulting Issuer's business upon completion of the Amalgamation. An investment in the securities of the Resulting Issuer involves significant risks. Additional risks and uncertainties not presently known to Fusion and BMR or that Fusion and BMR currently consider immaterial may also impair the business and operations of the Resulting Issuer and cause the trading price of the Resulting Issuer Shares to decline. If any of the following or other risks occur, the Resulting Issuer's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Resulting Issuer Shares could decline and shareholders could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

As used in this section "Risk Factors", references to "BMR" in connection with risks to which BMR may be subject following the completion of the Qualifying Transaction should be considered to be risk factors affecting the Resulting Issuer.

Uncertainty of Additional Capital

The exploration and development of the Company's properties, including continuing exploration and development projects will require substantial additional financing. The Company has limited financial resources, has earned no revenue since commencing operations, and has no source of operating income. Failure to obtain sufficient financing could result in a delay or indefinite postponement of planned exploration activities on any or all of the Company's properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favorable to the Company and might involve substantial dilution to existing shareholders.

While the Company has been successful in raising financing to date, there can be no assurance that it will be able to do so in the future. The consolidated financial statements of the Company included in this Filing Statement do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

Negative Cash Flow

The Company has no producing mines and has no source of cash to fund operating expenses or capital costs other than through the sale of equity or joint venture interests, or debt financing. As such, the Company's predecessor had negative operating cash flow for the financial year ended June 30, 2019 and BMR had negative operating cash flow for the period ended December 31, 2019 and September 30, 2020. The Company anticipates that it will continue to have negative operating cash flow for the foreseeable future and that it will need to allocate a portion of its cash reserves to fund such negative cash flow. As stated above, the Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that additional capital or other types of financing will be available when needed or that any financing will be on terms favourable to the Company.

Inability to Dispose of ESI

As previously stated, as of the date hereof, BMR intends to dispose of its 89.2% interest in ESI to a third party or, if it acquires a 100% interest in ESI, all of ESI. There can be no assurance that BMR will be successful in completing such a sale, for consideration substantially similar to that expected by BMR, or at all. A failure to dispose of ESI or its interest therein, could adversely impact the Company's operations and financial condition.

Limited Operating History

The Company has a very limited history of operations and is in the early stage of development. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

Commodity Prices

The Company is exposed to commodity price risk. Declines in the market price of cobalt and other battery metals, and other minerals may adversely affect the Company's ability to raise capital in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of a mineral property to a third party.

Risks Related to ESI

The Company holds 89.2% of the issued and outstanding shares of ESI and is therefore subject to the various risk factors normally associated with companies engaged in the oil and gas services industry. Accordingly, this Filing Statement should be read in conjunction with the MD&A of ESI for the three and nine month period ended September 30, 2020, the years ended December 31, 2019 and 2018, and the years ended December 31, 2018 and 2017 (attached as Exhibits "M", "N1" and "N2" hereto) and the risk factors listed therein.

Current Global Financial Conditions

Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises. Future economic shocks may be precipitated by a number of causes, including pandemics, war, a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company, or at all. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Company's operations and financial condition could be adversely impacted.

Currently, the global economy is suffering the results of the 2019 novel coronavirus COVID-19 pandemic ("**COVID-19**"). The pandemic has had significant negative effects on the global economy by, among other effects, halting supply chains, product demand and labour markets. Equity and credit markets have reacted negatively. Given the novel nature of the global outbreak of disease, the end result of the pandemic and its economic effects are not knowable, but one plausible outcome could be a recession, even of prolonged length.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the global mining industry, global supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Company's operating environment and its operating costs and share price. Any negative events in the global economy could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Mineral Property Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. The Company's future operations would be subject to all the hazards and risks normally encountered in the exploration, development and production of mineral properties, including unusual and unexpected geologic formations, seismic activity, ground failure, rock bursts, cave-ins, flooding and other conditions involved in the drilling, blasting, removal and evaporation of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

The exploration for and development of mineral deposits is also highly speculative and involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate, and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of commercially mineable bodies of ore. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation as the economic viability of the project would depend on obtaining favourable exploration results and commodity prices.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which may include the particular attributes of the deposit, such as size, grade and proximity to infrastructure; mineral prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Most of these factors are beyond the Company’s control. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. No assurance can be given that the minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a favourable basis.

If any of the Company’s properties are found to have mineral deposits in economically feasible quantities and grades, the Company would be subject to additional risks respecting any development and production activities. There is no certainty that the metallurgical processes will or can be developed to separate economically valuable products from waste, or that metallurgical processes that are developed and the resulting by-products will not have deleterious effects on people, the environment or products, and by consequence, the Company and its business.

Uncertainty of Inferred Mineral Resources

Inferred Mineral Resources do not have demonstrated economic viability and are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. The estimates of Mineral Resources contained in this Filing Statement contain estimates of Inferred Mineral Resources. Due to the uncertainty which may be attached to Inferred Mineral Resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that Inferred Mineral Resources will be upgraded to Measured and Indicated Mineral Resources or Proven and Probable Mineral Reserves as a result of continued exploration.

Risks Related to Ownership of a Public Company

The Company’s investment in ESI represents a significant investment in a public company. The market value of these investments will fluctuate according to various factors normally associated with public companies engaged in the oil and gas business. The Company has no control over fluctuations in the price of ESI Shares and reductions in the value of this investment could have a negative impact on the market price of the Resulting Issuer's common shares.

Social Activism Against Extractive Industries

There is an increasing level of public concern relating to the effects of mining on the natural landscape, on communities and on the environment. Certain non-governmental organizations, public interest groups and reporting organizations ("**NGOs**") who oppose resource development can be vocal critics of the mining industry. In addition, there have been many instances in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. While the Company seeks to operate in a socially responsible manner, and believes it has good relationships with local communities in the regions in which it operates, NGOs or local community organizations could direct adverse publicity against and/or disrupt the operations of the Company in respect of one or more of its properties, regardless of its successful compliance with social and environmental best practices, due to political factors, activities of unrelated third parties on lands in which the Company has an interest or the Company’s operations specifically. Any such actions and the resulting media coverage could have an adverse effect on the reputation and financial condition of the Company or its relationships with the communities in which it operates, which could have a material adverse effect on the Company’s business, financial condition, results of operations, cash flows or prospects.

First Nations Rights

There are two main First Nations, the Wabun Tribal Council and the Temagami First Nation, whose territories cover most of the Cobalt District Exploration Project. The Company’s success will depend on its relationships with First

Nations. The Wabun Council, which is comprised of two groups (Matachewan and Mattagami), secured a memorandum of understanding with the Company in August 2017 and the Temagami secured a memorandum of understanding in March 2018. However, future agreements will likely be required to support development of, and mining at, the Cobalt District Exploration Project. While the Company believes that it currently enjoys good working relationships with First Nations in Ontario and Québec, the loss of or damage to these relationships could have a material adverse effect on the Company's ability to carry out the exploration or development of the Cobalt District Exploration Project, which would have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Land Title

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions, surface rights, and water rights may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. If title defects do exist, it is possible that the Company may lose all or a portion of its right, title, estate and interest in its mineral properties.

Government Regulation of the Mineral Exploration and Development Industry

The current and future operations of the Company, from exploration through development activities and commercial production, if any, are and will be governed by the laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities may experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there can be no assurance that the Company will be successful in obtaining all required permits. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition and results of operations. Further, there can be no assurance that all permits which the Company may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions thereunder, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may also be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulations in the various jurisdictions in which it operates including but not limited to the maintenance of air and water quality, land reclamation, environmental pollution and the generation of transportable storage and disposal of hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners of the properties. To the extent the

Company is subject to environmental liabilities, the payment of any liabilities or the costs that may be incurred to remedy environmental impacts will reduce funds otherwise available for operations.

Land Reclamation Requirements

Land reclamation requirements are generally imposed on companies with mining operations or mineral exploration companies in order to minimize long term effects of land disturbance. Reclamation may include requirements to, among other things, control dispersion of potentially deleterious effluents, and reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on the Company in connection with its business, the Company may be required to allocate financial resources that might otherwise be spent on exploration and contemplated development programs. If the Company is required to carry out unanticipated reclamation work or provide security for further reclamation work, the Company's funds otherwise available for operations will be reduced and its business and financial position could be adversely affected.

Climate Change Legislation

A number of governments have introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulation relating to emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If the current regulatory trend continues, this may result in increased costs at the Company's operations. In addition, the physical risks of climate change may also have an adverse effect on the Company's operations. These risks include extreme weather events (such as prolonged drought), which have the potential to disrupt operations at the Company's mines and may require the Company to make additional expenditures to mitigate the impact of such events.

The Company's future projects are expected to depend on regular supplies of consumables (diesel, tires, reagents, etc.) to operate efficiently. In the event that the effects of climate change or extreme weather events cause prolonged disruption to the delivery of essential commodities, production levels at the Company's operations may be reduced.

There can be no assurance that efforts to mitigate the risks of climate change will be effective and that the physical risks of climate change will not have an adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Foreign Subsidiaries

The Company holds certain non-core mineral properties in one or more foreign subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between the Company and such entities, or among such entities, could restrict the Company's ability to fund any future operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

Changes in Technology and Future Demand

Currently cobalt, lithium and graphite are the key metals used in batteries, including those used in electric vehicles. However, the technology pertaining to batteries, electric vehicles, energy creation and storage and other industrial uses is changing rapidly and there is no assurance cobalt, lithium or graphite will continue to be used to the same degree as they are now, or that it will be used at all. Any decline in the use of cobalt, lithium or graphite in batteries, technologies utilizing such batteries, or other industrial uses may result in a material and adverse effect on the Company's profitability, results of operation and financial condition.

Dependence on Key Personnel

The Company is dependent upon a number of key management and technical personnel. The Company's ability to manage its exploration and development activities, and hence its success, will depend in large part on the efforts of these individuals. The Company faces competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel. Failure to retain key employees or to attract and retain additional key employees with necessary skills could have a materially adverse impact on the Company's growth and profitability. The Company does not have "key man" insurance on any of its directors or officers.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability. Although the Company will maintain liability insurance in amounts which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company may elect not to insure against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial position.

The Company is not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration) has not been generally available to companies within the industry. The Company will periodically evaluate the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Company has to pay such liabilities and result in bankruptcy. Should the Company be unable to fund fully the remedial cost of an environmental problem it might be required to enter into interim compliance measures pending completion of the required remedial work.

Competition

The mining industry is intensely competitive in all phases of exploration, development and production and the Company competes with many companies currently possessing greater financial and technical resources. Competition in the mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop and operate such properties; the labour to operate such properties; and the capital used for the purpose of funding such properties. Many competitors not only explore for and mine cobalt and other battery metals, but also conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified personnel or to acquire the capital necessary to fund its operations and develop its properties.

Legal Proceedings and Enforceability of Judgments

The Company may be subject to regulatory investigations, civil claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in regulatory actions and litigation, the difficulty of predicting decisions of regulators, judges and juries and the possibility that decisions may be reversed on appeal. The defense and settlement costs of legal disputes can be substantial, even with claims that have no merit. Management is committed to conducting business in an ethical and responsible manner, which it believes will reduce the risk of legal disputes. However, if the Company is subject to legal disputes, there can be no assurances that these matters will not have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Since some of the Company's assets are located outside of Canada, there may be difficulties in enforcing any judgments obtained by the Company in foreign jurisdictions in Canadian courts. The Company may be subject to legal proceedings and judgments in foreign jurisdictions. It may be difficult for investors to enforce within Canada any judgments obtained against the Company, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws or otherwise. Consequently, investors may be effectively prevented from pursuing remedies against the Company under Canadian securities laws or otherwise. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company on any judgments obtained in Canadian courts and predicated on the civil liability provisions of applicable securities legislation. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Anti-corruption and Bribery Regulation

The Company is required to comply with anti-corruption and anti-bribery laws in jurisdictions where it has operations, in particular in Canada and the United States. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment of companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third-party agents. If the Company is the subject of an enforcement action, or in violation of such laws, it may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company's reputation and results of its operations.

Price Volatility

Securities of resource exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. As a result of any of these factors, the market price of the securities of the Company at any given point in time may be subject to market trends and macroeconomic conditions generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings and may not accurately reflect the long-term value of the Company. There can be no assurance that the continual fluctuations in price will not occur. The value of the securities distributed hereunder may be affected by such volatility.

No Assurance of Active Market for Shares

Upon completion of the Qualifying Transaction, the Resulting Issuer’s Common Shares will be listed on the TSXV, however, there can be no assurance that an active and liquid market for the Resulting Issuer Shares will develop or be maintained.

If an active public market does not develop or is not maintained, shareholders of the Resulting Issuer may have difficulty selling the Resulting Issuer Shares that such shareholders will acquire as a result of the Qualifying Transaction. The market price of the Resulting Issuer Shares may materially decline below the implied value of the Resulting Issuer Shares in the Qualifying Transaction.

Dilution to the Resulting Issuer Shares

Further, any additional issuance of equity securities following the closing of the Qualified Transaction could dilute the interests of existing shareholders and could negatively affect the trading price of the Resulting Issuer Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy and to satisfy the Company’s obligations upon the exercise of outstanding warrants or options or for other reasons. Sales of a substantial number of Resulting Issuer Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Resulting Issuer Shares and impair the Company’s ability to raise capital through the sale of additional equity securities. The Company cannot predict the effect that future sales of the Resulting Issuer Shares or other equity-related securities would have on the market price of the Resulting Issuer Shares.

Public Company Status

The Company will incur significant legal, accounting, insurance and other expenses as a result of being a public company, which may negatively impact the Company’s performance and could cause the Company’s results of operations and financial condition to suffer. Compliance with applicable securities laws and the rules of the TSXV increases the Company’s expenses, including the Company’s legal and accounting costs, and make some activities more time-consuming and costly which uses management resources that would otherwise be used for advancing the business.

Currency Fluctuations

Investors who purchase Resulting Issuer Shares will be subject to currency exchange rate risk. Although the Resulting Issuer Shares are priced in Canadian dollars, the business of the Company may in the future conducted in jurisdictions outside of Canada, including the United States and Korea. Consequently, any income and gains will be earned and any expenses and losses may be incurred in or presented in the financial statements in currencies other than Canadian dollars, including United States dollars and Korean won. The value of the Canadian dollar is not maintained at a fixed exchange rate compared to global currencies; rather, it floats in relation to them. As a result of fluctuations in the exchange rate between the Canadian dollar, United States dollars and Korean won, the value of an investment in the Resulting Issuer Shares, when expressed in Canadian dollars, may be greater or less than that determined only with reference to United States dollars.

Dividend Policy

The Company has not paid dividends in the past and has no plans to pay dividends for the foreseeable future. The future dividend policy of the Resulting Issuer will be determined by the Resulting Issuer Board.

Publication of Inaccurate or Unfavourable Research and Reports

Following the listing of the Resulting Issuer Shares, the trading market for the Resulting Issuer Shares will rely in part on the research and reports that securities analysts and other third parties choose to publish about the Resulting Issuer. The Resulting Issuer will not control these analysts or other third parties. The price of the Resulting Issuer Shares could decline if one or more securities analysts downgrade the Resulting Issuer Shares or if one or more securities analysts or other third parties publish inaccurate or unfavourable research about the Resulting Issuer or cease publishing reports about the Resulting Issuer. If one or more analysts cease coverage of the Resulting Issuer or fail to regularly publish reports on the Resulting Issuer, the Resulting Issuer could lose visibility in the financial markets, which in turn could cause the Resulting Issuer's share price or trading volume to decline.

Risks Relating to Fusion

Conditions Precedent to the Proposed Transaction

If the conditions precedent to the completion of the Amalgamation are not satisfied or waived, as applicable, Fusion will continue to be a CPC governed by the CPC Policy and will continue to pursue a qualifying transaction in accordance with the CPC Policy. The Fusion Shares were listed on the TSXV on September 25, 2018. Pursuant to the policies of the TSXV, a CPC has 24 months from the date of listing to complete a Qualifying Transaction or its shares will be suspended from trading.

The Transaction May Not be Completed

The Qualifying Transaction is subject to final acceptance of the TSXV. There can be no assurance(s) that the necessary regulatory approvals will be obtained. If the Qualifying Transaction is not completed for these reasons or for any other reason(s), Fusion will have incurred significant costs associated with the failed implementation of the Qualifying Transaction.

Furthermore, Fusion has only limited funds with which to identify and evaluate potential qualifying transactions and there can be no assurance that Fusion will be able to identify a suitable qualifying transaction in the future. Even if a proposed qualifying transaction is identified in the future, there can be no assurance that Fusion will be able to successfully complete such transaction and the completion of such other qualifying transaction is subject to a number of conditions including acceptance by the TSXV and, in the case of a non arm's length qualifying transaction, approval of the majority of the minority shareholders.

Operating History

Fusion has no assets other than cash. Fusion has no history of earnings and will not generate earnings or pay dividends until at least after the completion of a Qualifying Transaction. Until completion of a Qualifying Transaction, Fusion is not permitted to carry on any business other than the identification and evaluation of potential transactions.

Management and Conflicts of Interest

The ability of Fusion to successfully complete a qualifying transaction is dependent on the performance of its current directors and officers, who devote only a portion of their time to the business and affairs of Fusion and are, or will be, engaged in other projects or businesses. Some of the current directors and officers of Fusion also serve as directors and/or officers of other companies which may compete with Fusion in its search for the businesses or assets targeted in order to complete a qualifying transaction. Accordingly, situations may arise where certain directors and officers of Fusion are in a position of conflict with Fusion.

PART II - INFORMATION CONCERNING FUSION

Name and Incorporation

Fusion was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on April 16, 2007. The head office and registered office of Fusion are both located at 400 Burrard Street, Suite 1400, Vancouver, British Columbia, V6C 3A6. In connection with the Qualifying Transaction, Fusion will change its name to "Battery Mineral Resources Corp.", or such other similar name as BMR may direct and which is acceptable to the TSXV and other applicable regulatory authorities.

General Development of the Business

Fusion is a CPC and to date has not carried on any operations. Its principal business has been to identify and evaluate businesses and assets with a view to completing a TSXV qualifying transaction and, having identified and evaluated such opportunities, to negotiate an acquisition or participation subject to acceptance by the TSXV.

On August 30, 2019, Fusion entered a binding letter agreement with Old BMR that set out the principal terms of a proposed qualifying transaction. Fusion and Old BMR entered into a definitive scheme implementation agreement dated October 11, 2019 with respect to the proposed qualifying transaction that superseded the letter agreement.

On December 9, 2019, Fusion announced the termination of the scheme implementation agreement with Old BMR, and the execution of a new letter agreement with the Company dated December 5, 2019 (the "**Letter Agreement**"). The Letter Agreement was superseded by the Amalgamation Agreement.

Selected Consolidated Financial Information and Management’s Discussion and Analysis

Selected Financial Information

The following table sets out selected historical financial information for Fusion for the periods indicated. Such information is derived from the unaudited financial statements for the period ended September 30, 2020 and the audited financial statements for the periods ended December 31, 2019 and 2018, and should be read in conjunction with such financial statements. See Exhibits “G” and “H” hereto.

Income Statement Data	For the nine months ended September 30	For the Period Ended December 31	
	2020	2019	2018
Total Expenses	$137,941	$181,438	$47,169
Net Loss and Comprehensive Loss	$(137,941)	$(31,438)	$(47,169)
Balance Sheet Data			
Total Assets	$100,241	$269,827	$308,394
Total Liabilities	$12,092	$43,737	$50,866
Shareholders' Equity	$88,149	$226,090	$257,528

Management's Discussion and Analysis

Management's Discussion and Analysis for Fusion for the period ended September 30, 2020 is attached hereto as Exhibit "I" and Management's Discussion and Analysis for Fusion for the periods ending December 31, 2019 and 2018 is attached hereto as Exhibit "J" and was prepared for purposes hereof in the context of completion of a Qualifying Transaction and the listing of the Resulting Issuer Shares. The Management's Discussion and Analysis should be read in conjunction with the unaudited and audited financial statements of Fusion and related notes attached to this Filing Statement as Exhibits "G" and "H" hereto.

Description of Securities

The authorized capital of Fusion consists of an unlimited number of Fusion Shares. As of the date hereof, there are 6,200,000 Fusion Shares issued and outstanding.

Fusion Shareholders are entitled to receive notice of any meetings of shareholders of Fusion and to attend and cast one vote for each Fusion Share held at all such meetings. Fusion Shareholders are further entitled to a proportionate share, on a per share basis, of the assets of Fusion available for distribution in the event of a liquidation, dissolution or winding-up of Fusion, as well as to the right to receive any dividend if declared by Fusion.

Stock Option Plan

Fusion has adopted an incentive stock option plan (the "**Fusion Option Plan**") that provides the Fusion Board with the discretion to grant to directors, officers, employees and consultants of Fusion non-transferrable options to purchase Fusion Shares, provided that the Fusion Shares reserved for issuance will not exceed 10% of the issued and outstanding Fusion Shares at the time of the grant. Pursuant to the Fusion Option Plan, options are required to have an exercise price not less than the closing market price of Fusion's shares prevailing on the day that the option is granted, less applicable discount, if any, permitted by the policies of the TSXV. The Fusion Option Plan contains no vesting requirements, but permits the Fusion Board to specify a vesting schedule in its discretion.

Fusion Options may be exercised until 90 days (or 30 days in case of an optionee engaging in any investor relations activities) following the date the optionee ceases to be a director, officer or employee of Fusion or a consultant or a management company employee, provided that: (i) if the cessation of such position or arrangement was by reason of death, the Fusion Option may be exercised by the legal personal representatives of the optionee up to and including a date 1 year from the date of such death, in all cases subject to the expiry date of such option; and (ii) if the cessation of such position or arrangement was by reason of termination for cause, as that term is interpreted by the courts of the jurisdiction in which such optionee (or, in the case of a management company employee or a consultant company, of such optionee's employer) is employed or engaged, any outstanding Fusion Option held by such optionee on the date of such termination shall be cancelled of that date. Furthermore, Fusion Options granted to an optionee while Fusion is a CPC who does not continue as a director, officer, technical consultant or employee of the Resulting Issuer may be exercised until the later of 12 months after the completion of the Qualifying Transaction and 90 days after such optionee ceases to be a director, officer, technical consultant or employee of the Resulting Issuer.

Notwithstanding the terms of the Fusion Option Plan described above, the CPC Policy imposes certain restrictions on the Fusion Options during the period that Fusion remains a CPC. Such restrictions shall remain in place until the TSXV issues the Final Exchange Bulletin (such bulletin indicating that the Resulting Issuer will not be considered a CPC). Under the CPC Policy, Fusion, while it remains a CPC, is limited to granting the Fusion Options to only directors, officers and where permitted by applicable securities legislation, a technical consultant of BMR, whose particular industry expertise in relation to the business of BMR is required to evaluate the proposed Qualifying Transaction.

There are 150,000 Fusion Options outstanding, each entitles the holder to purchase one Fusion Share at an exercise price of $0.10 and has a term of 5 years, expiring on September 21, 2023. No Fusion Options have been exercised as of the date of this Filing Statement.

The following table sets out the Fusion Options held by directors and officers of Fusion as of the date of this Filing Statement.

Name and Position of Holder	Fusion Options (#)	Exercise Price ($)	Expiry Date
January Vandale	25,000	$0.10	September 21, 2023
David De Witt	25,000	$0.10	September 21, 2023
Christopher Cooper	25,000	$0.10	September 21, 2023
Victoria McMillan	75,000	$0.10	September 21, 2023
Total:	**150,000**		

Prior Sales

The following table sets out the number of Fusion Shares that have been issued since incorporation (and the number sold at each price):

Date	Number of Fusion Shares Issued	Issue Price Per Fusion Share	Consideration Received
February 7, 2018	4,200,000[(1)]	$0.05	Cash
September 21, 2018	85,000[(1)(2)]	$0.10	Cash
September 21, 2018	1,915,000[(2)]	$0.10	Cash

Notes:

(1) Representing shares subject to the CPC Escrow Agreement. Pursuant to the CPC Escrow Agreement, 10% of the escrowed Fusion Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "**Initial Release**") and an additional 15% of the escrowed Fusion Shares will be released on the dates 6, 12, 18, 24, 30 and 36 months following the Initial Release.

(2) Issued in connection with the Fusion IPO.

As at the date hereof, 4,285,000 Fusion Shares have been sold to "non arm's length" parties of Fusion:

Name and Municipality of Residence	Date	Number of Fusion Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly	Percentage of Outstanding Fusion Shares[(1)]
January Vandale *Vancouver, British Columbia*	February 7, 2018	3,035,000[(4)]	48.95%
David De Witt *Vancouver, British Columbia*	February 7, 2018	1,000,000	16.13%
Christopher Cooper *Vancouver, British Columbia*	February 7, 2018	100,000	1.61%
Victoria McMillan *Vancouver, British Columbia*	February 7, 2018	100,000	1.61%
Marcel de Groot[(2)] *Vancouver, British Columbia*	February 7, 2018	35,000	0.56%

Name and Municipality of Residence	Date	Number of Fusion Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly	Percentage of Outstanding Fusion Shares(1)
Marianne De Witt(3)(5) *Vancouver, British Columbia*	February 7, 2018	15,000	0.24%

Notes:

(1) Based on 6,200,000 Fusion Shares issued and outstanding on the date hereof.
(2) Mr. de Groot is Mrs. January Vandale's spouse and therefore an "Associate" of Mrs. Vandale within the meaning of that term pursuant to TSXV Policy 1.1 - Interpretation.
(3) Mrs. De Witt is Mr. David De Witt's spouse and therefore an "Associate" of Mr. De Witt within the meaning of that term pursuant to TSXV Policy 1.1 - Interpretation.
(4) Including 35,000 Fusion Shares purchased pursuant to the CPC IPO.
(5) All purchased pursuant to the CPC IPO.

Stock Exchange Price

Fusion Shares were listed and posted for trading on the TSXV on September 25, 2018, under the trading symbol "FML.P". The closing price on the TSXV of Fusion Shares on August 30, 2019, the last completed trading day prior to the announcement of the Qualifying Transaction, was $0.165 per Fusion Share. Trading of the Fusion Shares on the TSXV has been halted since September 3, 2019.

The following table sets out trading information for Fusion Shares for the periods indicated (all dollar amounts in Canadian dollars).

Period	High Close ($)	Low Close ($)	Volume
2020			
October 1 – November 27	0.165	0.165	N/A
July 1 to September 1	0.165	0.165	N/A
April 1 to June 1	0.165	0.165	N/A
January 1 to March 1	0.165	0.165	N/A
2019			
October 1 to December 31	0.165	0.165	N/A
July 1 to September 30	0.30	0.165	30,000
April 1 to June 30	0.30	0.115	58,000
January 1 to March 31	0.14	0.105	45,500
2018			
October 1 to December 31	0.30	0.135	140,230
September 18-30	0.20	0.100	43,000

Arm's Length Transaction

The Qualifying Transaction is not a Non Arm's Length Qualifying Transaction.

Legal Proceedings

There are no material legal proceedings to which Fusion is a party or to which any of its property is the subject matter. Management of Fusion is not aware of any such legal proceedings to be contemplated.

Auditor, Transfer Agent and Registrar

Auditor

The auditors of Fusion are Charlton & Company, LLP, Chartered Professional Accountants, 1735-555 Burrard Street, Vancouver, British Columbia, V7X 1M9. They have been Fusion's auditors since February 7, 2018.

Escrow Agent and Registrar

The transfer agent and registrar for the Fusion Shares is Odyssey Trust Company, 323-409 Granville Street, Vancouver, British Columbia, V6C 1T2.

Material Contracts

Fusion has not entered into any material contracts, other than contracts entered in the ordinary course of business, except:

1. the CPC Escrow Agreement; and

2. the Amalgamation Agreement.

Copies of these agreements are available for inspection at Fusion's head office at no cost, at any time during ordinary business hours and until 30 days after the completion of the Qualifying Transaction.

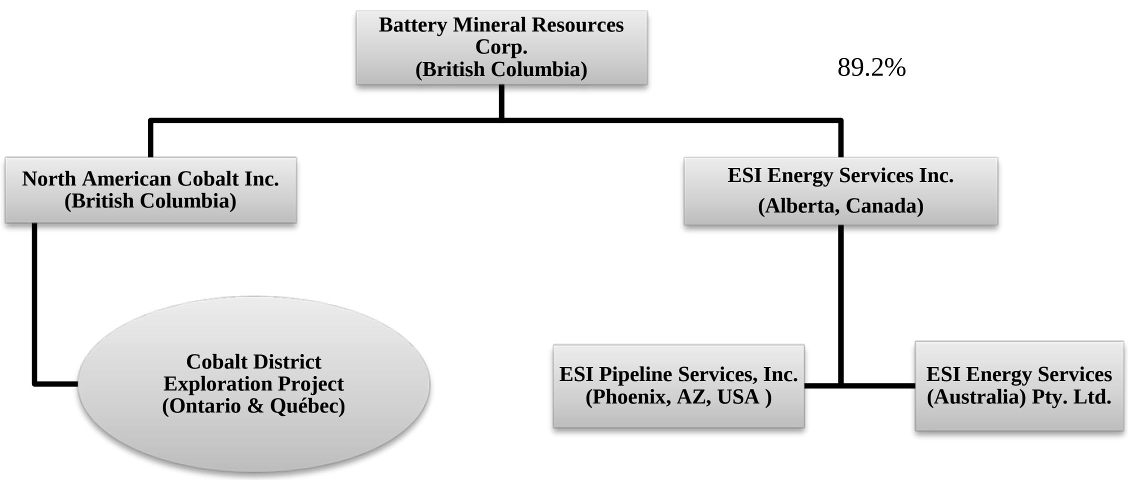
PART III - INFORMATION CONCERNING BMR

Name and Incorporation

BMR was incorporated under the British Columbia *Business Corporations Act* on November 26, 2019. Its head office is located at 744 West Hastings St., Suite 400, Vancouver, BC V6C 1A5, and its registered office is located at 2900-550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

Intercorporate Relationships

The following chart identifies BMR's material subsidiaries, including the jurisdiction of formation or incorporation of the various entities. BMR owns 100% of the shares of each subsidiary except as otherwise noted.



History and General Development of the Business

General

The Company was incorporated for the purpose of acquiring the assets of Old BMR, (including in particular, the Cobalt District Exploration Project), pursuant to a voluntary administration process initiated by Old BMR under the *Corporations Act, 2001* (Cth) (Australia) in November 2019.

BMR was organized by Weston, a limited liability company formed under the laws of Delaware to acquire energy and natural resources assets. Weston and its Affiliate, Weston II collectively own, directly and indirectly, in excess of 50% of the outstanding voting shares of BMR and, accordingly, control BMR. The outstanding voting securities of Weston and Weston II are owned by Yorktown XI and affiliates of Yorktown Partners LLC. Yorktown Partners LLC manages the investment activities of various limited partnerships within the Yorktown group, including Yorktown IV, Yorktown VI and Yorktown XI. The head office of Yorktown Partners LLC and each of the Yorktown Entities is in New York City.

On September 9, 2020, BMR acquired 89.2% of the issued and outstanding common shares of ESI (CSE:OPI), a pipeline and renewables equipment rental and sales company with principal operations in Leduc, Alberta and Phoenix, Arizona, from Yorktown IV, Yorktown VI and Yorktown XI (the "**Purchased ESI Shares**"), for aggregate consideration of 30 million BMR Shares at a deemed price of $0.65 per share (an aggregate value of $19.5 million). On January 29, 2021, in connection therewith and, as consideration for BMR agreeing to support (as majority shareholder) a going private transaction by ESI, if such a transaction is deemed appropriate and in the best interests of ESI based on an independent valuation, BMR and ESI agreed to terminate the ESI Facility Agreement without further liability.

Acquisition of the Cobalt District Exploration Project

In December 2019 the Company acquired the assets of Old BMR by acquiring all of the issued and outstanding shares of all of the subsidiaries of Old BMR (the "**Old BMR Subsidiaries**") pursuant to the terms of the Share Sale Agreement.

The purchase price for the Old BMR Subsidiaries was AUS$20,779,811 which was satisfied by both cash and set off of the ESI Prepayment (as defined below) and a bridge loan of US$6,565,315 (AUS$9,446,892), including principal and accrued interest, previously made by Weston to Old BMR. Weston paid the cash consideration component of the purchase price on behalf of the Company and guaranteed the obligations of the Company under the Share Sale Agreement. Pursuant to the Share Sale Agreement, the Company also agreed to be responsible for conduct of certain litigation to which Old BMR was party.

By way of background, on May 17, 2018, ESI, Old BMR and NACI (an Old BMR Subsidiary), entered into the ESI Facility Agreement pursuant to which ESI made an initial payment of $10 million to Old BMR and NACI (the "**ESI Prepayment**") and agreed to provide up to $90 million of capital to build a cobalt processing facility to process material mined from the Cobalt District Exploration Project with the intention of, if economically feasible, achieving commercial mining operations. The ESI Prepayment is repayable by NACI, upon termination of the ESI Processing Facility Agreement, in certain circumstances arising from NACI's failure to use reasonable commercial efforts to advance the Cobalt District Exploration Project. As described in further detail below, the ESI Facility Agreement was terminated as of January 29, 2021, without any liability in respect of the ESI Prepayment.

Specifically, the AUS$20,779,811 purchase price was paid as follows:

BMR Bridge Loan Forgiveness	AUS$9,446,892
ESI Prepayment(1)	AUS$10,897,000(1)
Cash Consideration (Weston)	AUS$200,000
Payment of Old BMR creditors	AUS$235,919
Total	AUS$20,779,811

Notes
(1) Represents CDN$10,000,000 after conversion to Australian dollars.

Upon (and as a result of) acquiring the Old BMR Subsidiaries, the Company's primary asset became the Cobalt District Exploration Project and it acquired interests in mineral properties prospective for cobalt, lithium, and graphite in the United States and South Korea.

Acquisition of the Purchased ESI Shares

The Purchased ESI Shares were acquired pursuant to an agreement of purchase and sale between the Yorktown Entities and BMR dated August 31, 2020 (the "**ESI Share Purchase Agreement**"), pursuant to which Battery acquired 46,087,216 common shares of ESI (representing 89.2% of the issued and outstanding common shares of ESI) and issued an aggregate of 30 million BMR Shares (having a deemed value of $19.5 million) to Yorktown IV, Yorktown VI and Yorktown XI. As agreed to by the parties at the time of execution and delivery of the ESI Share Purchase Agreement and on September 9, 2020 6,666,667 of the ESI Purchased Shares were repurchased by ESI for no consideration. On January 29, 2021, in connection therewith and, as consideration for BMR agreeing to support (as majority shareholder) a going private transaction by ESI, if such a transaction is deemed appropriate and in the best interests of ESI based on an independent valuation, BMR and ESI agreed to terminate the ESI Facility Agreement without further liability, including in respect of the ESI Prepayment. The foregoing repurchase of ESI Shares did not affect BMR's relative shareholdings in ESI nor the value thereof.

The ESI Share Purchase Agreement also provides for the issuance of up to an additional 30 million BMR Shares (the "**ESI Conditional Transaction Shares**") to the Yorktown Entities upon BMR receiving, on or prior to March 31, 2021, proceeds in excess of $10 million (the amount by which such consideration exceeds $10 million being referred to as the "**Excess Amount**") on account of its ownership of the Purchased ESI Shares as a result of: (a) the purchase of outstanding ESI Shares by a third-party (whether for cash or other consideration (or a combination thereof)); (b) a sale of all or substantially all of the assets of ESI to a third-party (whether for cash or other consideration (or a combination thereof)) or (c) any transaction, circumstance or event, other than those noted in (a) or (b) above. Upon such a transaction, BMR will promptly issue that number of additional BMR Shares to the Yorktown Entities as is equal to the Excess Amount divided by $0.65 (subject to adjustments provided in the ESI Share Purchase Agreement).

As of the date hereof, it is BMR's intent to sell its 89.2% equity interest in ESI to a third party within the ensuing 12 months, or, if it acquires a 100% interest in ESI, sell all of ESI. In either case, providing it with funds with which to pursue its mineral exploration activities.

No valuation opinion was obtained within the last 12 months to support the value of the consideration received or paid by BMR for the Purchased ESI Shares.

The acquisition of the Purchased ESI Shares by BMR from the Yorktown Entities was a non arm's length transaction.

For information related to the nature of the assets acquired and the effect of the significant acquisition on the operating results and financial position of BMR, see the pro forma financial statements attached as Exhibit "O" to this Filing Statement.

Business Objectives, Strategy and Milestones

The Company's business objective is to become a leading low-cost producer of high quality, ethically sourced battery metals from high-grade, low impact mines in stable jurisdictions. In order to achieve this objective, the Company plans to further explore and assess the potential for the development of its principal asset, the Cobalt District Exploration Project, through, among other things, additional surveying, sampling and drilling programs, resource delineation, metallurgical testing, and conducting pre-feasibility.

As and when resources permit, the Company will also resume exploration activities on its non-core lithium and graphite properties, in the United States and South Korea and pursue strategic acquisition opportunities in the battery metals mining and processing sector, particularly opportunities representing near-term cash flow.

The Company also plans to support the management of ESI identify and assess strategic opportunities.

Competitive Conditions

The Company's business activities are the exploration, evaluation and development of mineral deposits. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will initially have, for the opportunity to develop projects. See "*Risk Factors – Competition*".

Strength and Competitive Advantages

The Company believes it has competitive advantages relative to its peers in the battery mineral exploration and development industry. These advantages include a land package of significant size that has historically been under-explored for cobalt.

In addition, the Company believes its geographical position is also a competitive advantage, as its principal assets and operations are located in stable and mining-friendly jurisdictions, where, if production is warranted, the Company believes it will be positioned to serve North American and Asian-based customers with shorter lead-times and lower logistics costs than other battery minerals producers in Africa, Australia and Europe. Current global cobalt production is centred in jurisdictions with significant political risk, conflict, and a reputation for inconsistent application of the rule of law. Ethically sourced cobalt from jurisdictions subject to robust legal and regulatory regimes and certainty surrounding the sourcing and mining of mineral products, such as in Canada and the United States, provides a competitive advantage in the marketplace and is highly desired by strategic partners and end users.

Weston's strategic investment support for BMR is also a competitive advantage given its access to capital markets participants, market credibility, a shareholding position that is aligned with the success of the Company, and its financial support for advancing operations. Similarly, the Company's majority shareholding of ESI provide it with potential access to cash reserves.

Foreign Operations

Certain of the Company's non-core assets are located in the United States and in South Korea. As such, the Company is exposed to various levels of political, economic and other risks and uncertainties associated with operating in jurisdictions outside Canada. See "*Risk Factors — Foreign Subsidiaries*".

Employees

As at the end of the financial year ended December 31, 2019, the Company had one direct employee and eight external consultants.

Environmental Protection, Social and Environmental Policies

The Company's primary operations are currently located in Canada, with secondary non-core assets in the United States, and South Korea. Each jurisdiction is subject to various laws and regulations concerning the environment. The Company is required to submit and adhere to environmental plans lodged in relation to all its licensed mineral properties. The financial and operational effects of environmental protection requirements on capital expenditures and the competitive position of the Company have not been material to it from the date of its incorporation to the date of this Filing Statement. However, environmental protection requirements may result in additional expenditures and affect the competitive position of the Company in the future. See "*Risk Factors — Environmental Risks and Hazards*".

Cobalt District Exploration Project

Property Description and Location

The Cobalt District Exploration Project is located in Ontario and Quebec and covers 119,548 hectares (1,195km^2) in Ontario and 1,813 hectares (18.13 km^2) in Québec near Sudbury and Thunder Bay.

The Cobalt District Exploration Project consists of nine properties: Elk Lake, Gowganda, McAra, Otter, Shining Tree, White Lake, White Reserve, Wilder and Fabre. The Company has a 100% interest in all properties except (ii) the Gowganda property, in respect of which it has an option to acquire a 60% interest pursuant to an option agreement with Transition Metals Corp. (the "**Gowganda Option Agreement**"); and (ii) certain claims comprising the Elk Lake property, in respect of which the Company holds a 60% interest pursuant to a joint venture agreement with Sky Gold Corp.

Under the Gowganda Option Agreement, the Company has the option to earn a 60% interest in the property by making the following payments and incurring the following expenditures, in each case, by the date specified below:

	Payments	**Exploration expenditures**
By December 19, 2019:	$100,000 (paid)	
By September 2, 2020:	$nil	$400,000 (incurred)
By March 2, 2021:	$150,000	$1,000,000
By March 2, 2022:	$250,000	$2,000,000

Upon acquiring a 60% interest, the Company has the option to acquire an additional 20% interest in the Gowganda property through completion of a feasibility study within three years. The Company has the right to extend the period to four years for payment of $250,000 in cash or shares if the Company’s stock is free trading. The Gowganda property is subject to a 2% NSR of which 1% of the royalty can be purchased for $1,000,000.

The claims, leases and patents comprising the Cobalt District Exploration Project are set forth below, have been extended through to 2021.

Ontario Property	**No. Claims**	**No. Leases**	**No. Patents**	**Area (Ha) Claims**	**Area (Ha) Leases**	**Area (Ha) Patents**	**Total Area (Ha)**	**Total Area (Km^2)**
Elk Lake	1,221	0	0	20,902	0	0	20,902	209.0
Gowganda	1,509	4	0	24,847	225	0	25,072	251
McAra	1,232	1	0	24,805	382	0	25,187	252
Shining Tree	143	0	0	2,636	0	0	2,636	26
White Lake	538	0	0	10,776	0	0	10,776	108
White Reserve	616	0	0	12,984	0	0	12,984	130
Wilder	1,068	4	0	21,940	51	0	21,991	220
Ontario Totals	**6,327**	**9**	**0**	**118,890**	**658**	**0**	**119,548**	**1,195.0**

Québec Property	**No. Claims**	**No. Leases**	**No. Patents**	**Area (Ha) Claims**	**Area (Ha) Leases**	**Area (Ha) Patents**	**Total Area (Ha)**	**Total Area (Km^2)**
Fabre	31	0	0	1,813	0	0	1,813	18.1
Québec Totals	**31**	**0**	**0**	**1,813**	**0**	**0**	**1,813**	**18.1**

In the Province of Ontario, mining is largely regulated by the provincial government, with the Ontario Ministry of Northern Development and Mines ("**MNDM**") and the Ontario Ministry of Natural Resources ("**MNR**") acting as the two main oversight bodies. Unpatented mining claims can only be staked by an entity that holds a prospector's licence from the MNDM. A licenced prospector is permitted to enter onto provincial Crown and private lands that are open for exploration and stake an unpatented mining claim. Once the unpatented claim is recorded with the MNDM, the holder is permitted to conduct exploratory and assessment work on the lands. To maintain the mining claim and keep it in good standing, the holder must adhere to relevant staking regulations and conduct all prescribed work thereon. The prescribed work is currently set at $400 per annum per 16 hectare claim unit and payments in lieu of work may be made in certain circumstances. Upon completing a certain amount of work, the holder of a mining claim may apply for and obtain a mining lease to mine the land. A mining lease, typically has a term of 21 years and grants the lessee the exclusive right to enter upon and search for, and extract, minerals from the land. The application for a mining lease must specify whether it is requesting a lease of mining and surface rights or mining rights only and requires the payment of fees.

In Quebec, a claim is the only valid exploration right. The holder of a claim has the exclusive right to search for minerals in the public domain except within sand, gravel, clay and other loose deposits, on the land subjected to the claim. A claim is obtained by map designation submitted through GESTEM Plus. A claim has a term of two years and may be renewed indefinitely. There is an obligation to invest a minimum amount of required exploration work determined by applicable regulations and any excess expenditures may be applied to subsequent terms of the claim. Upon demonstrating that the deposit is mineable, the holder of a claim may apply for a mining lease. The surface area of a mining lease may not exceed 100 hectares. Mining leases have a term of 20 years and are renewable in ten year periods.

All the claims comprising the Cobalt District Exploration Project are active and in good standing and carry an aggregate annual regulatory work requirement of $2,159,000 and a current reserve of $6,057,240.

The Cobalt District Exploration Project is not subject to any royalties, overrides, back-in rights, payments or other agreements and encumbrances except as set forth below:

McAra

Party	Royalty
Ontario #2254022	2% NSR; ½ buydown for $500,000
L. Eden	1% NSR; ½ buydown for $250,000

Gowganda

Party	Royalty
Amador Gold Corp	2% NSR; ½ buydown for $1,000,000
Ashley Gold Mines (Haultain/Nicol)	1% NSR; ½ buydown for $1,000,000
Ashley Gold Mines (Milner)	1% NSR; ½ buydown for $1,000,000
Capital Links Inc	1% NSR on 2 claims & 0.9% NSR on 3 claims; ½ buydown for $250,000
L. Eden (1)	1% NSR; ½ buydown for $250,000
L. Eden (2)	1% NSR; ½ buydown for $250,000
C. Larche	1% NSR; ½ buydown for $500,000
J. Hermeston & M. Sigouin	Collectively, 1% NSR; ½ buydown for $500,000
Klondike Silver Corp	2% NSR; ½ buydown for $1,000,000
Ontario #1571925, J. Legault, B. Bouchard & L. Gervais	Collectively, 1% NSR; ½ buydown for $500,000
Skead Holdings Ltd	2% NSR; ½ buydown for $500,000; Advance Minimum Royalty $10,000/year, starting February 17, 2020
Skead Holdings Ltd & Ashley Gold Mines	Skead only, 1% NSR; ½ buydown for $250,000; Advance Minimum Royalty $5,000/year, starting February 17, 2020
S. Swain (Initial)	1% NSR; ½ buydown for $500,000
S. Swain (3-claim transaction)	1% NSR; ½ buydown for $500,000
S. Swain (Morrison)	3% NSR; ½ buydown for $1,000,000
Transition Metals Corp.	Underlying: 2% NSR; subject to right to ½ buydown for $1,000,000; TMC royalty of 2½% NSR;subject to right to ½% buydown for $1,000,000 (½% NSR on cobalt and 1½% NSR on all other metals and minerals

Fabre

Party	Royalty
Tres-Or Resources Limited	2% Gross Metals R; ½ buydown for $1,000,000 & ½ buydown for $1,000,000

Shining Tree

Party	Royalty
D. Burda	1% NSR; ½ buydown for $250,000

Elk Lake

Party	Royalty
J. Hermeston & M. Sigouin	Collectively, 1% NSR; ½ buydown for $500,000
S. Swain	1% NSR; ½ buydown for $500,000
C. Larche	1% NSR; ½ buydown for $500,000
L. Eden & R. Salo	Collectively, 1% NSR; ½ buydown for $500,000
L. Eden (1)	1% NSR; ½ buydown for $250,000
L. Eden (2)	1% NSR; ½ buydown for $250,000
L. Eden (3)	1% NSR; ½ buydown for $250,000
Amador Gold Corp	
Ashley Gold Mines	2% NSR; ½ buydown for $1,000,000

Party	Royalty
Lake Shore Gold	2% NSR; ¼ buydown for $500,000 & second ¼ buydown for $500,000
Ashley Gold Mines (1) (Silverstrike)	2% NSR; ½ buydown for $1,000,000
Ashley Gold Mines (2) (Silverstrike	2% NSR; ½ buydown for $1,000,000
Sunvest Minerals Corp.	2% NSR; ½ buydown for $500,000

Wilder

Party	Royalty
L. Eden	1% NSR; ½ buydown for $250,000
Ashley Gold Mines (Kell)	2% NSR; ½ buydown for $1,000,000
Ashley Gold Mines (Thompson)	2% NSR; ½ buydown for $1,000,000
J. Brady	1.5% NSR; 1/3 buydown for $1,500,000; Advance Minimum Royalty $10,000/year, starting March 1, 2020

White Reserve

Party	Royalty
L. Eden	1% NSR; ½ buydown for $250,000
Ashley Gold Mines	2% NSR; ½ buydown for $1,000,000

White Lake

Party	Royalty
Ontario #2254022 White Lake	2% NSR; ½ buydown for $500,000
Ontario #2254022 (Chicault)	2% NSR; ½ buydown for $500,000
Ontario #2254022 Major Lieke	2% NSR; ½ buydown for $500,000

The Company holds or has applied for all permits required to conduct the proposed exploration.

The Cobalt District Exploration Project is not subject to any known environmental liabilities except that there are numerous old mines and exploration prospects on the project area. The Company is not responsible for environmental issues existing on unpatented mining claims prior to their staking date, however it is liable for pre-existing hazard if a site is subsequently disturbed. As of the date of the Technical Report, the Company had not initiated any environmental disturbances or disturbed any pre-existing hazards on any of the properties.

In addition, in acquiring certain leases comprising the Gowganda property, the Company agreed to undertake progressive rehabilitation to return the site to compliance with the *Ontario Mining Act and Regulation* 240/00. The required rehabilitation work consists of a voluntary progressive multi-year rehabilitation plan agreed to by previous owners and the Ministry of Energy Northern Development and Mines and approved by MNDM. The cost as estimated in 2013 was $1,158,500. To date, approximately 10% of the work has been completed.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

The Cobalt District Project Area is generally accessible by highway and thereafter by a network of gravel agricultural, forestry, and logging roads using all-terrain vehicles. The nearest population centre is either Sudbury via Highway 560 or North Bay via Québec Highway 101. Sudbury has a population of approximately 162,000 and has a large airport.

Climate

All the properties in the Cobalt District Exploration Project are located within Northeastern Ontario and Northwestern Québec, where the climate is continental and moderately humid with short- to moderate- length, warm to hot summers and long, cold winters. Annual temperatures range from an average low of minus 19° Celsius in January to an average high of 25° Celsius in July. Precipitation in Ontario and southwestern Québec averages 600 mm to 1,000 mm per year, including significant snowfall from October to March. Exploration can be conducted year-round.

Local Resources and Infrastructure

The Cobalt District Exploration Project is near the Abitibi region, which is among the largest mining jurisdictions in the world, and electrical power, surface water, and skilled mining labour are all readily available, and the property is sufficient for potential tailings storage areas, waste disposal areas, heap leach pads and processing plant sites.

Under the tenure agreement with Ontario, both surface (i.e. access) and mining rights have been leased in respect of the McAra and Shining Tree claims until February 28, 2030.

Physiography

The Cobalt District Exploration Project is located at an elevation of approximately 200 m to 400 m above mean sea level and lie within an area of the Canadian Shield that is characterized by subdued topography with rolling hills and numerous lakes, rivers and swamps. Vegetation in the area comprises boreal forest and includes both coniferous and mixed-wood forests. Coniferous tree species include white and black spruce, balsam, jack pine fir, eastern white cedar, and tamarack, while the deciduous species are mainly white birch and poplar.

History

McAra

Exploration on the McAra prospect area has occurred sporadically after a winter road connecting Sudbury and Gowganda was built in 1910. The table below summarizes historical exploration drilling on the property.

Year	Operator	No. of Drillholes	Total Metres	Township
1971	Metron Exploration Ltd	2	61.3	North Williams
1977	Extender Minerals	4	193.0	North Williams
1991	Extender Minerals	22	547.6	North Williams
1996	Falconbridge Ltd	6	354.9	North Williams
1996	Roy Annett	1	93.5	Leonard
1998	Roy Annett	3	276.2	Dufferin
1998-99	Wallbridge Mining	6	1,065.1	Dufferin, North Williams
2000	Highwood Res Ltd	5	774.5	North Williams
2001	Wallbridge Mining Co	2	403.0	Dufferin
2003	Liberty Mines Inc	3	222.5	Dufferin
2003	Mustang Minerals Corp	11	1,338.0	Dufferin
204	Liberty Mines	12	1,140.0	Dufferin
2007	Liberty Cobalt	2	208.0	Dufferin
2008	Liberty Mines	2	508.0	Ray
2010	Liberty Mines	6	599.0	Dufferin
2011	Golden Phoenix Minerals	2	367.2	North Williams
	Total:	**89**	**8,151.8**	

In 1970, Metron Exploration Limited ("**Metron**") discovered a copper-zinc sulphide showing, known as the Kite Lake showing, between Kite and Tracey Lakes in the southern part of North Williams Township. Two short holes drilled in 1971 by Metron targeted a VLF-EM conductor and intersected quartz-carbonate stringers and scattered fine grained disseminated pyrite and chalcopyrite in sediments. No assays were reported.

Stripping and trenching over several small areas on claims were conducted in 1977, approximately 800 m west of the south end of McKee Lake, and 3.5 km southeast of the McAra occurrence. Samples with accompanying analysis returned up to 0.07% copper, 0.10% cobalt and 0.08% lead. Also, in 1977, Extender Minerals of Canada Ltd completed 6 drillholes targeting barite veins in arkosic sediments, immediately west of the southern half of Tracey Lake in North Williams Township.

In 1982, an occurrence of gold in the area was reported to contain 1.5 g/t gold and interest was renewed. In 1984, a joint venture between Golden Shield Resources Ltd. and McFinley Mines Ltd. carried out a field mapping and sampling program covering eight townships, including North Williams, with disappointing results. Of note, late cross-cutting quartz veins in upper Lorraine quartzites and diabase sills returned up to 2.7 g/t gold.

In 1992, additional work on the copper occurrence discovered in 1968 was conducted, including ten miles of magnetometer and VLF-EM surveying along with stripping and geological mapping. Samples contained up to 0.27% copper in quartzites in the vicinity of diabase sill.

From 1996 to 1997, further assessment work was carried out on the Kite Lake area showing, including mapping and identifying a strong VLF-EM conductor coincident with the sulphide zone. In 1996, a new discovery at McAra Lake was made, reporting gossanous zones in volcanic rocks. Minescape Exploration Inc. ("**Minescape**") drilled two holes targeting these zones in 1998.

Wallbridge Mining Company Ltd. ("**Wallbridge**") optioned a block of claims comprising the McAra property in 1997 and continued drilling. Of the thirteen drillholes described in the assessment report, WM-01 and WM-09 were first reported by Minescape. Three of the diamond drillholes intersected a high-grade cobalt-arsenic rich polymetallic vein system, with the following significant results:

- WM-02 intersected 2.4% cobalt over 3.9 metres, including 10.03% cobalt, 1.17% nickel, and 41.2 g/t silver over 0.46 metres; and 9.44% cobalt, 1.14% nickel, and 30.3 g/t silver over 0.46 metres.
- WM-03 intersected 13.36% cobalt, 1.68% nickel, 82.5 g/t silver and 1.37 g/t gold over 0.57 metres.
- WM-10 intersected 5.89% cobalt, 6% lead, and 10.34% zinc over 0.31 metres.
- WM-10 also intersected a 5-metre wide shear zone cutting through basalt that assayed up to 2.4 g/t gold and 1.76% arsenic over 0.89 metres.

In October 2002, Wallbridge and Mustang Minerals Corp. sampled 1 metre long, continuous intervals from an east-west striking trench, which contained an average of 2.1% copper, 1.1% zinc, 0.7% lead, 34 g/t silver and 0.03 g/t gold over 9 m. In November 2002, Mustang optioned the McAra Lake Property (80 claim units) from Wallbridge and in December 2002, JML Resources Ltd. (an affiliate of Mustang) optioned 76 claim units located north and adjacent to the McAra Lake property. They completed geophysical surveys over the area and drill tested targets with mediocre to poor results. Mustang drilled eleven holes to test the volcanic massive sulphide (VMS) mineralized zone at depth and along strike and terminated its option on the property in June 2003, citing low base and precious metal values from drill core samples.

From 2003 to 2004, Liberty Mines Inc. completed 18 holes totaling 1,528.5 m, and intercepted significant amounts of cobalt, copper, nickel, and silver. In 2007, Liberty Cobalt Inc. contracted a ground magnetic survey on the project in 2005 and drilled five core drillholes on the property totaling 1,047 m in 2007. Drilling did not intercept significant mineralized zones.

Northern Sun Mining Inc. ("**NSM**") owned the claims in 2014 and completed limiting prospecting and survey work. NSM optioned these claims to the Company in September 2016, and BMR Limited purchased the claims in February 2017.

Gowganda

By 1925, the Gowganda area had produced 8,420,509 oz of silver from 14 properties, with over half of this coming from the Miller Lake O'Brien Mine. The mine operated until 1939 when it was closed for the duration of the war; 17,555,646 oz of silver had been produced to that date. During the war years, lessees were reported to have taken 620,000 oz of silver from the mine. The Castle-Trethewey (later owned by Castle Silver Resources Inc. and now Canada Cobalt Works) and the Millerett were the next most important silver producers.

Township	Mines	Alias	Ag (oz)	Ag (kg)	Co (lbs)
	Bartlett*	Crews-McFarlan; Manridge	20,219	629	
	Mann	Manridge, incl. Boyd-Gordon	123,620	3,845	
Milner	Reeve*	Reeve Dobie; Manridge	88,584	2,755	
	Dobie Lake South*	South Bay	1,500	47	
	Bishop*		--	--	
	Bonsall	Lower Bonsall; Sandy K	114,527	3,562	
	Capitol*		10,837,181	337,074	209,474
Haultain	Castle-Trethewey	Castle No.3	6,461,021	200,960	299,847
	Miller Lake	The Everett	3,461	108	
	Millerett		611,822	19,030	5,000
	Wigwam*		896	28	
	Miller Lake-O'Brien*		40,736,585	1,267,049	785,700
Nicol	Morrison*		719,201	22,370	22,018
	Walsh*	Tonapah	453,424	14,103	3,555
Lawson	Bishop*	Levega Mines; Keora; Caleta	42,400	1,319	
		Total:	**60,214,441**	**1,872,879**	**1,325,594**

Previous mining produced extensive underground workings and tailings deposits on the property. All buildings, including head frames and mill, were demolished and equipment moved from the site at the conclusion of commercial mining by previous operators in 1972, but some activity continued into the late 1980s.

The following tables set forth the previous exploration drilling at the Gowganda property:

Year	Operator	No. of Drillholes	Total Metres	Township
1950	Roy Silver Mines Ltd	2	162.1	Haultain
1951	Barmill Syndicate	14	235.4	Milner
1951	Québec Yellowknife Gold Mines	3	98.6	Nicol
1952	Castlebar Silver & Cobalt Mines Ltd	5	252.1	Haultain
1952	Central Milner Mines Ltd	4	302.4	Lawson
1955	Castlebar Silver & Cobalt Mines Ltd	5	258.6	Haultain
1956-57	Nichaud Mining/A Page	2	40.2	Nicol
1957	Reef Expl Ltd	1	12.2	Lawson
1958	A Page	3	53.4	Haultain
1959-60	Castlebar Silver & Cobalt Mines Ltd	14	1,697.4	Haultain
1961	Yellowknife Bear Mines Ltd	2	193.3	Milner
1962	Castlebar Silver & Cobalt Mines Ltd	10	1,309.5	Haultain
1962	New West Mulet Mines Ltd	3	-	Lawson
1962	Tormont Mines Ltd	16	748.5	Haultain
1962	Siscoe Metals	1	128.35	Nicol
1963	Jacmar Expl Ltd	2	275.0	Lawson
1963	Yellowknife Bear Mines Ltd ± Manridge Mines Ltd	4	143.0	Milner
1963	Utopia Gold Mines Ltd	3	134.8	Milner
1964	Levega Mines Ltd	11	1,100.3	Lawson

Year	Operator	No. of Drillholes	Total Metres	Township
1964	Yellowknife Bear Mines Ltd ± Manridge Mines Ltd	16	850.4	Milner
1965	Silver Ore Zone Mines Ltd	4	317.6	Milner
1966	Keevil Mining Grp	6	210.4	Lawson
1967	Siscoe Metals	13	891.5	Haultain
1967	Siscoe Metals	2	378.72	Nicol
1967	International Mine Services	3	147	Nicol
1969-71	D Dutherland	6	235.4	Milner
1971-72	Ralloyd Mines	3	477.13	Haultain
1980-81	R A Macgregor / Teck Expl Ltd	7	403.7	Lawson
1981	Peerless Silver & Cobalt Exp Ltd	43	6,828.5	Nicol
1984	Manridge Expl Ltd	7	438.1	Milner
1984	Robert Macgregor	7	659.7	Lawson
1984	Royal Gold & Silver Corp	7	658.5	Lawson
2007	Klondike Silver Corp	18	2,758.0	Milner
2007	Klondike Silver Corp	7	1,611.0	Haultain
2010	Northstar Gold Corp	7	1139	Nicol
2010-11	Transition Metals Corp	21	2251	Haultain
	Total:	**282**	**27,400.8**	

In addition to drilling, in 1969 Gowganda Silver Mines completed a soil sampling grid as a result of which 9,000 samples were sampled. In 1984, Manridge Explorations Ltd., completed some geophysics and between 1979 and 1989 Sandy K Mines completed mapping and sampling in the Upper Bonsall, Millerett and Miller Lake O'Brien mine areas, as a result two new veins were discovered.

Fabre

Earliest exploration for silver and gold targeted the northern portion of Fabre East after the discovery of gold and silver mineralization; no cobalt was reported. Silver and cobalt were discovered in 1907 on the Fabre East block. Three shafts were sunk, but the shafts are now filled in and capped.

From 1936 to 1955, Touton Exploration and Mining Company ("**Touton**") acquired 4,700 acres in the Fabre area, dewatered the main shaft, and conducted surface and underground mapping and sampling, magnetometer surveys, and drilled more than 40 diamond drillholes on both the Fabre West and Fabre East blocks targeting zinc, copper, and silver mineralization. Hole No. 40, drilled in 1947 on Fabre West, is reported to intersect a 1.4-metre interval grading 3.09 g/t (0.10 opt) gold, 59.9 g/t (1.748 opt) silver, 1.4% copper, 1.08 % lead, 1.58% cobalt, 1.12% bismuth, 0.12% nickel and 2.66% arsenic at a depth of 207.4 m.

In 1967, World Mining Exploration Ltd completed EM and magnetic surveys over the same general area once controlled by Touton and drilled three diamond drillholes on the Fabre West block to test two conductors.

In 1975, Ville Marie Explorations Ltd. completed line cutting, an induced polarization (IP) survey (approximately 11 line- km), geological prospecting possibly on both current claim blocks, and drilled 600 m in four diamond drillholes located on the Fabre West block.

In 1979, St-Joseph Exploration conducted an IP survey on a portion of the Fabre East and West blocks, and also conducted a horizontal loop electromagnetic survey on the Fabre West block. In 1980, the IP grid was extended, and the mineralized zones were mapped and covered by a magnetic survey.

Results were difficult to interpret due to the interference of local electrical power lines. In 1987, a helicopter-borne magnetic, electromagnetic, and VLF survey was flown by Aerodat Limited over the Fabre Station area for Aurora Gold.

Stripping of 530 m^2 near the main shaft on Fabre East in 1995 was reported as well as sampling and outlining additional cobalt occurrences. Five samples were collected from the 22-m level of the shaft; a "33 cm" sample assayed 237.11 g/t silver and 0.99% cobalt, another "selected" sample assayed 187.2 g/t silver and 14.5% cobalt.

Significant assays from the most significant drillholes is set forth below. The intersections are measured down the hole and their relationship to true width is unknown.

Operator	**Drillhole ID**	**Au (g/t)**	**Ag (g/t)**	**Bi (%)**	**Co (%)**	**Length (m)**
Touton	40	3.09	59.9	1.12	1.58	1.4
		8.71			2.54	0.9
Sementiou	FV-95-1	1.050	714.2	1.1	2.7	0.57
		.06-	600	0.4	8	0.49

In 1997, First Western Minerals drilled three diamond drillholes (FV-97-02 to -04) on the Fabre West block as a follow-up to the 1995 Sementiou drillhole (results did not duplicate the earlier findings) and two short holes near the main shaft on Fabre East (FV-97-05 and FV-97-06) in 1997. They also conducted a small horizontal-loop (Max-Min) survey over two small grids, one grid on the Fabre West block and the other on Fabre East.

In 2010, Tres-Or Resources Limited ("**Tres-Or**") conducted two days of prospecting and site investigation on the Fabre East block. Five samples were taken from dump material near the main shaft; one sample with strong cobalt bloom assayed 0.331 g/t gold, 23.3 g/t silver, and 0.986% cobalt. Tres-Or also conducted a ground magnetic survey on the Fabre West block and concluded that the location of the historical drillholes coincided with a zone of low magnetic intensity.

Tres-Or also drilled two drillholes from one drill pad, targeting the mineralization intersected in historical holes 40 and FV-95-1. The best result was 201g/t silver over 9 m (85 to 94 m) in hole TRS F002-10. Most drillholes were drilled towards the southeast, targeting the contact between the Coleman member of the Gowganda formation and the underlying Archean metavolcanics sequence. Although underground development took place early in the property’s history, there is no documented mineral production on the Fabre prospect.

Shining Tree

Early exploration efforts in the Shining Tree prospect area, mainly for silver, started in 1908. Several discoveries were made between 1909 and 1912, spurring exploration on until an eventual decline that lasted until the mid-1950s.

In 1955, Newnorth Gold Mines Limited drilled five diamond drillholes, intersecting carbonate veins with specks of chalcopyrite and pyrite. In 1956, Newnorth contracted a ground electromagnetic survey, outlining two conductors and six semi-conductors. In 1957, five diamond drillholes, not documented in the Ontario drillhole database, tested the area between Fournier Lake and Bing Lake, intersecting calcite stringers.

From 1958 to 1959, Temiskaming Project Syndicate established a grid and carried out geological mapping covering the Bobtail Lake area extending south past Mullen Lake. No assays were reported.

In 1963, Coulee Lead and Zinc Mines Ltd. carried out detailed geological mapping program covering the area around Horseshoe (now Herron) Lake and Nellie (now Taylor) Lake, targeting the Nipissing diabase–Keewatin contact, focussing on structural features to locate new quartz-calcite veins. No assays were reported.

In 1965, Silver Pack Mines Ltd. carried out geological mapping around the southern part of Taylor Lake. On a claim block further north, 5 diamond drillholes were reported as drilled for a total of 1,004 feet (306 m) by Barron Diamond Drilling Limited. Banded iron formation, chalcopyrite, pyrite, cobalt minerals, sphalerite, specular hematite, lead minerals and narrow carbonate veins up to 25 cm were reported. The best silver assay was 0.14 oz/ton over 0.5 feet (4.8 g/t silver over 15.2 cm). Drilling was followed up by a geochemical survey in 1966, but no results were reported.

In 191 United Reef Petroleum drilled 5 X-ray type drillholes, totalling 128.4 m, in the vicinity of the Sullivan, M.J. Showing, in the southeast corner of the Shining Tree prospect area (URX-71-2: 257.1 g/t silver and 0.38% cobalt over 0.15 m and URX-71-3: 68.6 g/t silver and 0.25% cobalt over 0.15 m).

Between 1973 and 1974: United Reef Petroleum completed line cutting, geological mapping and geochemical surveying (330 soil samples) to test for the extension of the zone targeted by drilling in 1971. A ground mag survey was conducted in 1974. In 1975 three diamond drillholes were completed, targeting the down dip extension of the mineralized veins intersected during the 1971 drilling.

In 1976, Alamo Petroleum conducted line cutting, an EM-16 survey, and soil geochemical survey (714 samples). One of the weak conductors appears to be related to the historic Caswell-Eplett Showing.

In 1992, P. Donovan completed line cutting, round magnetometer, and VLF-EM surveys in the area of known mineralization of the Caswell-Eplett Prospect. The VLF-EM survey outlined a number of anomalies. The magnetometer survey was considered useful in distinguishing the strong magnetic diabase and the moderately magnetic mafic volcanic rocks from the non-magnetic Huronian sediments. A total of 12 rock grab samples from mineralized veins in diabase were collected from old pits and trenches. Assays up 7.04% cobalt, 4.32% copper and 0.59% nickel are reported.

Donovan continued the mechanical stripping and rock sampling in 1993. Two areas were stripped with the best results coming from Zone L 4+50 North where series of carbonate and/or quartz-carbonate veins in shears and fractures host smaltite and/or chalcopyrite. Channel sampling across the vein produced high cobalt values along a strike length of about 50 m.

From 1997 to 1998, OroGrande Resources Inc. carried out line cutting, VLF-EM and magnetometer surveys over two separate areas, totalling 29.2 line- km. Twenty-two rock samples were sent for analysis.

In 1999, stripping of a large area, 200 m by 15 m, of the LaCarte Property, at the south end of Tyrell Township, exposed Nipissing gabbro with sericite and hematite alteration accompanied by minor chalcopyrite mineralization proximal to the contact with Archean volcanic and sedimentary rocks. The outcrop was mapped, but no samples were reported.

In 1999, a geochemical survey was conducted along the western arm of Spider Lake, in the north-centre area of Leonard Township and into the south portion of Tyrrell Township. A total of 276 humus samples were collected over 8.7 km of lines spaced 200 m apart. Thirteen rocks were collected during the survey.

In late fall of 2004, International KLR Resources Corp carried out a reconnaissance geological mapping and rock sampling program in the Shining Tree prospect area, collecting fifty-three rock samples.

In 2006, SL Resources Inc. carried out a stripping and sampling program over the historical Caswell-Eplett occurrence. Ten areas were stripped, washed, and 25 rock samples were collected. From 2007 to 2009, SL Resources completed 25 km of line cutting and a ground magnetometer survey (22.84 km) which was deemed successful at delineating what was believed to be a diabase sill, the favourable host rock for cobalt and silver mineralization.

Elk Lake.

The Elk Lake property comprises three historic workings, Roy, Little Otisse and Sterling which were the target of the 2018 drilling program. Historical development on the Property included 3 shafts, which were sunk around 1912. Between 1952 and 1954, Roy Silver deepened the main shaft to 390 feet, conducted a considerable amount of underground development, and undertook a program of surface and underground diamond drilling. During this period, a minor amount of cobalt concentrate and silver was produced. Between 1952 and 2011, a total of 252 drillholes for 26,177 metres were drilled.

Wilder, White Reserve and White Lake

A summary of historical exploration drilling on the Wilder, White Reserve and White Lake Property is provided below:

Wilder

Year	Operator	No. of Drillholes	Total Metres	Township
1966	Hardiman Bay Mines	1	154.6	Brewster
1972	Grouse Syndicate/G Shatner	14	404.0	Charters
2007	Klondike Silver Corp.	5	1,243.0	Corkhill
2007	Amador Gold Corp.	18	2,148.8	Corkhill
2008	Silver Shields Resources	13	1,518.0	Donovan
2012	Sanatan Resources	1	102.0	Corkhill
	Total:	**52**	**5,570.4**	

White Reserve

Year	Operator	No. of Drillholes	Total Metres	Township
1971	Castlebar Silver and Cobalt	3	67.0	Speight
1968	Union Miniere	5	180.0	Whitson
	Total:	**8**	**247**	

White Lake Project

Year	Operator	No. of Drillholes	Total Metres	Township
1984	Onitap Res Inc.	2	286.6	Unwin

Geology Setting and Mineralization

Regional Geology

The Cobalt District Exploration Project area is located in the Paleoproterozoic Huronian basin that overlies the Archean Abitibi terrane of the Superior Province or Superior Craton, an Archean craton that forms the core of the Canadian Shield and of the North American continent. Comprised of assemblages of greenstone belts and sedimentary belts that alternate with granitic terranes, it represents the collision and amalgamation of microcontinents throughout the Archean.

The Superior Province is subdivided into subprovinces that are generally defined by their lithosstratigraphy and age. The project area lies in (and is located at the boundary of) the central and eastern portion of the Southern Subprovince. The Southern Subprovince corresponds in this area to the Huronian Supergroup, an extensive siliciclastic cover sequence that outlines an irregular paleobasin, also known as the Cobalt Embayment.

The majority of the properties constituting the Cobalt District Exploration Project are located in the central and eastern portion of the Southern Subprovince, near its southern contact with the Grenville Province. The Fabre claims overlie the Cobalt Embayment's eastern contact with the Archean basement.

The geology of the target areas consists of Early Proterozoic (2,450 Ma and 2,220 Ma) sedimentary rocks of the Huronian Supergroup which rest unconformably on older Archean granitic, metavolcanic, and metasedimentary rocks of the Abitibi and/or Pontiac Subprovince(s). The Proterozoic Nipissing diabase intrudes all the other lithologies except the youngest mafic dykes or sills.

Regional Mineralization

Mineralization is commonly hosted in "steeply dipping" veins in the Nipissing diabase, or within 200 m of its upper or lower contact. Strong and continuous veins are observed where the Nipissing diabase intrudes the Huronian sediments slightly above the unconformity, leaving a thin layer of Coleman Member sediments sandwiched between the sill and the steeply dipping Archean basement. Veins are more discontinuous where the sill intrudes the Archean basement at or below the unconformity, but they are concentrated at the upper and lower contacts of the sill.

Mineralization is also spatially associated with regional-scale faults that cross-cut the contact with the Archean basement. Nipissing diabase sills located in well-developed sub-basins are targeted by BMR as these areas may represent favourable environments for paleo fluid flow and mineralization.

Veining

The arsenide veins generally occur in the Nipissing diabase and within 200 m of its contact with the sedimentary rocks of the Cobalt Formation. The veins are steeply dipping, up to 1.2 m wide, and can extend 1 km horizontally and 120 m vertically. A typical deposit consists of a few short anastomosing cm- to multi-decimetre-scale veins.

The veins occur in irregular high-grade lenses surrounded by aureoles of low-grade material and can also occur in masses, veinlets, and disseminations with or without associated gangue minerals. Mineralization consists of arsenides, sulpharsenides, and antimonides of nickel, cobalt, iron, and large amounts of native silver. Individual mineral species include: dyscrasite, acanthite, rammselbergite, skutterudite, arsenopyrite, gersdorffite, cobaltite, glaucodot, nickeline, breithauptite, chalcopyrite, tetrahedrite, and native bismuth.

The following mineral assemblages have been identified at the Gowganda formation: nickel arsenide assemblage, at the periphery of major veins but also in small veins; nickel-cobalt arsenide assemblage, associated with the best silver grades; cobalt arsenide assemblage, occurring in the main parts of the veins; cobalt-iron arsenide assemblage, less common than the previous ones, it occurs as intergrowths, disseminations, dendrites, rosettes and crystals; iron arsenide assemblage, concentrated within veins and occurs with native bismuth, galena, and marcasite; sulphide assemblage; and the oxide assemblage.

The best silver grade is associated with the nickel-cobalt arsenide assemblage. Dolomite, calcite, quartz and chlorite are the principal gangue minerals; oxide minerals are commonly associated with the carbonate gangue. Most veins are related to shear zones, fault gouges, and breccia, with evidence of multiple veins generations and multiple faulting episodes. High-grade samples from historical occurrences grade up to 8% cobalt, several thousands of ppm silver, and multi-gram gold, along with bismuth, lead, zinc and copper in the percent range.

Property Geology and Mineralization

McAra

The McAra Cobalt Zone is cored by a window of Archean rocks that is overlain by Proterozoic Huronian Supergroup meta-sedimentary rocks. These units have been subsequently intruded by younger Mesoproterozoic mafic dikes and sills of the Nipissing diabase. Archean rocks at McAra are mainly composed of mafic to intermediate volcanic and volcaniclastic rocks, amphibolite, quartz monzonite, granodiorite, and are metamorphosed to greenschist facies. These rocks are unconformably overlain by Proterozoic sedimentary rocks of the Huronian Supergroup, consisting of the Gowganda (argillite, sandstone, and conglomerate) and Lorrain Formations (micaceous pebbly sandstone) that dip moderately to gently to the east. The Nipissing intrusions consist mainly of homogeneous pyroxene gabbros, and may form an east-dipping, disk-shaped sill along the contact of the Gowganda and Lorrain Formations.

Archean rocks within the McAra Property boundaries are moderately to steeply dipping and folded into a north-striking anticline. The geological map pattern suggests fold closure is located at the north end of the claim block. A north-striking, elongate Nipissing gabbroic intrusive body bounds the east side of the McAra property, and on each side separates exposed Archean rocks and the Gowganda Formation from the Lorrain Formation. An inferred north-northwest-trending fault is interpreted to separate the Gowganda Formation from the Archean rocks in the western part of the project area.

Two main styles of mineralization have been identified across the McAra Property: VMS and cobalt vein systems. Sixteen mineral occurrences are recorded over the area, with commodity types ranging from base metals and barite associated with VMS styles of mineralization and Co-Ag-Ni-Cu related to vein-hosted mineralization. The known mineralized zones at McAra that have seen most recent work by Old BMR are located in Archean rocks, and occur as both stratiform sulphide-rich intervals and sub-vertical quartz-carbonate veins.

Archean sedimentary rocks that host mineralized zones vary in thickness from approximately 1 m to 70 m. Massive sulphide zones occur as stacked lenses up to 5 m thick and with strike length continuity greater than 1 km. The stratiform bodies have been drill tested to about 100 m depth. Massive to semi-massive sulphide intervals contain up to 90% pyrite and are locally pyrrhotite-rich. Sphalerite, galena, and chalcopyrite are the main base-metal sulphides in the stratiform mineralized zones. Gold and silver are locally enriched in the massive sulphide intervals, and arsenic is commonly abundant.

Structurally controlled, predominantly northeast-striking discordant cobalt bearing veins ranging from 0.3 to 1 m in thickness occur in all Archean rock types at the McAra prospect. The cobalt bearing veins are associated with a calcite-quartz-sphalerite-galena-arsenopyrite and cobaltite-silver-bismuth-nickel-base metal-gold mineralogy. The vertical and lateral continuity of these veins is currently unknown.

The sulphide-bearing veins are locally observed at surface, and are broadly similar to those mined at Cobalt, Ontario. An outcropping of cobalt vein-breccia and massive sulphide mineralization was tested by historical drilling in 2003-6 (21 holes) along a strike length of 200 m. Recent exploration efforts by Old BMR have revealed the presence of both vein and breccia-hosted cobalt zones. Vein-hosted cobalt mineralization is most common and vein margins preserve evidence of shearing. The main cobalt mineral identified within veins is nickeliferous cobaltite.

Subordinate amounts of native bismuth have also been observed. Two main orientations of cobaltite-bearing veins are observed in drill core and in the field at McAra: a predominant east-northeast-west-southwest set and a subordinate north-south to northwest-southeast set.

Historical drilling and trenching data suggest cobalt mineralization is occurring within a dilatant structural setting. Breccia bodies appear to form in these dilatant zones. Exploration drilling into one of these breccia bodies by Old BMR has outlined a high-grade cobaltite-rich breccia vein system. The breccia/vein zone is bounded to both east and west by north-oriented steep faults. Cobalt mineralization plunges parallel to sub-parallel to early-stage folding present in Archean host rocks, which is also the plunge of the older VMS style copper and base metal-rich mineralization. This geometrical relationship may be related to the rheological contrast between the massive sulphides and the host rocks, or to the geochemical reactivity with cobalt-rich fluids.

Other areas on the prospect offer similar potential. The Kite Target is a coincident EM anomaly and high chargeability IP response located 4.5 km northwest of McAra, a geophysical signature similar to that of the McAra resource area.

Gowganda Prospect

The Gowganda prospect is predominantly underlain by undifferentiated Huronian metasedimentary rocks of the Cobalt Group, with lesser amounts of Nipissing diabase. Localized outliers of Archean basement consisting of massive granite to granodiorite, metavolcanic and ultramafic rocks occur southeast and northwest of Gowganda comprise a significant portion of the geology that underlies the smaller project claim block located northwest of Gowganda. The Gowganda Formation occurs on the western side of the smaller Gowganda claim block. Late diabase dykes cut all Archean and Proterozoic lithologies and are northwest- and northeast-trending.

Sedimentary rocks of the Cobalt Group include feldspathic and micaceous sandstones. The Gowganda Formation comprises feldspathic arenite, feldspathic greywacke and diamictite/conglomerate. Broadly north-trending bodies composed mainly of pyroxene gabbro with local granophyric phases are recognized as parts of the Nipissing diabase.

Archean metavolcanic rocks record evidence of folding. Foliations in Archean basement rocks dip steeply north and east. Huronian metasedimentary rocks are gently folded and variations in the shape of the Nipissing diabase are considered primary and unrelated to subsequent episodes of deformation. Four fault orientations are recognized: north- to north-northwest-, northwest-, northeast-, and east-trending, with the north-northwest-trending fault set well expressed in both geological and geophysical maps. Northwest-, northeast- and east-trending fault sets have been reported to offset silver-cobalt veining occurring along the north- to northwest- trending fault system.

Thirty-seven mineral occurrences are present on the claims. Most of the polymetallic silver-cobalt-nickel vein occurrences are hosted in the Nipissing diabase although both Archean metavolcanic and Cobalt Group sedimentary rocks have also been recorded to host veins. Most of the productive veins were hosted in the upper half, or hanging wall, of the sill. Mineralization is typically vertical to steeply dipping and hosted in quartz-calcite veins. Vein widths range from mm-scale to 1 metre in width. The richest material most commonly occurs at vein intersections.

Mineralization occurs as sheets of native silver and finer-grained iron-cobalt-nickel arsenide minerals in calcite gangue, often with minor comb-textured quartz along the vein margins. These veins contain no silver minerals other than native silver.

Fabre

The Fabre property is underlain by Archean basement rocks that consist of Keewatin-age greenstone belts (intermediate to felsic metavolcanic and volcaniclastic rocks, metasedimentary rocks), and granitoids of the Abitibi Subprovince, that are cut by shear zones and regional faults. The Archean basement units are unconformably overlain by sandstones, feldspathic sandstones and polymictic conglomerates of the Proterozoic Huronian Supergroup that have been assigned to the Coleman member of the Cobalt Formation. A large northeast-trending body belonging to the Nipissing diabase occurs in the central and eastern parts of the Fabre claim block.

Two styles of mineralization have been historically reported at the Fabre prospect: disseminated base metal sulphides hosted in Archean basement volcanic sequences, and polymetallic veining. Six mineral occurrences are recorded across the prospect area. They are named according to the grid system used for land parcel designation (ranges and lots), which, in historical times, coincided with the way the claims were parcelled out.

Shining Tree

The Shining Tree prospect is predominantly underlain by Proterozoic metasedimentary and intrusive rocks with lesser amounts of Archean basement occurring in the north east corner of the claims. Proterozoic units include argillite and polymictic conglomerates of the Gowganda Formation and gabbros, granophyres, and mafic dykes of the Nipissing diabase. The Gowganda Formation unconformably overlies Archean basement. Archean rocks occur in the vicinity of Spider Lake and consist of intercalated mafic-intermediate metavolcanic rocks ranging in composition from andesite to dacite. Minor interbeds of banded iron formation, quartz arenite, chert, greywacke, siltstone and conglomerate occur within the metavolcanic sequences. Archean and Proterozoic units are cut by late diabase dykes that trend north-northwest, north-northeast and northeast.

Northwest- to north-northwest-trending tight folds are present within the Archean metavolcanic rocks. In the Gowganda Formation, a curvilinear northeast- to north-trending synclinal axis occurs at the northern end of the claim block. Two main faults are located in the area; both are considered to be sinistral strike-slip faults. Recent aeromagnetic data flown by Old BMR demonstrates the presence of pervasive north-northwest- and north-northeast-trending linear features. Silver-cobalt mineralization often occurs at locations where these features are most well developed.

Three types of mineralization are recognized within the Shining Tree claim block including quartz vein and shear-hosted gold mineralization, Algoma-type iron formation, and silver-cobalt veining. Seven mineral occurrences are recorded throughout the property. Silver-cobalt veining that occurs in the Shining Tree project area is spatially associated with the Nipissing diabase. The veins are vertical and oriented predominantly northeast-southwest. Veining ranges from a few cm to over 2 m in width. Quartz and calcite represent main gangue minerals and mineralization is associated with native silver, chalcopyrite, smaltite, niccolite, native bismuth and cobalt bloom.

The host diabase is magnetic in character as seen in the airborne magnetic maps. The deposits may be associated with the intersection of north-northwest- and northeast-trending structures. Granophyre units are more competent and prone to fracturing and to stockwork vein development than the massive dolerite. It is also reported that the granophyric phase carries disseminated chalcopyrite.

Elk Lake

The Elk Lake claim block is dominated by Nipissing diabase sills and dykes, often with a conical or basinal shape. The sills are intruded into Proterozoic Huronian Cobalt Group metasedimentary rocks typical of the Cobalt Embayment. The outline of the Elk Lake property coincides with a Nipissing diabase that defines a concave map pattern. The diabase intrudes the Cobalt Group near—and at— its lower unconformable contact with the Archean basement, here represented by granitic rocks. A strong northwest-southeast lineament bisects the property.

Mineralized silver-cobalt veins are strongly focused within well-developed structures. Mineralisation is dominated by narrow Cu-Au-Ag-Co-rich calcite and/or quartz veins oriented parallel to dominant faulting, fracturing or jointing, oriented differently at each location. Elk Lake also hosts numerous iron-oxide (Hematite) – Chalcopyrite veins unlike the rest of the properties.

Wilder

The Wilder claim blocks are underlain by the Huronian metasedimentary rocks of the Cobalt Embayment that are intruded by large Nipissing diabase sills reaching up to four kilometres across and striking for tens of kilometres. The sills are generally oriented north-south and are also arc shaped in the Donovan basin. Intense north-northeast-trending faults as well as northwest- and northeast-trending structures occur throughout the property.

The property has undergone considerable exploration for silver. Silver vein are generally confined to the Nipissing diabase. The two main prospects are the Wilder Adit, and the Kell Mining Area. There are many other small workings and references to high-grade cobalt in the claim block, although the focus of past activities from the early 1900s has been on silver mining and exploration. Small scale production has produced plate silver and some cobalt with values up to 8.8% cobalt. However, the historical drilling campaigns targeting silver mineralization at both Wilder Adit and Kell areas failed to intersect significant mineralization.

White Lake Reserve

The White Reserve property covers a north-northeast-trending Nipissing diabase where it intrudes the Huronian metasedimentary rocks of the Cobalt Embayment. The diabase occurs mainly in the centre of the claim block. A small body of Archean granitic rocks is shown to outcrop at the northeastern tip of the Property. Regional north-south and northeast-trending faults transect the area.

Silver and cobalt mineralisation is generally confined to the diabase in veins that parallel the numerous faults and structures.

White Lake Project

The White Lake Property is underlain by the Huronian metasedimentary rocks of the Gowganda and Lorrain Formations. These are intruded by a large lobate or sigmoidal body of Nipissing diabase. The contact between the Lorrain and the Gowganda Formations appears to control the location of the diabase body which is coincident with the trace of a major north-northwest-south-southeast fault. The Property is located only a few kilometres away from the surface trace of the sub-Huronian unconformity, or the edge of the Cobalt Embayment.

Cobalt mineralisation is hosted in quartz-calcite veins in diabase and occurs as smaltite and cobalt and nickel bloom

Exploration

Regional Scale Geophysics

In late 2016, Old BMR contracted Precision GeoSurvey Inc. of Langley, BC, to conduct a detailed airborne magnetic and radiometrics survey of the properties. The survey included 8 blocks currently constituting part of the Cobalt District Exploration Project. These eight blocks represented a total of approximately 922 km^2 and 10,242 line- km of airborne survey.

Magnetic data was collected using a cesium vapour magnetometer and radiometrics data was collected using a 21-litre crystal gamma ray spectrometer. All survey blocks were flown at 100-m spacing, with tie lines at 1000-m spacing flown perpendicular to the survey lines. Line orientation varied by project. In general, lines were flown at approximately 40 m elevation, unless cultural features did not allow. The western part of the Fabre survey was affected by the central location of the town Saint-Édouard-de-Fabre, which constrained the aircraft sensor height to around 250 m elevation in the western part of the survey area.

A second survey was conducted by Precision GeoSurveys in 2018, expanding on—and overlapping with—the 2016 surveys for the McAra, Gowganda, Elk Lake, Wilder and White Reserve blocks. The 2018 survey did not revisit the Fabre and the Shining Tree properties, but covered a new claim block, the Otter. The surveys followed similar specification to the 2016 ones.

In 2018, a LiDAR survey of all claim blocks was contracted to Airborne Imaging of Calgary, Alberta.

Property-scale ground magnetometer, spectrometer, Pole-Dipole Induced Polarization (2D IP and 3D Distributed Array Induced Polarization) 3D IP were contracted to Canadian Exploration Services Limited ("**CXS**") later in 2018, 2019 and 2020.

McAra Project

Old BMR Limited's geological exploration activities have focused on the Cobalt Zone - McAra Project, Kite Lake Zone, SK2-EM Target and the SK4-EM Target:

Exploration Activity	**Total**	**Significant Results**
Prospecting traverses	78 traverses for 474.8 line-km	
Rock sampling	33 samples	Max: 1.49% Co
Grid Geochem orientation survey	101 venetation samples, 47 soil samples	
Development of access road	2 km	
Trench stripping and channel sampling	Area: 70 M (E-W) by 40 m (N-S)	Increase of known strike extent, geological characterization, metallurgical sample
Structural Analysis		
Metallurgical sample		10% Co, 1.6 g/t Au, 30 g/t Ag, 8% S2, and 1% Ni

An orientation survey using soil and vegetation was carried out over a 100-m by 350-m area that covers the main Cobalt zone, in order to determine the optimum sampling and analytical approach for the detection of cobalt mineralization. Six different sample media were collected at 50-metre by 50-metre spacing. Full coverage was obtained for soils and balsam fir and limited coverage was obtained for spruce species. A total of 101 samples of twigs, bark and needles were taken over the mineralized zone and potential target zones, as well as 22 samples of A soil horizons and 25 samples of B soil horizons. A total of 8 field duplicates were also taken.

Results show that the B horizon soils showed the best response for cobalt over the known mineralized zone. Of the vegetation samples, white spruce twigs and needles showed strong cobalt responses over the mineralization. Responses of media varied by elements. Results over conductors are mixed; the A soil horizon and balsam fir needles and twigs do show a cobalt response over the area known to host cobalt mineralization. Other patterns suggest the presence of sericite alteration and possibly VMS-type mineralization.

In October 2018, five days were spent stripping, washing, and sampling the historical McAra Trench. The increased surface exposure allowed for additional sampling and geological interpretation.

The Cobalt Zone Trench was established along the main vein in order to select 200 kg of vein breccia material that was then submitted for metallurgical test work. The program also increased the known strike extent of the breccia-vein, uncovered similar veins in the area, and identified structures that might influence/control mineralization. The stripped area was mapped, photographed and sampled.

Gowganda Project

Old BMR's exploration activities have centered on the Kilpatrick Vein Target, a cobalt-rich structure located near the former Capitol Mine, in the heart of the Gowganda Camp. An IP survey, trenching, mapping, sampling for metallurgy, and drilling are described herein.

Significant assay results from the trenching program, as well as from sampling elsewhere on the Gowganda Property, are listed in the tables below.

Survey Type	**Total**	**Significant Results**
Prospecting traverses	102 traverses for 410.66 line-km 88 grab samples	
Capitol Kilpatrick Trench stripping and channel sampling	32 cut channel samples; 5 grab samples	Extension of known vein and mineralization along strike; stripping exposed flexure in vein: Max:
Transition JV Big Four Trench Stripping and Channel Sampling	14 grab samples, 9 channel totalling 45 samples	Grab Samples yielded anomalous values including 1.50% Co, 1.57% Co and 5.64% Co. Channel Samples yielded no significant results.

Mechanical stripping of the Capitol Mine Kilpatrick Vein area followed by washing and channel sampling was conducted by personnel from CXS between October 29 and November 2, 2018. Stripping focused on the area southeast of Capitol Shaft that had been rehabilitated. The goals were to locate historical workings, characterize the Kilpatrick Vein and any additional parallel veining structures, and improve the knowledge and understanding of the local geology.

The stripped area extends north-south for approximately 70 m, parallel to the surface expression of the vein and laterally for approximately 30 m to the east and 20 m to the west.

A total of 27 channel samples were taken in 7 separate channels, with each sample measuring approximately 0.5 m. Six of the channels were to test the vein for mineralization, as well as for potential disseminated mineralization in the host metasediments surrounding the vein. In addition, one 0.5-m channel sample was taken to help determine if it could provide a vector to mineralization. Five grab samples were also collected.

The stripping and washing area exposed gently dipping sandstone and siltstone interpreted to belong to the Lorrain and Gowganda Formations, respectively. Primary sedimentary structures were observed.

The main Kilpatrick Vein was traced across the entire length of the stripping (approximately 70 m) and is thought to extend at least another 70 m north to the original Capital Shaft, which is presumed to be buried under the mine entrance road. The vein strikes approximately 190° at the southern end of the trench and veers slightly to the west, striking approximately 180° at the north end; dips are vertical to steep (85 degrees) towards the west.

The surface expression of the vein varies along strike from single 7-cm-wide vein, to a set of two parallel veins, 2 to 3 cm thick and 10 to 40 cm apart, to apparently barren fractures. The obvious cobalt-mineralized portion of the vein pinches and swell; however, the dominant host fracture system can be followed across the entire exposed outcrop area.

In 2020, stripping of the Kilpatrick vein was extended further to the south to expose the on- strike extension of the vein and attempt to uncover the Huronian sediment- volcanic unconformity. Excavator work and washing of the stripped area and limited channel sampling was undertaken. Mapping revealed that the cobalt mineralization of the vein system from the 2018 stripping program continued as a barren fracture with weak local parallel fracture zones. No cobalt mineralization was observed and the limited channel sampling did not return any significant cobalt or silver assays.

In October 2019, limited fieldwork was conducted between October 18 and October 30, 2019. Exploration work was performed by Old BMR geologists, contracted through Canadian Exploration Services (CXS). A total of 43 samples were collected for assay and 30.25 kilometres were traversed.

Exploration was primarily conducted within the Haultain and Nicol Townships, with prospecting focused primarily around the, "Big Four" Showing (also known as the Banker Bay occurrence) to locate and verify historic cobalt (and gold) occurrences in the area; as well as areas to the north-northeast of these occurrences for possible contact relationships between the Archean volcanics and Nipissing Diabase.

Preliminary results indicated anomalous cobalt concentrations are associated with vein material in grab samples from muck piles surrounding the shaft at the Big Four Showing and that they generally coincide with elevated gold values. An in-situ gold sample was collected from a historic pit approximately 100 metres to the north (of the Big Four Showing) within pyrite rich, very fine- to fine-grained sediments (siltstone).

In 2020, the area around the shaft and pits, as well as an outcrop knoll to the north were prospected in preparation for stripping and diamond drilling. During June-and July 2020, mechanical stripping around historic pits immediately south of the Big Four shaft and a gossanous outcrop area approximately 200 metres to the north was followed by washing and channel sampling).

Stripping south of the Big Four shaft targeted the potential in- situ source of cobalt- bearing blasted muck from the vicinity of 2 historic pits while that on the oxidized knoll to the north was a follow- up to a grab sample taken during a prospecting traverse in 2018 that returned 1.15 g/t Au.

Fabre

Old BMR’s exploration focus was to locate and characterize the geological environment and the setting of the historical workings, and to conduct and interpret an IP survey to generate drill-targets.

In spring 2018, Old BMR undertook a prospecting, rock sampling and mapping program to investigate the previous historical work completed on the property and to locate the major features such as the shafts and trenches.

On Fabre East, attempts were made by the crews to locate all historical showings and shafts in addition to mapping the geology and structures. Two waste rock piles were located, one small pile adjacent to the main shaft which was capped with concrete and sunk on a streaky aplitic dike. The second, was sunk on top of a diabase outcrop 200 m north of the main shaft. Here, the shaft was not exactly located but selected samples from the muck pile indicated that it was sunk on a quartz- carbonate vein weakly mineralized with chalcopyrite. About 1 km south of the main shaft, the crew examined a quartz vein zone that has been exposed for 55 m by a network of trenches. Where exposed on the edge of a pit, the quartz vein zone is up to 20 cm wide and is mineralized with blebs and patchy disseminations of chalcopyrite. It occurs within the quartz eye porphyry near the contact with the intermediate metavolcanics.

During the mapping of Fabre East, no cobalt bloom or mineralization was observed in outcrop or any of the historic workings. The only significant assay was obtained from a sample of quartz veining from the southern trenches which yielded 2580 ppm copper.

Fabre West was also geologically remapped, and the main features were examined for evidence of cobalt and/or silver mineralization. The shaft was located due to the unstable ground capping it. The host lithology appears to be a sheared quartz eye porphyry, historically called felsic to intermediate tuff, that is mineralized with fine pyrite and anomalous amounts of base metal sulphides. This zone has been traced by stripping, pits and trenches over a width of 12 m and strike length of 76 m where surface rock grab sampling yielded numerous anomalous and high values of lead, zinc and copper. The best values obtained by the Old BMR crews was 869 ppm copper and 1,120 ppm zinc.

Survey Type	**Total**	**Significant Results**
Fabre East and West: prospecting, mapping	18 traverses for 56 line-km	Location of historical workings, sampling of waste piles; updating of geological interpretation. No significant assays from surface sampling.
Rock sampling	30 rock samples	No significant results

The 2018 3D Distributed Array IP survey defined a NE-SW trending chargeability anomaly at Fabre West. No further work is planned at Fabre East.

Shining Tree

At the Shining Tree prospect, exploration consisted of prospecting and mapping and rock sampling to ground-truth the mineral occurrences:

Survey Type	Total	Significant Results
Prospecting, mapping, and ground truthing of geophysical anomalies	47 traverses for 174.7 line-km	Location of historical workings and occurrences: mineralization commonly hosted in Nipissing diabase, spatially associated with Huronian/Archean unconformity
Rock sampling	51 samples	Max 0.55% Co (R0630)
Reprocessing and interpretation of historical geophysical surveys		Target generation

From July 2 to August 17, 2018, Old BMR geologists prospected some of the known mineral occurrences, AMIS features, electromagnetic anomalies, and geological areas of interest. The objective of the work was to investigate areas of geological interest for possible cobalt occurrences, verify the regional geological maps and assess the accessibility of the area for winter drilling.

The known mineral occurrences were observed and locally sampled, AMIS sites were checked for mineralized zones, electromagnetic anomalies were ground checked, and the geological map was verified. As the historic records indicate, a significant amount of cobalt was noted in veins in the Nipissing diabase. Many of the AMIS features were trenches or pits near the Archean contact. The electromagnetic anomalies in Archean rocks were confirmed to be iron formations with graphite and (or) massive sulphides.

Historic EM data were reprocessed and interpreted by Geoscience North Ltd. of Sudbury, Ontario. These electromagnetic data were ranked and exported as shape files. The high-ranking EM anomalies were checked in the field to determine if their sources were outcropping and represented rock features or were cultural anomalies.

Many of the known cobalt occurrences were located and some of the electromagnetic anomalies were verified as non-formational and non-cultural. The LiDAR data effectively outlined outcrops and some larger historic trenches and pits. The existing geological maps were confirmed to be mostly accurate.

In the winter of 2019 three 3D Distributed Array IP Surveys were completed over the eastern portion of the Shining Tree block.

Prospecting completed in October 2019 was a follow-up to prospecting done in 2018 where geologists revisited known mineral occurrences, AMIS features, and electromagnetic anomalies. The main objective of the work in 2019 was to ground truth geophysical features, verify the regional geological maps, investigate areas of geological interest for possible cobalt occurrences, as well as assess the accessibility of the area for potential winter drilling. A total of 30 samples was collected and 41.6 kilometres were traversed.

Geological data, results from field prospecting and sampling, and the IP/RES data show that the central zone of the Shining Tree project is the highest priority for follow-up drilling.

Elk Lake

Reconnaissance mapping, rock sampling and prospecting targeted known silver-cobalt occurrences throughout the Elk Lake property. On the Roy claims, exploration work consisted of ground prospecting and mapping (73 traverses for 311 line kms) focused on geophysical targets in preparation for drilling and rock samples (43 samples: Max 2.93%

Co (R0625). Following mapping and prospecting, the information was combined with a recent IP survey to formulate a drill program.

Wilder

In 2018, two follow-up ground 3D Induced Polarization Surveys generated several targets worthy of additional follow-up and possibly drill testing. Exploration consisted of prospecting and mapping (6 traverses for 32 line kms) and rock sampling 15 rock sample: Max 0.55% (R0030) Co (R0626).

White Reserve

Exploration at White Reserve has consisted of prospecting and mapping (8 traverses for 27.8 line kms) and rock sampling 10 rock samples). Five days were spent prospecting and mapping focused on locating and sampling historical workings at the White Reserve Mine, the Darby, the Lynch and the Taylor showing; and ground-truthing features outlined by the LiDAR survey. Six rock samples were sampled and confirmed the presence of cobalt mineralization.

Between February 10, 2020 to February 23, 2020, a detailed 3D Distributed IP survey over the White Reserve Mine historic workings. The survey grid encompassed an area of 1.56 square kilometres with a total of 12.55 line-kilometers surveyed. This was designed as a follow up investigate the lateral and vertical extent of the silver vein mineralization exposed in the historic workings.

White Lake

Exploration at White Lake has consisted of prospecting and mapping (14 traverses for 79.8 linear kms) and rock sampling (13 rock samples).

Drilling

From September 2017 until August 2020 , BMR completed diamond drill programs on the McAra, Gowganda, Fabre and Elk Lake targets totalling 186 diamond drill holes and 245.45 metres.

McAra

Old BMR conducted two phases of drilling at the McAra for a total 10,480.3 m in 56 holes; details of the campaigns are listed in the table below.

Program Dates	Number of Holes	Total Metres	No of Oriented Holes	No of Assayed Samples
September 11 - November 4, 2017 and Feb 13 - April 14, 2018	35	6,088		9,848
January to February 27, 2019	21	4,398	5	
February 27 to March 12, 2019	5	1,227		366
February 10 to February 26, 2020	7	1,225		333

The 2017-2018 exploration drilling program (i) informed a maiden NI-43-101 resource estimate of an Indicated Resource of 2,011,000.0 lb of cobalt at a grade of 1.27% cobalt, as well as Inferred Resource of 461,000 lb cobalt at a grade of 1.27% cobalt, and (ii) resulted in exploration holes that intercepted new cobalt mineralization. The geological setting of the deposit was better defined; it is interpreted as a Besshi-type VMS system that was later overprinted by a cobalt-mineralizing event.

Significant drilling intercepts at the McAra cobalt zone are set forth below:

Drillhole Number	From (m)	To (m)	Length (m)	Co (%)
MCD17001	67.8	68.3	0.5	2.54
MCD17002	145.3	146.3	1	3.03
MCD17004	42.9	43.9	1	3.42
MCD17005	12	12.5	0.5	2.54
	68.5	69	0.5	12.4
MCD 17009	101.3	102	0.7	9.83
	102.5	103	0.5	7.78
	103.5	104	0.5	8.88
MCD 17012	100.4	101	0.6	2.58
MCD 17018	59	60	1	3.83
MCD 18028	158.1	158.7	.6	3.35
	163.5	164	0.6	5.97
MCD 18030	60	60.5	0.5	1.62
MCD 19044 (twin of MCD 17009)	103.63	104.2	0.57	1.93
MCD 19046 (twin of M06-27)	58.34	59	0.66	4.63
	65.27	65.8	0.53	1.33
MCD 19047 (twin of MCD 18028)	151.65	155	3.35	5.43
Including:	152.26	154	1.8	8.8

- MCD19047 - A Twin Hole of MCD 19028: 3.41 m grading 5.60% Co including: 0.61m at 1.52% Co, 152.2m - 153.2: 1m at 13.20% Co: 153.2m - 154.00m: 0.8m at 3.28% Co: 154.00m - 155.00m: 1.0m at 2.25% Co.

The five holes drilled at the SK4-EM target were designed to test a strong Airborne EM anomaly and coincident strong ground IP chargeability and resistivity responses. Drilling revealed only weakly anomalous copper, lead, and zinc over narrow intervals. After the first two holes, the program scope was revised, and the number of planned holes was reduced by 50%.

In February 2020, BMR contracted G4 Drilling of Val-d'Or, Quebec to drill the Kite Lake target on the McAra property. The drilling was designed to test coincident airborne EM and IP anomalies like those at the McAra cobalt deposit.

The drillholes intercepted graphitic, sulphide bearing sediments and massive to semi-massive sulphide zones which account for the geophysical anomalies. All seven holes failed to intercept macroscopic cobalt mineralized zones and thus further work at Kite Lake is not planned. No significant assay results were reported. All seven holes failed to intercept macroscopic cobalt mineralization and no further work is planned.

Gowganda Project

Drilling within the Gowganda block focussed on four targets the: Gowganda Miller Lake zone, l-Kilpatrick zone, athe Transition Metals JVzone, and the Big Four zone.

Program Dates	Number of Holes	Total Metres	No of Assayed Samples
March 27 to April 9, 2019 (Kilpatrick)	15	960	494
March 3 to March 17, 2020 (Transition Metals)	4	978	290
June 8 to July 6, 2020 (Miller lake)	19	3,609	611

Program Dates	Number of Holes	Total Metres	No of Assayed Samples
July 7 to July 10, 2020 (Kilpatrick)	3	310	126
July 20 to August 6, 2020 (Big Four)	19	2,022	614

In March 2019 a drill program was conducted at the Kilpatrick zone to determine the depth and lateral continuity of the north-south-trending vein system exposed at surface. The drilling spanned approximately 200 metres of strike length. Most holes were drilled towards the east to depths between 42 metres and 117 metres. Two holes intercepted thin yet strongly mineralized cobalt veins (cobalt >1%) and three holes intercepted zones of anomalous cobalt grades (> 200 ppm cobalt). All the anomalous cobalt values are hosted by fine grained clastic Huronian sediments, commonly located tens of metres from the Archean contact. The depth to the Archean basement varies widely within the tested strike length; this could be due to faulting associated with the development of the sedimentary basin, a potentially favourable mechanism for mineralization.

Following the 2019 drilling a limited detailed re-mapping of the surface exposures and a detailed re-logging of the drill core was completed. A new "north" plunging shoot model was developed and a limited 2 drillhole drill test of the new structural model was planned. A third hole was planned to investigate a strong IP Chargeability Anomaly located just south of the Capitol Mine Shaft within the Kilpatrick prospect.

The 2020 drilling was staged from two drill platforms about 20 metres apart with 2 drillholes collared on the northernmost site and the third on the second site to the south. All 3 holes were drilled towards the west to depths between 36 metres and 199 metres. Two holes, intercepted thin yet strongly mineralized cobalt veins. The first hole drilled; that targeted the IP anomaly did not yield any significant results. The two holes that targeted the north plunging shoots confirmed the structural model, hit the Kilpatrick mineralisation yielded anomalous cobalt values.
Drilling at the Gowganda-Miller Lake prospect in 2020 spanned approximately 1,300 metres of strike length. The holes were variably oriented and drilled to depths between 60 metres and 474 metres. Seven holes intercepted thin yet significantly mineralized veins (cobalt >0.2%) that also contained locally high silver grades.

At the Big Four zone, a diamond drill program was designed to intersect the relatively flat vein system at progressively deeper cuts with a series of paired, fanned/ forked holes. Drill pad/ collar locations were restricted by the topography to two narrow east- west trending corridors on the side of a steep hill on which is perched a microwave tower. Additional holes targeted sulphide rich gossanous zones near the shaft and on an oxidized outcrop knoll about 200 metres to the north. Overall, 19 holes totalling 2, 022 metres were drilled.

Drilling revealed that the uppermost drill tier was situated over a late, barren 25-metre wide diabase dike that appears to have been superimposed on the vein system, probably dividing the vein into north and south halves. Thus, all of the early holes were collared in, and traversed through this diabase, thereby "diking out" the vein near the contact.

Cobalt mineralization and veining were observed in holes logged north of the diabase dike but not to the south. However, XRF analyses revealed anomalous cobalt values to the south even though no cobalt mineralization was visible. Generally, the higher cobalt values correspond with anomalous As values whereas higher Ag and Cu assays appear to be associated with high sulphur content related to the sulphide lenses. Notably, an exception to this trend is in hole GBF20002 where high Ag occurs with the Co and As.

Hole GBF20017 was drilled approximately 200 m north of the Big 4 shaft area to undercut a highly gossanous outcrop exposure from which a gold assay of 1.15 gm was obtained during the initial prospecting of the Transition property. The best gold assay returned from hole GBF20017 was 0.104 ppm Au.

Fabre Project

Exploration and drilling on the Fabre Project focused on two separate areas (Fabre East and West) located respectively east and west of the town of Saint-Édouard-de-Fabre.

Program Dates	Number of Holes	Total Metres	No of Assayed Samples
January 25-February 28, 2019 (Fabre West)	18	2,917	1,874
January 9 – January 24,2019 (Fabre East)	10	837	290

Old BMR drilled a total of 18 drillholes (2,917 m) on 13 drill pads at the Fabre West project in 2019. Drilling spanned a strike length of approximately 600 m; most of the holes were drilled towards the southeast. Fabre West drilling returned anomalous cobalt, copper and zinc values over narrow widths with significant silver values. The best intersection was in hole FAW19004, hosted in brecciated mafic rocks, close to the unconformity:

From (m)	To (m)	Length (m)	Ag (ppm)	Co (ppm)
76.57	79.80	3.23	2,490	1,511
79.30	79.8	0.50	1,740	7,390

In general, mineralization is associated with a strong IP chargeability response. Assays show a strong correlation between cobalt-arsenic and copper. Silver correlates with arsenic, cobalt, bismuth and copper. The drilling confirmed that the better cobalt and silver mineralization is located on the southwestern end of the drilled area.

The area tested by drilling spans a strike length of approximately 600 m, and the rock types vary widely over that distance. Drilling in the main area intercepted met volcaniclastic and felsic rocks, whereas gabbro and mafic volcanic rocks dominate in hole FAW19005, approximately 400 m east of the main zone.

Old BMR drilled a total of 10 drillholes (837 m) from nine locations at the Fabre East project in 2019. The program was designed to test immediate extensions of old workings and adjacent vertical & strike extent of mineralization. This well-defined target area is underlain by an east-west striking contact zone between Archean mafic metavolcanics and metasedimentary rocks and the younger, often massive, Nipissing diabase sill. None of the 2019 Fabre East drillholes yielded any significant cobalt or silver assays. No further exploration work is planned by BMR.

Elk Lake

Old BMR conducted a drilling program in 2018 on the Roy property, located at the northwestern corner of the Elk Lake block. This portion of the property comprises three historical workings (from north to south): the Roy, the Little Otisse, and the Sterling. The drill targets were derived from prospecting, detailed mapping, and a recent Mag and IP survey results.

Program Dates	Number of Holes	Total Metres	No of Assayed Samples
November 21 – December 15, 2018	14	2,353	1,011

The fourteen holes in the drill program were drilled in four groups. The most significant results from these four groups of holes are listed in the same order as above:

- Drilling around the Roy Shaft/stripped area graded 3.61% cobalt over 0.14 m, averaging 0.53% cobalt over a core length of 1.15 m.

- Near the former Little Otisse area, the first two holes encountered a series of narrow isolated cobalt- or copper-rich zones associated mainly with chalcopyrite-bearing carbonate stringers. The three holes drilled west of the projected fault encountered only low cobalt values.

- Hole ELR18-06, drilled towards the east under the adit of the former Sterling workings, intersected several cobalt-bearing carbonate (quartz) stringers/veins up to 20 cm containing pyrite and chalcopyrite (+/- specularite, galena, silver). The hole drilled through the diabase and into the underlying sediments. Hole ELR18-08 drilled in a westerly direction was stopped prematurely after encountering sediments at the start of the hole.

- The final three holes were collared approximately 120 m south of the Roy shaft. Vertical hole ELR18-13 exited the diabase into sedimentary rocks at 148.21 m and subsequently entered the basement granite at 177.40 m. It intersected a zone of calcite veining in the diabase which returned a weighted average of 0.62% cobalt over a core length of 1.66 m. The two nearby holes contained several minor carbonate veins with cobalt mineralization, associated with narrow aplitic stringers and orange altered wall rock, similar to that of the vein mined underground at Roy.

The drilling resulted in the following conclusions: (i) three significant structures identified in mapping were confirmed by drilling (ii) anomalous cobalt values are in close proximity to the intersection of the E-W and N-S trending structures; and (iii) cobalt mineralization is associated with potassium/Fe-oxide alteration halos and carbonate breccia-veins.

The 2020 drilling programs were focused on the Cotley and Silverstrike zones west of the town of Elk Lake. At Cotley a limited 7-hole drill test of the Historic Cotley workings was completed. The drillholes targeted strike and depth extensions of the workings as well as the mapped vein trends. The 200-metre exposed Co-Ag vein at Silverstrike was tested with 6 drillholes during the 2020 summer program. Narrow, weakly anomalous silver and cobalt assay values were reported.

Shining Tree

A total of 284.32 metres was drilled from March 19, 2020 to March 23, 2020. Logging of the core revealed that three significant carbonate breccia veins were intersected at 18.17 metres, 76.5 metres and 81.75 metres measuring 0.22 metres, 0.60 metres and 0.46 metres wide, respectively. In addition, several narrower vein zones were also encountered. Two of these stronger veins returned anomalous cobalt values of 211.0 and 109.5 ppm at 17.8 metres and 81.7 metres. The results also indicate that these samples yielded the highest arsenic and bismuth assays.

Drilling Procedures

Drilling using NQ-sized drill core was conducted by G4 Drilling from Val d'Or, Québec. Downhole surveys were done using the Easy Gyro (tool ID EG171) system; with standards readings at every 30 m in addition to optimized readings at the top and bottom of drillholes. Oriented core, using rented ACT III downhole tools were used for five of the McAra resource area drillholes (MCD19043 to 047). Final drillhole collar locations were surveyed by Trimble DGPS (differential GPS).

Diamond drill core was inspected at the drill site then transported by truck or snow machine/sleigh to a nearby temporary heated logging trailer where rough core logs were compiled. Core boxes were then secured and transported by truck to the CXS base in Larder Lake, where the core was logged in detail and sampled.

A comprehensive core logging protocol was followed. Core logging procedures and the type of data collected are listed in the table below. All drillhole information and logs were entered in dedicated and customized Excel logging forms and integrated in the data management system on the server.

Data Type	**Data Recorded**			
Technical	Check for block errors, document drilled intervals	Reassemble the core, mark core at every metre	Mark core with orientation line	Recovery and RQD
Geotechnical	Number of fractures	Number of veins	Number of deformation sets	
Oriented core (McAra resource area)	Alpha, Beta, Gamma and lock angles			
Downhole geophysical surveys (McAra only)	Orientation and dip	Gamma ray intensity	Caliper density	Resistivity

Data Type	Data Recorded			
Photographs	Dry	Wet		
Geological logging	Detailed lithology in text and database format	Structures	Alteration	Mineralization
Logging with instrumentation	Form mid-2018: selective hand-held Olympus Vanta XRF multi-element	Mg, Al, Si, P, S, K, Ca, Ti, V, Cr, Mn, Fe, Ni, Cu, Zn, Zr, Mo, Ag, Cd, Sn, Sb, W, Pb, As, Se, Rb, Sr, Y, Hg, Nb, Bi, Th & U	Regular interval selective spot sampling	
	MPP-EM25+ Magnetic Susceptibility Probe	Magnetic Susceptibility	Regular interval selective spot sampling	
Assay samples	Mark cut line in yellow on core	Mark assay intervals in red (0.3 to 1 m length)	Insert sample tags	Insert QAQC samples

Sampling and Analysis

Sampling Methods

Holes drilled in 2017 and 2018 were sampled from top to bottom; holes drilled in 2019 and 2020 were sampled selectively around mineralized zones, and periodically in rock types known to host mineralization. Samples were marked on the core with a red china marker. The minimum sample size was 30 cm, and the maximum sample size was 1 metre.

Samples were cut by saw along a cut line. The core half that wasn't marked with metre marks was put in a sample bag with corresponding sample tag. The remaining core was returned to the core box without reversing the direction of the sample and the pieces were fitted back together. QAQC samples were inserted in the sample stream according to directions.

All sample intervals were reported as measured downhole lengths; the relationship between the length of the sample interval and the true width of the mineralization is not always known. A total of 10,928 samples were assayed.

Upon receipt at the ALS Laboratory in Sudbury, samples were logged in a sophisticated laboratory information management system for sample tracking, scheduling, quality control, and electronic reporting. Samples were dried in special drying ovens prior to crushing.

The samples were crushed to 70% < -2 mm and a riffle split of 250 grams was then pulverized to 85% of the material achieving a size of <75 microns using a low chrome steel, ring-puck pulverizing vessels. Quality control testing of pulverizing efficiency is routinely conducted by ALS. These security and sample preparation methods are in accordance with accepted best practice in exploration sampling.

Quality Control Measures

Old BMR has implemented formal analytical quality control monitoring by inserting blanks (not certified) and certified reference materials (certified reference material or standards) into the sample sequence. Old BMR's QA/QC program, in general, consisted of the insertion of one standard every 20 samples and one uncertified blank (barren marble) for every batch of 50 samples. Every 20th sample was taken as a core duplicate sample.

A total of 759 standards, 468 blanks, and 673 duplicates or ~10% of the total number of samples assayed (18,564 total samples, of which 1,900 were control samples) were compiled by BMR during its 2017 to 2020 QA/QC program.

Certified international standards were inserted into sample batches by ALS. Blanks and duplicates are inserted within each analytical run. The blank is inserted at the beginning, internationally certified standards are inserted at random intervals, and duplicates are analysed at the end of the batch.

Data Verification

The qualified person for the Technical Report analyzed the analytical quality control data produced during the 2017 to 2019 drilling programs from all combined exploration programs provided by Old BMR. Old BMR aggregated the assay results of the external analytical control samples for further analysis. Control samples (blanks and certified reference materials) were summarized on sample plots to highlight their performance.

All aspects that could materially impact the integrity of the exploration database (like core logging, sampling, and database management) were reviewed with BMR staff. The qualified persons were given full access to all relevant project and were given the opportunity to interview exploration staff to ascertain exploration procedures and protocols.

The qualified persons examined core from several boreholes from various projects and found that the logging information accurately reflects actual core. The lithology contacts checked match the information reported in the core logs.

Security of Samples

The bags were sealed with chain-of-custody tags at CXS, and then transported by truck to ALS in Sudbury, Ontario, by Old BMR/CXS staff or by a bonded third-party courier. Each dispatched sample batch was documented prior to shipment; receipt of the samples by ALS was confirmed by work order documents circulated by email. From rig site to ALS labs in Sudbury and every stage of the process drill core "chain of security" was maintained with core handled by Old BMR/CXS Staff or contractors engaged by the company.

Mineral Resource Estimate

The Mineral Resource estimate for McAra Project with an effective date of March 31, 2020 is set forth below.

		Grade			Metal		
Category	**Quantity (000′ t)**	**Cobalt (%)**	**Silver (g/t)**	**Co-Eq (%)**	**Cobalt (lbs)**	**Silver (oz)**	**Co-Eq (lbs)**
Underground**							
Measured	-	-	-	-		-	-
Indicated	34	1.47	10.28	1.50	1,102,000	11,260	1,124,000
Measured + Indicated	34	1.47	10.28	1.50	1,102,000	11,260	1,124,000
Inferred	5	1.94	10.84	1.96	214,000	1,650	216,000

Notes:

(1) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the estimated Mineral Resources will be converted into Mineral Reserves.

(2) Mineral Resources tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add up due to rounding.

(3) Inferred Mineral Resources are that part of a mineral resource for which quantity and grade can be estimated on a basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity.

(4) Underground mineral resources are reported at a cut-off grade of 0.75% CoEq. Cit off grades are based on a price of US$16 per lb or cobalt, US$17 per oz of silver, and assume discoveries of 100% for underground resources.

The mineral resource considered 128 core boreholes of which 72 are historic, and 56 were drilled by Old BMR since 2016. The key assumptions, parameters and methods used to estimate the mineral resources are summarized below:

- a three dimensional lithological and structural model in Leapfrog Geo of the McAra deposit was developed using collected data, including the logged lithologies, surface structural measurements, oriented core measurements, and geophysical data.

- the three-dimensional modelling methodology included grouping lithologies together and defining the main lithological units using interval selection tool, then refining individual lithological units based on logging, core photos, and oriented core structural data.

- wireframes six cobalt-bearing veins plus a VMS-like massive sulfide lens overprinted by the cobalt-bearing veins (cobalt-sulfide bearing vein), and a solid of the folded metasedimentary unit bearing sulfides were identified for resource estimation.

- grade shells were derived from the modelled cobalt-bearing structures by constraining discrete zones of continuous high-grade assays.

- in order to prevent smearing of very high-grade assays where the number of data were limited, high grade areas were constrained within these structures was by constructing a wireframe around assays above 0.2% cobalt, while respecting the thickness and extents constrained by the litho-structural model of the veins.

- with respecting the thickness of the structure, some lower grade assays were included in the selection and while there are high grade assays located outside the modelled structure but the current dataset only supported modelling of the east-northeast-west-southwest orientation.

- specific gravity was measured for 122 samples at ALS Laboratory using a standard weight in water/weight in air methodology on core.

- There were eight specific gravity samples associated with each of the cobalt and copper mineralization, and the remaining samples covered various unmineralized lithologies.

- the mineralized domains were populated with the average specific gravity for each respective association: 3.10 in the cobalt veins and 3.06 in the mineralized metasedimentary volume.

- each domain type was considered separately.

- to further limit the influence of high-grade outliers, composites were capped by grade domain.

- SRK relied on a combination of probability plots, capping sensitivity plots, and three-dimensional visualization to determine the cap values for all elements of interest. Breaks or inflections in the probability plots characterize separation in the sample populations and were considered as potential cap values. These were then evaluated for reasonableness statistically and visually by evaluating the impact of the chosen cap threshold on the mean, standard deviation, and coefficient of variation.

- the Geostatistical Software Library was used to calculate and model variograms for cobalt in the cobalt vein domains and for copper in the sulphide-bearing metasediment fold hinge domain.

- The most populous and largest domain, cobalt vein 02 was used as a proxy for all cobalt veins to generate an isotropic variogram on the cobalt composites within the domain.

- considering data spacing and to maintain flexibility for different potential extraction scenarios, a parent block size of 5 metres x 5 metres x 5 metres was selected, with sub-blocks down to 0.20 metres to accurately approximate vein thickness.

- cobalt, silver, and nickel into each of the cobalt vein domains, and copper into the sulfide-bearing metasediment domain were populated using an ordinary kriging (OK) estimator.

- Up to three estimation runs with progressively relaxed search ellipsoids and data requirements were used.

SRK validated the block model by visually comparing block estimates and informing composites, by statistical comparisons between composites and block model distributions, and by statistical comparison between OK estimates and alternate estimators: Inverse Distance to the Power of Two (ID2) and Nearest Neighbour (NN) at various cut-off grades. The ID2 estimator performed similarly to the OK, with differences in contained metal over various cut-off grades +/- 5%. This indicates that the estimate is not overly sensitive to the estimation algorithm.

Selected Financial Information

The following table sets out certain selected historical consolidated financial information of the Company and BMR Limited for the periods and as at the dates indicated. This information has been derived from the audited and unaudited financial statements of the Company and BMR Limited included in this Filing Statement, and the related notes thereto. The Company and BMR Limited prepare their financial statements in accordance with IFRS. Investors should read the following information in conjunction with those financial statements and related notes thereto, along with the BMR MD&A and BMR Limited MD&A.

	BMR Corp.	**BMR Corp.**	**BMR Limited**	**BMR Limited**	**BMR Limited**
	Period Ended September 30, 2020	**From Incorporation to December 31, 2019**	**Fiscal Year Ended June 30, 2019**	**Fiscal Year Ended June 30, 2018**	**Fiscal Year Ended June 30, 2017**
	(CDN$ ’000s)	(CDN$ ’000s)	(AUS$ ’000s)	(AUS$ ’000s)	(AUS$ ’000s)
Revenues	Nil	Nil	Nil	Nil	Nil
Exploration Expenses	Nil	Nil	Nil	Nil	Nil
Total Expenses	1,302	205	4,312	5,740	2,187
Other Expenses (income)	1,844	46	20,853	965	48
Net Loss	3,146	251	25,165	6,705	2,235
Cash & Equivalents	75	1,569	35	6,584	1,848
Other Current Assets	177	525	691	1,841	338
PP&E	96	133	173	46	8
Exploration and Evaluation Assets	22,780	20,698	19,893	21,209	8,506
Other Non-Current Assets	33,892	1,287	Nil	Nil	187
Total Assets	57,020	24,212	20,792	29,680	10,887
Accounts Payable	787	1,296	4,001	2,072	740
Other Liabilities	5,190	732	3,362	2,662	Nil
Debt	-	10,000	10,897	Nil	Nil
Total Liabilities	5,977	12,028	18,260	4,734	740
					Nil
Total Equity	51,043	12,184	2,532	24,946	10,147
Number of Shares Outstanding	128,618,485	91,887,870	116,447,768	113,350,268	78,833,936
Working Capital	(534)	66	(6,636)	3,690	1,446

The Company and BMR Limited have not prepared financial statements for the eight most recent financial quarters. Accordingly, quarterly information has not been presented.

Management’s Discussion and Analysis

Management’s Discussion and Analysis for the Company for the three and nine month period ended September 30, 2020 is attached hereto as Exhibit “C” and Management’s Discussion and Analysis for the Company for the period from incorporation to December 31, 2019 is attached hereto as Exhibit “D”. Management’s Discussion and Analysis for BMR Limited for the years ended June 30, 2019, and June 30, 2018 are attached hereto as Exhibits “F1” and "F-2" respectively. The Management’s Discussion and Analysis should be read in conjunction with the audited financial statements of the Company and BMR Limited and the related notes attached to this Filing Statement as Exhibit “A”, Exhibit “B” and Exhibits "E-1" and "E-2".

Description of Securities

The Company's authorized capital consists of an unlimited number of common shares and currently has 128,618,485 BMR Shares issued and outstanding. After giving effect to the Qualifying Transaction, the holders of BMR Shares are entitled to receive notice of any meetings of shareholders, to attend and to cast one vote per BMR Share at all such meetings on a poll, and one vote per holder on a show of hands. BMR Shareholders are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the BMR Board at its discretion from funds legally available thereof and upon the winding-up of the Company are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the BMR Shares with respect to dividends or liquidation. The BMR Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Consolidated Capitalization

The following table sets out all the material changes in, and the effect of the material changes on, the share and loan capital of BMR Limited, on a consolidated basis, since December 31, 2019. The table should be read in conjunction with the audited consolidated financial statements of the Company, along with the related notes thereto and the associated BMR MD&A contained in this Filing Statement.

Designation of Security	Amount authorized/ or to be authorized	Amount outstanding as of September 30, 2020(1)	Amount outstanding as of December 31,2020 prior to giving effect to the Qualifying Transaction(1)
BMR Shares	Unlimited	128,618,485	128,618,485

Notes

(1) This includes the Settlement Shares, the Private Placement Shares and the Property Purchase Shares but does not include the ESI Conditional Transaction Shares.

Prior Sales

The following table summarizes the dates and prices at securities of BMR have been issued in the 12-month period prior to the date of this Filing Statement:

Date	Number of BMR Shares Issued	Issue Price Per BMR Share	Consideration Received
November 16, 2019	1,000	CDN$1.00	Incorporation shares(1)
December 2, 2019	67,400,000	US$0.50	Asset Acquisition(2)
December 31, 2019	1,831,880	CDN$0.95	Private placement for cash(3)
January 9, 2020	26,785,605	CDN$0.17 - $0.65	Private placement cash and non-cash consideration(4)
August 31, 2020	2,000,000	CDN$0.65	Cash(7)(9)
September 9, 2020	30,000,000	CDN$0.65	ESI Purchased Shares(6)
September 15, 2020	600,000	CDN$0.65	Cash(7)
January 15, 2021	1,923,077	CDN$0.65	Cash(5)
January 15, 2021	735,294	CDN$0.68	Cash(3)(5)
TOTAL	131,276,856		

Notes:

(1) Issued to Weston (a Non Arms Length Party to the Company) for nominal consideration in connection with incorporation of the Company.

(2) Issued to Weston Cobalt LLC (a Non Arms Length Party to the Company) in connection with the acquisition of the Subsidiaries pursuant to the Share Sale Agreement. See –*"Information about BMR – General Development of the Business"*.

(3) Sold on a "flow-through" basis.

(4) Represents shares issued for a combination of cash and non-cash consideration; non-cash consideration consisting of releases in connection with the administration of OLD BMR and the acquisition of the subsidiaries by Battery.
(5) Represents BMR Shares issuable upon conversion of the Subscription Receipts Issued pursuant to the Private Placement.
(6) Issued to the Yorktown Entities, Non-Arms Length Parties to the Company.
(7) Issued to Weston Energy LLC, a Non Arms Length Party to the Company.

BMR - Executive Compensation

The Company has four NEOs who are the focus of this "Executive Compensation" section and who appear in the compensation tables of this Filing Statement:

Named Executive Officer	Position
Lazaros Nikeas	Chief Executive Officer and Director
Jack Cartmel	Chief Financial Officer
Dr. Henry Sandri	Vice President, Business Development
Peter Doyle	Vice President, Exploration

The Company commenced paying compensation to its NEOs in January 2020 upon executing a consulting or employment agreement with NEO.

Compensation Discussion and Analysis

As of the date hereof, the Company's compensation of its executives consists solely of a salary component. The salary is either directly, in an employment relationship, or through consulting fees. This component of compensation is designed to compensate the executive officers for fulfilling their day-to-day responsibilities, and to ensure the Company is able to attract and motivate talent.

To date, the Company has discussed (and conditionally offered) equity compensation to each of its NEOs upon and subject to completion of the Qualifying Transaction.

On October 29, 2020, the Company's Board of Directors adopted a restricted share unit plan (the "**RSU Plan**"), subject to TSXV and shareholder approval. The Company expects to grant restricted share units ("**RSUs**") under the RSU Plan to each of its NEOs and implement the RSU Plan upon, and subject to, completion of the Qualifying Transaction. Any such RSU granted shall be subject to shareholder approval of the RSU Plan and any such RSU grants, specifically. Any equity compensation issuable pursuant to vested RSUs will be Resulting Issuer Shares.

The Company does not currently have any other executive compensation program in place; however, it is anticipated that the Resulting Issuer will adopt a holistic executive compensation program (including the RSU Plan) following the Completion of the Qualifying Transaction, in accordance with the description below under "*Part V – Information Concerning the Resulting Issuer – Executive Compensation*".

The RSU Plan provides that it shall be administered by the Board, or if administration of the RSU Plan is delegated to the Compensation Committee, then the Compensation Committee (the Board or Compensation Committee in this context, the "**Committee**"). The Committee may award RSUs to employees, consultants, directors and officers of the Company ("**Eligible Persons**") from time to time as a discretionary component of compensation to recognize and reward significant contributions to the long-term success of the Company, including by aligning the Eligible Persons' interests more closely with the Company's shareholders. The Board intends to use RSUs issued under the RSU Plan as part of the Company's overall executive compensation plan. Since the value of RSUs increase or decrease with the market price of the Common Shares, RSUs reflect a philosophy of aligning the interests of holders thereof with those of the shareholders by tying compensation to share price performance. In addition, RSUs assist in the retention of qualified and experienced persons by rewarding individuals who make a long-term commitment to the Company's success. While the Resulting Issuer may grant RSUs under the RSU Plan, under the policies of the TSXV no RSUs may vest until the RSU Plan has been approved by shareholders at a meeting of Company shareholders.

Pursuant to the terms of the RSU Plan, the maximum number of Resulting Issuer Shares which may be reserved for issuance thereunder may not exceed 10% of the Resulting Issuer on listing or such greater number of Common Shares as shall have been duly approved by the Board and, if required by the policies of the TSXV or any other stock exchange on which the Resulting Issuer Shares may then be listed, by the shareholders of the Company. The number of Resulting

Issuer Shares which may be reserved for issuance under the RSU Plan in combination with the aggregate number of Resulting Issuer Shares which may be issuable under any and all of the Resulting Issuer's equity incentive plans in existence from time to time, including the RSU Plan, shall not exceed 20% of the total number of issued and Common Shares on a non-diluted basis as at listing, or such greater number of Resulting Issuer Shares as shall have been duly approved by the Board and, if required by the policies of the TSXV or any other stock exchange on which the Resulting Issuer Shares may then be listed, and by the shareholders of the Company. As of the date of this Filing Statement, no BMR Shares are issuable subject to vesting of RSUs.

If and for so long as the Resulting Issuer Shares are listed on the TSXV, the number of Resulting Issuer Shares which may be issuable under the RSU Plan and any other share compensation arrangement, within any one-year period:

(i) to any one Eligible Person, shall not exceed 5% of the total number of issued and outstanding Resulting Issuer Shares on a non-diluted basis;

(ii) to insiders as a group, shall not exceed 10% of the total number of issued and outstanding Resulting Issuer Shares on a non-diluted basis;

(iii) to any one consultant, shall not exceed 2% of the total number of issued and outstanding Resulting Issuer Shares on a non-diluted basis; and

(iv) to all Eligible Persons retained by the Company to provide investor relations activities, shall not exceed 2% of the total number of issued and outstanding Resulting Issuer Shares on a non-diluted basis.

Unless redeemed earlier in accordance with the RSU Plan, RSUs will be redeemed on or about each applicable Redemption Date (as defined below), or, if applicable, at a later Deferred Payment Date(s) (as defined below), for (i) a number of Resulting Issuer Shares equal to the number of RSUs that have vested on the Redemption Date(s) or Deferred Payment Date(s), as the case may be, or (ii) a cash amount equal to the number of Resulting Issuer Shares subject to the vested RSUs multiplied by the Fair Market Value (as defined in the RSU Plan) on the applicable vesting date, net of any applicable statutory withholdings; or (iii) a combination of the Resulting Issuer Shares and cash consideration described in (i) and (ii) above.

The "Redemption Date" in respect of any RSU means the date determined by the Committee in its sole discretion after the vesting of the RSU, unless there is a Change of Control (as defined in the RSU Plan), the RSU Plan is terminated, or upon an Eligible Person's death or termination of employment. Eligible Persons who are not Canadians may elect to defer the receipt of all or any part of their entitlement to Common Shares to a Deferred Payment Date. The "Deferred Payment Date" in respect of any RSU means the date after the Redemption Date and not later than the Eligible Person's Retirement Date (as defined below) until which the Non-Canadian Eligible Person has elected to defer receipt of any entitlement under a vested RSU. "Retirement" in respect of an Eligible Person means the Eligible Person ceasing to be an employee, director, contractor or officer as a result of a resignation by the Eligible Person where the Eligible Person is at least 55 years of age, has completed 5 years of service with Company or an Affiliate and the Eligible Person has indicated that he or she intends to cease active full-time employment from any employer, and "Retirement Date" means the date an Eligible Person reaches Retirement.

The Board has the right, in its sole discretion, to amend, suspend, or terminate the RSU Plan, provided that no such amendment, suspension or termination may be made without obtaining the required TSXV or shareholder approvals, or if it adversely affects the rights of any Eligible Person with respect to the RSUs to which the Eligible Person is entitled under the RSU Plan without the Eligible Person's consent. Notwithstanding the foregoing, no amendment related to (i) the number or percentage of Resulting Issuer Shares available for grant under the RSU Plan, (ii) a change in the method of calculation of redemption of RSUs held by Eligible Persons; and (iii) an extension to the term of redemption of RSUs held by Eligible Person, may be made by the Board without Shareholder approval or, if required under the TSXV Corporate Finance Manual, Disinterested Shareholder approval, and TSXV approval. All other amendments to the RSU Plan may be made by the Board without obtaining shareholder approval.

If an Eligible Person other than a director is involuntarily terminated for reasons other than cause and holds vested RSUs, the vested RSUs will be redeemed on the date the Eligible Person's employment is terminated for an equal number of Resulting Issuer Shares or cash in lieu thereof, or a combination of cash and Resulting Issuer Shares, as determined by the Board. If an Eligible Person that is a director is not re-elected at an annual or special meeting of shareholders and such Eligible Person holds vested RSUs, the vested RSUs will be redeemed on the applicable meeting date for an equal number of Resulting Issuer Shares, cash in lieu thereof, or a combination of cash and Resulting Issuer Shares, as determined by the Board. If the Eligible Person is terminated by the Company with cause or voluntarily ends his or her employment with the Company, all RSUs granted to the RSU Eligible Person, whether vested or unvested will be forfeited and cancelled without payment, other than RSUs for which the Eligible Person elected a Deferred Payment Date. In the event an Eligible Person's employment is terminated for reasons other than cause at any time within 12 months following a Change of Control (as defined in the RSU Plan), all RSUs granted to the Eligible Person and outstanding under the RSU Plan will be redeemed as soon as reasonably practical following the termination, and will be paid out in cash, Resulting Issuer Shares or a combination of cash and Resulting Issuer Shares.

Compensation Objectives and Governance

The Company does not currently have a compensation committee and compensation matters are determined by the entire Board, with executive directors recusing themselves from decisions affecting their compensation and other terms of employment.

Summary Compensation Table

Commencing January 1, 2020, executive compensation for the NEOs is as follows:

Name and Principal Position	Year	Annual Salary/ Fee ($)	Total Compensation ($)
Lazaros Nikeas(1) *Chief Executive Officer*	2020	150,000	150,000
Dr. Henry Sandri(2) *Vice President, Business Development*	2020	162,000	162,000
Jack Cartmel(3) *Chief Financial Officer*	2020	150,000	150,000
Peter Doyle *Vice President, Exploration*	2020	240,000	240,000

Notes:

(1) Lazaros Nikeas is paid through a consulting agreement between the Company and New Canaan Capital Advisors, LLC, a company controlled by Mr. Nikeas.
(2) Dr. Henry Sandri is paid through a consulting agreement between the Company and Stonebridge Analytics LLC, a company controlled by Dr. Sandri.
(3) Jack Cartmel is paid through a consulting agreement between the Company and Numis Consulting Inc., a company controlled by Mr. Cartmel.

The NEOs are not currently entitled to any share-based awards, option-based awards, incentive plan compensation, pension value or any other forms of compensation.

Employment and Consulting Contracts

The Company has entered into consulting or employment agreement with each named executive officer or companies controlled by them, for the provision of executive services to the Company in their respective functions (the "**NEO Agreements**"). Each NEO other than Mr. Doyle have been engaged on a consultancy arrangement.

Each NEO Agreement contains provisions with respect to a base salary or fee (which will initially be in the amounts in the table described above), reimbursement of certain business-related expenses, annual bonus provisions, and participation in the equity incentive plans of the Company as it may enter into from time to time.

The NEO agreements for all NEO/s other than Doyle provide for a severance payment in the event of termination without cause, and in the case of Mr. Doyle, in the event of disability, of (i) any unpaid salary or fees due and owing up to the effective date of termination including unused accrued vacation, if any (ii) a lump sum payment equal to one month of the applicable annual consulting fee or salary at the time of termination for every completed year of service with the Company, subject to a minimum of three months, a maximum of 18 months, (iii) any accrued but unpaid bonuses for the previous year; and (iii) an amount in respect of a bonus for the fiscal year in which the termination occurs as determined by the BMR Board, provided that such bonus amount shall not be less than 20% of the then current annual consulting fee or salary prorated to the date of termination.

The NEO agreements for Doyle provide for a severance payment in the event of termination without cause or in the event of disability, of (i) any unpaid salary or fees due and owing up to the effective date of termination including unused accrued vacation, if any (ii) a lump sum payment equal to one month of the applicable annual consulting fee or salary at the time of termination for every completed year of service with the Company, subject to a maximum of 18 months, (iii) any accrued but unpaid bonuses for the previous year; and (iii) an amount in respect of a bonus for the fiscal year in which the termination occurs as determined by the BMR Board, provided that such bonus amount shall not be less than 15% of the then current annual consulting fee or salary prorated to the date of termination.

If the named executive officer is terminated for cause, he will not be entitled to notice or payment in lieu of notice however the Company must pay such named executive officer: (i) unpaid salary or fees due and owing up to the effective date of termination including unused accrued vacation, if any; and (ii) if approved by the BMR Board, any unpaid bonus in respect of the preceding financial year.

Each named executive officer is entitled to resign or terminate his engagement with the Company upon at least two months’ notice to the BMR Board, and shall be paid: (i) unpaid salary or fees due and owing up to the effective date of termination including unused accrued vacation, if any; (ii) if approved by the BMR Board, any unpaid bonus in respect of the preceding financial year; and (iii) such amount, if any, as the BMR Board may determine to pay by way of a pro rated bonus for the fiscal year in respect of resignation or termination occurs.

In the event of a "Change of Control" (as defined below) and within 12 months of the effective date of the Change of Control either (i) the NEO terminates his employment or consulting agreement and there is Good Reason (as defined below) or (ii) the Company terminates the employment or consulting agreement without cause the Company shall provide the NEO with the following, in full, final and complete satisfaction of any and all claims that the NEO may have against the Company:

(a) unpaid salary or fees due and owing up to the effective date of termination including unused accrued vacation, if any;

(b) a lump sum payment equal to one month of the annual consulting fee or salary at the time of termination for every completed year of service, with a minimum of four months and a maximum of 18 months;

(c) accrued and unpaid bonuses for the previous year; and

(d) an amount in respect of a bonus for the fiscal year in which the termination occurs as determined by the BMR Board, provided that such bonus amount shall not be less than 15% or 20% of the then current annual consulting fee or salary prorated to the date of termination.

A "Change of Control" transaction means any of the following events: (i) the acquisition, directly or indirectly, by any person or group of persons acting in concert, as such terms are defined in the *Securities Act* (British Columbia), of BMR Shares which, when added to all other BMR Shares at the time held directly or indirectly by such person or persons acting in concert, totals for the first time more than 50% of the outstanding BMR Shares; (ii) the acquisition, directly or indirectly, by any person or group of persons acting in concert, as such terms are defined in the *Securities*

Act (British Columbia), of BMR Shares which, when added to all other BMR Shares at the time held directly or indirectly by such person or persons acting in concert, totals for the first time 30% of the outstanding BMR Shares followed, within 12 months of such event, by the removal, by extraordinary resolution of the shareholders of BMR, of more than 51% of the then incumbent directors of BMR, or the election of a majority of directors to the Board who were not nominees of the incumbent BMR Board at the time immediately preceding such election; (iii) consummation of a sale of all or substantially all of the assets of BMR, or the consummation of a reorganization, merger or other transaction which has substantially the same effect; or (iv) any plan of arrangement, reorganization, merger or other transaction which has substantially the same effect as (i) to (iii) above. For clarity, the Qualifying Transaction does not constitute a "Change of Control".

"Good Reason" means the occurrence of any of the following without the named executive officer's express consent:

- any material change in the named executive officer's position, title, job description, authority, reporting relationship, or the nature or status of his duties and/or responsibilities, unless any such change provides a materially equivalent outcome for, or a promotion of, the named executive officer in the normal course of business;

- a material reduction in the named executive officer's base salary or fee or target bonus incentive opportunity under any bonus or incentive plan, or any change in the basis upon which the named executive officer's annual fee or salary or bonus or incentive is determined, if the change is or will be adverse to the named executive officer;

- the failure by the Company to continue in effect, or a material change in the terms of the named executive officer's participation in benefits under any bonus or benefits plan, the effect of which would be to materially reduce the total value, in the aggregate, of the named executive officer's benefits under such plans;

- a change in the principal place of work of the Contractor to a location more than 50 kilometers from the then-current place of work; and

- any other circumstances which would constitute a constructive dismissal of an employee at common law, without regard to whether or not a named executive officer is not providing services in the capacity of an employee.

The agreements will contain a non-solicitation provision binding on the named executive officer applicable for 18 months after the date of termination, and confidentiality provisions in place indefinitely after termination.

Termination and Change of Control Benefits

The following table sets out the estimated payments in the event of termination of employment and termination with "Good Reason" within one year following a Change of Control for each of the NEOs, assuming (i) that the event giving rise to the payment occurred on December 31, 2019; (ii) assuming the compensation arrangements described above to be entered into in the context of the Qualifying Transaction had been entered into; and (iii) no accrued and unpaid or prorated bonus amounts.

	Amount Payable ($)		
NEO	**Change of Control – Minimum(1)**	**Change of Control – Maximum(2)**	**Termination Without Cause for Reason other than Change of Control**
Lazaros Nikeas	50,000	225,000	50,000
Dr. Henry Sandri	54,000	243,000	54,000
Jack Cartmel	50,000	225,000	50,000
Peter Doyle	80,000	360,000	80,000

Notes:
(1) Based on a minimum change of control payment equal to 4 months of the consulting fee.
(2) Based on a maximum change of control payment equal to 18 months of the consulting fee.

Director Compensation

Effective January 1, 2020, the Company has entered into letter agreements with each of Mr. Dunmead and Mr. Kiernan pursuant to which the Company agreed to pay each of them a service fee of CDN$4,000 per month.

As a senior officer of the Company, Mr. Nikeas will not receive compensation for his service as a director and his compensation information is presented in the section relating to executive compensation above.

Indebtedness of Directors and Executive Officers

None of the Company's directors or executive officers nor any of their respective associates is indebted to the Company or has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of its subsidiaries.

Non Arm's Length Party Transactions Disclosure

Since incorporation, the Company has not acquired any assets or services from any director, officer, promoter or person described herein as a principal securityholder of the Company (and no such transaction is proposed) except that in connection with the acquisition of the assets of BMR Limited pursuant to the Share Sale Agreement described above which was negotiated by Weston and the obligations of the Company thereunder guaranteed by BMR. For a description of the Share Sale Agreement, see "*Part III - Information Concerning BMR -History*".

Legal Proceedings

Except as set forth below, neither the Company nor its subsidiaries have been party to and none of their respective property is the subject matter of any legal proceedings material to the Company nor are any such proceedings known to the Company to be contemplated.

Potential McAra Claim

In February 2018, the Company received notice of claims against it by a predecessor in title of the McAra claims forming part of the Cobalt District Exploration Project (the "**McAra Claimant**"). The McAra Claimant had previously sold the claims to the predecessor to NSM, the party from which BMR purchased the McAra claims. Pursuant to the contract between the predecessor entity to NSM and the McAra Claimant, the predecessor to NSM was purportedly obligated to pay 10% of the sale price of the claims to the McAra Claimant upon their subsequent assignment or sale, and grant certain pre-emptive rights to conduct work on the claims and be entitled to certain royalties on production from the claims. Prior to purchasing the claims constituting the McAra prospect, BMR conducted a due diligence investigation of the claims, including searching for registrations and encumbrances. The Company also obtained customary representations as to clear title and the absence of royalties and other obligations from NSM. Pursuant to the purchase agreement entered into between the Company and NSM, the Company is indemnified against damages arising from breaches of such representations and warranties by NSM. The McAra Claimant is seeking to enforce its claim through arbitration and BMR is seeking to enforce its right to indemnification. The Company is not a party to any arbitration agreement with the McAra Claimant. The damages sought by the McAra Claimant are unquantified.

International Cobalt Settlement

International Cobalt Corp. commenced legal proceedings against BMR in respect of certain claims staked in Idaho, USA. BMR has settled the International Cobalt Corp. litigation by reaching a mutual agreement with International Cobalt Corp., where in exchange for the rights to the claims in dispute, BMR will issue to Idaho Metals Corp. the Settlement Shares which will include the following restrictions: (i) 100,000 of the Settlement Shares will be subject to a one year hold period from the closing date of the Qualifying Transaction; and (ii) 100,000 of the Settlement Shares will be subject to a two year hold period from the closing date of the Qualifying Transaction.

Material Contracts

The only material contracts which the Company or its subsidiaries have entered into in the past two years, or will enter into prior to the conclusion of the Qualifying Transaction, other than in the ordinary course of business, are:

1. the Share Sale Agreement; and
2. the Amalgamation Agreement.

Copies of these agreements are available for inspection at the Company's head office at no cost, at any time during ordinary business hours and until 30 days after the completion of the Qualifying Transaction.

ESI

Name and Incorporation

ESI was incorporated as 921028 Alberta Ltd. under the *Business Corporations Act* (Alberta) ("**ABCA**") on February 22, 2001. ESI's Articles of Incorporation were amended, and ESI changed its name to "ESI Energy Services Inc**." ("ESI")** on September 12, 2001. ESI's head and registered office is located at 500, 727 7th Avenue S.W., Calgary, Alberta T2P 0Z5.

ESI is a reporting issuer in the provinces of British Columbia, Alberta, Manitoba and Ontario. ESI's common shares are currently listed for trading on the Canadian Securities Exchange (the "**CSE**") under the symbol "OPI".

Intercorporate Relationships

ESI has two operating subsidiaries, ESI Pipeline Services, Inc. a company incorporated under the laws of Arizona ("**ESIPSI**") and ESI Energy Services (Australia) Pty. Ltd. Both of the subsidiaries are wholly-owned by ESI. ESIPSI operates under the name of "Ozzie's Pipeline Padder".

General Development of the Business

History

ESI commenced operations in October 2001 with the objective of entering the oilfield service business in western Canada. ESI acquired Bowridge Resource Group Inc. ("**Bowridge**") in November 2001. Bowridge's principal business was natural gas production testing and auxiliary power generation rentals. ESI acquired Ozzie's Pipeline Padder, Inc. ("**OPI**") in August 2003. ESI exited the oilfield service business in September 2009 in order to focus on the pipeline equipment rental business.

On January 5, 2018 ESI entered a dealer arrangement with Allu Group, Inc. ("**Allu**") to rent and sell their line of screening buckets to any of ESI's existing customers in both the US and Canada in addition to being the sole dealer in Arizona. In March 2020 Allu unveiled new line of crushing buckets that will also be available to ESI for the purposes of sales and rental in the same territory starting June of 2020.

On May 22, 2018 ESI announced that it had entered into the ESI Facility Agreement with Old Battery and NACI and made the ESI Prepayment thereunder.

In September 2020 ESI added a Vacu-lift pipe handling system as well a 2 Sand Slingers for transporting and placing backfill material into pipeline ditches as well as trenches for electrical cable for wind and solar projects.

Narrative Description of the Business

General

ESI supplies (rents and sells) backfill separation machines ("**padding machines**") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors. In addition, ESI operates a fleet of 12 ALLU screening buckets. The Company currently operates in most provinces in western Canada as well as in the United States of America.

Padding machines are used to screen rocks and hard material out of the spoil pile, which is located on the side of an excavated pipeline trench, in order to backfill the pipeline which is located on the bottom of the pipeline ditch. The purpose of screening the spoil pile before backfilling the trench is to prevent rocks and hard objects situated within the spoil pile from falling onto the pipe and puncturing the protective coating on the pipe and/or damaging the pipe during the backfill process. Padding is a "Green" alternative; it facilitates maximum ditch soil replacement and better soil compaction during the backfill process. Proper soil compaction helps to support the pipe firmly in place, preventing it from shifting or distorting as a result of unevenly distributed soil. Backfilling a pipeline trench with a padding machine, as opposed to hauling in select backfill material, eliminates soil contamination. Backfilling a ditch with a padding machine costs a fraction of the price of hauling in select backfill material such as sand or using other methods of pipe protection such as rock jacket or rock shield.

Allu buckets are a complimentary screening application that can be attached to customer owned equipment such as excavators, wheel loaders and skid steers. ALLU screening buckets can be used for a wide range of pipe diameter from 1 inch to 60 inches.

Operations

As previously stated, ESI rents and sells padding machines to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors. In addition, ESI operates a rental fleet of 12 ALLU screening buckets.

ESI's large padding machines are used primarily in the construction of large diameter mainline pipeline, typically greater than 24 inches in diameter and ranging up to 60 inches in diameter. The major benefits of backfill separation to mainline and small diameter pipelines is to protect the pipe in the ditch from being damaged by rocks and/or hard objects that may be embedded in the spoil pile, rocks and/or hard objects can fall onto the pipe and damage the pipe or the pipe coating; to facilitate maximum soil compaction such that the pipe is firmly seated in place at the bottom of the ditch and the ditch does not collapse or washout because the backfill material has not been properly compacted; and backfill separation also facilitates maximum spoil-pile replacement and minimum surface disturbance by placing the maximum amount of backfill back into the ditch.

ESI's mini-padders are used extensively in the construction of renewables for backfilling electrical generation and aggregation cables that transmit the electrical power generated to the power grid. The benefits of using a backfill separation machine for construction of wind and solar projects are much the same as they are for constructing a pipeline: to protect the power cable in the ditch from being damaged by rocks and/or hard objects that may be embedded in the spoil pile from falling onto the cable and damaging the cable or the cable coating; to facilitate maximum soil compaction such that the cable is firmly seated in place at the bottom of the ditch and the ditch does not collapse or washout because the backfill material has not been properly compacted; facilitating maximum spoil-pile replacement and minimum surface disturbance by placing the maximum amount of backfill back into the ditch; and facilitating heat dissipation so that the electrical cable does not overheat in the ground.

ESI designs, engineers and assembles its large OPP-300 and OPP-200 padding machines. ESI does not manufacture any of the major fabricated components for its large padding machines. Virtually all of the major components such as undercarriages, engines, pumps, valves, etc. for large and small padding machines are sourced and purchased from third-party manufacturers or distributors.

Power platforms such as large and small compact loaders for powering mini-padders and micro-padders are purchased from third party manufacturers. ALLU buckets are rented or sold directly to customers, who provide their own power platform.

ALLU buckets are purchases through ALLU. As previously stated ESI is an authorized ALLU dealer. The Vacu-lift pipe-handling system is assembled in North America by ESI under license from the patent holder, PPH of Australia. Sand Slingers are currently purchased from a third-party manufacturer.

ESI maintains service facilities in Leduc, Alberta and Phoenix, Arizona. The Leduc service center operates out of a 30,000 square foot office and shop complex situated on 12.9 acres of prime industrial land within two miles of the Edmonton International Airport. The Phoenix service center operates out of a 29,400 square foot office and shop complex situated on 4.9 acres of light industrial land in west Phoenix. Both properties are owned by ESI.

Products and Services

While ESI's business has traditionally been focused on pipeline padding, its focus is now pipeline padding and utility construction which is serviced through the sale and rental of large padding machines to renewables (wind and solar) construction which is serviced using small padding machines and buckets in the last three years.

Large padding machine revenue as a percentage of total revenue has started to decline as a result of opposition to the use of fossil fuels, concerns over greenhouse gas emissions and opposition to construction of new oil and gas transmission pipeline. At the same time padding revenue as a percentage of total revenue from renewables construction has started to increase. Large padding revenue declined from 70% of total revenue for the year ended December 31, 2017 to 58% for the same period in 2019, while padding revenue from small padding machines and buckets grew from 19% of total revenue in 2017 to 23% in 2019. This same trend was true for the six-month periods ended June 30, 2019 and 2020. Small padding revenue grew from 25% of total revenue to 41% percent of total revenue. This trend is expected to continue for the foreseeable future.

Revenue from ESI's principal products and services, by product, is set forth below:

For the year ended December 31,	**2019 ($)**	**2018 ($)**
Large padding Machine rental	6,425,000	10,810,000
Small Padding machine rentals	2,192,000	1,022,000
Screening buckets	409,000	15,000
Oilfield services equipment	95,000	174,000
Mobilization	1,013,000	1,151,000
Inventory Sales	387,000	366,000
Machine Sales	304,000	710,000
Other Services	244,000	309,000
Total	**$11,069,000**	**$14,557,000**

As of December 31, 2019, ESI owned and operated 31 large ESI OPP-300 and OPP-200 padding machines, one Liebherr OMS 360 (Liebherr R 936 excavator) excavator style padding machine and 13 mini-padding machines, 5 ESI Micro-padding Machines and 12 ALLU screening buckets. All of the OPP-300 and OPP-200 Padding Machines are powered by Caterpillar or Liebherr diesel engines, respectively. They are self-propelled and self-loading. The OMPs are powered by John Deere, Liebherr and/or Caterpillar track loaders. The OPM’s are powered by most models of skid steer (Bobcat style) or compact track loaders including: John Deere, Takeuchi, Caterpillar, JCB and Bobcat.

Padding machines are designed to backfill various sizes of pipe and ditch ranging from 60-inch pipe to 2-inch pipe as well as cable and/or conduit. Padding capacities of ESI's fleet are as follows.

Pipe Diameter	Machine Size	No. of Units	Percent of Fleet
1 inch to 6 inches	OPM (1)	5	8
2 inches to 10 inches	OMP (1)	13	21
10 inches to 60 inches	OMS 360 (2)	1	2
12 inches to 24 inches	OPP-200 (3)	12	19
24 inches to 60 inches	OPP-300(3)	19	31
2 inches to 60 inches	Allu Padding Bucket	12	19
Total:		**62**	**100**

Notes

(1) The OPM and OMP are used primarily for backfilling very small diameter pipe, telephone and television cable, fiber optic cable as well as cable for wind farm and solar panels.

(2) The OMS 360 is a specialty padding machine which can be used for backfilling pipeline tie-ins, large inch diameter lines involving screening large amounts of material over short distances. It can be used as an excavator as well as a padding machine.

(3) The OPP-200 and OPP-300 padding machines are designed primarily to backfill large diameter cross country pipeline. Depending on the diameter of the pipe as well as the depth and diameter of the ditch, an OPP-200 or OPP-300 padding machine can cover between two to four miles of pipe in a 10-hour day.

Average quarterly utilization rates for padding machines are set out for the last three years in the table below.

Padder Model	Year	Q1	Q2	Q3	Q4	Yearly Average
OPP-300	2019	9%	18%	36%	12%	18%
	2018	28%	33%	74%	63%	49%
	2017	12%	49%	53%	23%	34%
OPP-200	2019	27%	27%	68%	28%	37%
	2018	8%	21%	48%	66%	36%
	2017	33%	67%	85%	25%	53%
OMP	2019	18%	29%	31%	41%	30%
	2018	11%	15%	22%	23%	19%
	2017	56%	28%	53%	39%	44%
OPM	2019	33%	36%	63%	6%	38%
	2018	20%	22%	30%	9%	19%
	2017	Nil	34%	57%	23%	40%
ALLU buckets	2019	Nil	14%	30%	49%	27%
	2018	Nil	12%	Nil	Nil	4%
	2017	Nil	Nil	Nil	Nil	Nil

The following is a six-year summary of ESI's operations from padding.

Year	Operating Months	Total Customers	% of Revenue from Six Largest Customers
2019...	200	13	77%
2018...	205	9	76%
2017...	237	11	82%
2016...	170	8	68%
2015...	227	12	66%
2014...	165	12	82%

Operating months refers to the number of months each machine works during the period. For example, two machines each working for a period of 4 and 8 months, respectively, equals 12 operating months. The purpose of this metric is to determine volume of work performed as well as utilization rates. For example, if the padding machine fleet consists of 10 machines working during a one month period and 7 of the machines worked for a total of 7.5 months, total operating months are 7.5 out of a possible 10 operating months, which results in a 75% operating ratio or utilization rate. See "*Machine Fleet and Equipment - Padding Machines*" below for disclosure on ESI's utilization rates.

Contracts

Contracts for padding machines and are awarded on the basis of competitive bidding as well as on a negotiated basis. In periods of low pipeline construction activity, contracts are usually awarded on the basis of competitive bidding. In periods of high activity, contracts may be awarded on a negotiated basis. Contracts are typically for single projects and may involve one or more contractors. It is typical for a major cross-country pipeline project to be awarded to more than one contractor in order to shorten the construction time horizon and reduce costs. Contractors may be awarded one or more Spreads on a single major project. Terms and rates may vary depending on competitive conditions, the size of pipe, location of the project, the type of material to be screened, the size of the pipe to be handled, duration of the work to be performed, as well as conditions that may be unique to the project such as rocky or mountainous terrain, limited or restricted right-of-way access, weather conditions, safety concerns, etc.

ESI rents padding machines based upon standard monthly machine rental rate, net of all expenses, which include mobilization, demobilization, fuel, oil, lubrication, daily maintenance, spare parts and consumables. The term of machine rental contracts can range from one month to 36 months depending on the nature and location of the project.

From time to time ESI may enter into performance-based contracts for padding machines based on linear footage backfilled or volume of material screened. Performance based contracts are more typically used for projects such as beach cleaning which involves the screening of finite quantities of material over a specific area.

The North American Pipeline Market – Large Padding Machines

The North American pipeline market is comprised of two major segments, large diameter mainline pipelines, typically greater than 24 inches in diameter ranging up to 60 inches in diameter, and small diameter pipelines, typically less than 24 inches in diameter and ranging down to as low as 1 inch in diameter. Mainline pipeline projects require long lead-times prior to construction due to the need to obtain regulatory and environmental approvals and permits, access to rights-of-way, front-end engineering, design, cost estimating, project tendering, etc. with no guarantees of regulatory approval.

Mainline pipelines are typically broken up into multiple sections ("**Spreads**") which are awarded to multiple contractors, anywhere from two to four or more Spreads each, depending on the diameter of the pipe and length of the pipeline being constructed. Spreads are typically constructed more or less simultaneously in order to expedite the construction time period for the pipeline. Depending on the diameter of the pipeline being constructed, a single Spread could typically require one or two padding machines. Based on this formula, a typical mainline pipeline project comprised of six Spreads awarded to three contractors with a construction term of 12 months could utilize anywhere from three to six padding machines to construct the pipeline.

Small diameter pipeline is typically constructed for connecting product over short distances, approximately 1 to 20 kilometers to mainline transmission pipelines or storage facilities. Small diameter pipeline is typically used for tying-in oil and gas from the wellhead to the mainline transmission system, gathering systems, and for transporting dilutant (usually condensate) over short distances of less than 50 kilometers. Small diameter pipeline is also used for sewer and water as well as for the distribution of Product by municipalities, towns and cities. Small diameter pipeline construction projects are very cost sensitive and, as a result, contractors in North America may not use padding machines or any other form of backfill separation during the construction of small diameter pipelines unless it is mandated by the owners, which rarely occurs.

Lack of backfill separation has become a major problem for small diameter pipeline owners in western Canada. A high percentage of small diameter pipelines constructed during the winter drilling season and backfilled with frozen material (without the benefit of any form of backfill separation) are prone to suffer damage to pipeline coating and pipeline damage by frozen chunks of dirt as well as by rocks and hard materials that are hidden in the spoil pile. Also, unscreened frozen backfill material which is pushed into the pipeline ditch and onto the pipeline will not properly compact. As a result, the pipeline ditch is prone to collapsing during the spring season when the frozen soil melts and the backfill material settles further into the ditch, leaving a surface depression which traces the pipeline ditch.

Finally, pipeline ditches that are not backfilled using any form of backfill separation, are prone to washing out during spring break-up and exposing the pipeline to the elements. This has become a major source of irritation to landowners who are becoming very reluctant to allow pipelines to cross their property. It has also come to the attention of government regulatory bodies, who are concerned about the environmental damage to land caused by unnecessary ground disturbance, the lack of adequate ditch soil replacement, and shoddy reclamation caused when pipeline trenches wash out and expose the pipeline to the elements. ESI is of the view that this situation has created a significant opportunity for padding machines in western Canada.

At the present time, most of ESI's business comes from contractors building pipelines for oil and gas transmission companies and large publicly listed oil and gas producers located in western Canada and the western United States from Texas through to Michigan, as well as the gas and oil shale plays located throughout the lower 48 states including the northeastern United States. Other markets include natural gas utility contractors, as well as sewer and water pipelines, wind farms and solar projects in every province in Canada and in the United States.

The North American Solar and Wind Farm Market – Small Padding Machines and Buckets

The North American solar and wind farm market is comprised of power generation owners, companies that own the electrical generation equipment and aggregation and distribution systems that transport the electricity to the main utility power grid, the companies that construct and install the electrical generation equipment and initial electrical aggregation and distribution system for the owners, and the primary customers that distribute the electricity to the consumers.

Backfill separation is used extensively in the construction and installation of electrical generation equipment and initial electrical aggregation and distribution system to protect the electrical cables from being damaged during the backfill process; and to facilitate optimal heat dissipation in order to ensure that the buried electrical cables connecting and aggregating the electrical generation equipment do not become overheated.

Finally, like pipeline ditches, electrical cable trenches which are not backfilled using any form of backfill separation, are prone to washing out or collapsing during spring break-up, exposing the electrical cable to the elements.

At the present time, most of ESI's business is in respect if electrical generation equipment and distribution and aggregation systems in the southwest and southeast United States and Texas.

Marketing

ESI markets its padding machines and related equipment directly to customers through direct sales as well as on-line marketing. A very high percentage of ESI’s sales are to existing customers within the pipeline, civil and renewables construction industries. ESI employs one full-time dedicated sales and marketing person who is based in the United States.

In addition, senior management belongs to industry associations in the United States, Canada, and Australia as well as the International Pipeline & Offshore Contractors’ Association. Management attends annual conventions sponsored by each of these organization and is building up contacts in the renewables (wind and solar) construction industries. Most of ESI's marketing efforts at the present time are directed to on-line marketing and word of mouth referrals.

ESI prices its branded equipment at a premium to the market on the basis that are provide greater uptime and production for contractors. For all third party produced products. ALLU buckets and Sand Slingers, ESI prices the equipment according to marker and/or manufacturer’s suggested pricing.

Employees and Specialized Skill and Knowledge

As of December 31, 2020, ESI employed a total of 32 people: 16 in Canada and 16 in the United States. Seven of the people in Canada were employed in the Company’s Calgary head office.

Intellectual Property

As previously stated, ESI operates under the business name "Ozzie's Pipeline Padder" and "Ozzie's" is trademarked in Canada and the United States. Most of ESI's product upgrades for padding machines and padding heads are patented in Canada and the US. Patents on mini-padder and micro-padder heads are pending in Europe and Australia.

Health, Safety and Environment

Health, safety and the environment are top priorities in all operations business activities of ESI and its subsidiaries. ESI is committed to being an industry leader that meets or exceeds all applicable laws and regulations designed to protect the health and safety of workers and the public, and safeguard the environment affected by its activities. ESI is also committed to improving its HSE performance. These areas are of paramount importance to management, employees and contractors. ESI believes that excellence in HSE practices is essential to the well-being of the ESI.

Safety programs are in place as a way to promote and improve workplace safety and to prevent accidents. ESI's safety programs are overseen by the senior management of ESI.

Competitive Conditions and Future Developments

Pipeline construction has become extremely competitive since the financial crisis in 2008. Since 2008 precipitous price declines for natural gas and for crude oil, have resulted in global challenges for the energy industry. The net effect is that global mainline pipeline construction has also been on a steady decline.

Concerns over global warming in the western developed countries including Europe, the United Kingdom, Canada and the United States have also resulted in a desire to reduce the world's carbon footprint. As a result, government regulators in Canada and the United States have ben reluctant to approve cross-border mainline pipeline projects. In addition, an abundance of shale gas and oil in North America has resulted in a glut of oil and natural gas in both Canada and the United States resulting in further downward pressure on oil and natural gas prices as well as coal. Consequently, even approved major mainline pipeline projects are being delayed or cancelled due to a lack of demand for product in overseas markets.

The fewer pipelines being built and increased industry consolidation was created downward pressure on suppliers and sub-contractors facing increased competition for customers (pipeline contractors).

ESI has however benefited from two industry trends in the last six years. The first is pipeline leaks and the second is the growth of renewable energy such as wind and solar.

Leaky pipelines have become a major reason for pipeline construction opponents and environmentalists not to approve pipeline construction. The effect of this has been to motivate pipeline owners to recognize the benefits of pipeline padding and to include backfill separation in their construction specifications. Some pipeline owners have even specified the use of an ESI's padding machine.

The ESI's mini-padder and micro-padder are designed specifically to provide backfill separation for wind and solar projects.

Due to the unique design and performance of the ESI's padding machines, management believes that the Company is well positioned to weather the current competitive pressures within the pipeline and renewables construction industries.

ESI's principal competitors in mainline pipe construction padding are Laurini Padding Screening Machines of Parma Italy, SCAIP SPA, also of Parma Italy, and Worldwide Group. All three have a North American distributor. The SCAIP and Worldwide machines are self-propelled and self-loading. Neither the SCAIP nor Worldwide padding machines in the large padding machine category are as robust as the ESI OPP-300 or OPP-200 padding machines. ESI does not appear to have any direct competitors in the small machine market.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth ESI's selected historical consolidated financial data as of the dates and for periods indicated.

The selected historical consolidated financial data in the following tables has been derived from ESI's audited and unaudited consolidated financial statements included in this Filing Statement. See Exhibits" K", "L1" and "L2".

Historical results are not necessarily indicative of the results to be expected for future periods. The financial statements have been presented in accordance with IFRS by the International Accounting Standards Board.

The following sets annual consolidated financial information data of ESI for each of the most recently completed three financial years and interim period.

(CDN thousands)

	For the nine months ended September 30, 2020 (unaudited) $	**For the year ended December 31, 2019 (audited) $**	**For the year ended December 31, 2018 (audited) $**	**For the year ended December 31, 2017 (audited) $**
Total Revenues	10,964	11,069	14,557	13,685
Net Income before income taxes	222[1]	(1,635)	1,857	1,273
Net Income (Loss)	211	(1,719)	1,776	1,194
Total Assets	37,646	45,679	49,914	36,392
Total Long-Term Liabilities	2,283	1,846	2,072	2,348
Cash Dividends	Nil	114	426	Nil

Notes

(1) Excludes impairment of intangible assets.

Quarterly Information

The following sets forth quarterly consolidated financial information of ESI for each of the most recently completed equity quarters.

(CDN thousands)

	Three-Months Ended Sept.30, 2020 $	**Three-Months Ended June.30, 2020 $**	**Three-Months Ended March 31, 2020 $**	**Three-Months Ended December 31, 2019 $**	**Three-Months Ended Sept 30, 2019 $**	**Three-Months Ended June 30, 2019 $**	**Three-Months Ended March 31, 2019 $**	**Three-Months Ended December 31, 2018 $**
Total Revenue	4,703	4,262	1,999	2,295	4,392	2,492	1,890	4,833
Net income (loss) before income taxes	723	319	(820)[1]	(934)	942	(148)	(1,495)	2,059
Net Income (Loss)	723	319	(11,588)	(1,018)	942	(148)	(1,495)	1,978

Notes

(1) Excludes impairment of intangible assets.

Management's Discussion and Analysis

Management's Discussion and Analysis for ESI for the nine month period ended September 30, 2020 is attached hereto as Exhibit "M", and Management's Discussion and Analysis for ESI for the years ended December 31, 2019 and December 31, 2018 is attached hereto as Exhibit "N1" and for the years ended December 31, 2018 and 2017 is attached hereto as Exhibit “N-2”. The Management’s Discussion and Analysis should be read in conjunction with the financial statements of ESI and the related notes attached to this Filing Statement as Exhibits "K", Exhibit "L1" and Exhibit “L-2”, respectively.

Consolidated Capitalization

The following table sets out all the material changes in, and the effect of the material changes on, the share and loan capital of ESI, on a consolidated basis since December 31, 2019. The table should be read in conjunction with the audited consolidated financial statements of ESI, along with the related notes thereto and the associated ESI MD&A attached to this Filing Statement.

Designation of Security	**Amount authorized or to be authorized**	**Amount outstanding as of the date of the most recent balance sheet contained in the filing statement**	**Amount outstanding as of September 30, 2020**	**Amount outstanding as of December 31, 2020)**
Common Shares	Unlimited	51,667,459	51,667,459	51,667,459

Prior Sales

No securities of ESI have been issued in the 12-month period prior to the date of this Filing Statement.

Executive Compensation

The Board of ESI has not appointed a compensation committee. Instead, the non-management directors (all directors except Robert Dunstan) fulfill that role. By virtue of education, professional designation and experience in other public companies, the non-management directors of ESI collectively have the skills and experience that enable them to make decisions on the suitability of ESI's compensation policies and practices.

The non-management directors review and approve compensation matters. They make specific determinations regarding compensation of ESI's executive officers and directors, including the objectives of the compensation program, what the program is designed to reward and the elements of compensation.

Objectives of the Compensation Program

ESI's executive compensation program has been designed to attract and retain highly qualified and motivated individuals, and to provide fair and competitive compensation in accordance with industry standards and an individual's expertise and experience and to provide incentives to achieve ESI's short and long-term corporate objectives. The compensation program consists of three principal components: (i) base salaries; (ii) annual bonuses; and (iii) awards under the Equity Incentive Plan, as defined herein.

Base salaries are designed to be competitive with industry standards and attract highly qualified and ambitious employees. Annual bonuses are designed to attract, motivate and retain highly qualified employees. Bonuses are based on achieving budgeted financial objectives as well as work ethic and initiative. Bonuses are not tied exclusively to financial performance.

The purpose of the Equity Incentive Plan is to encourage and permit selected employees, officers, directors and consultants ("**Participants**") of ESI and its affiliates to work towards and participate in the success of ESI.

Equity Incentive Plan

On February 27, 2017, the Board of ESI approved the adoption of an equity incentive plan (the "**Equity Incentive Plan**"). The Equity Incentive Plan provides for the grant of awards in the form of Stock Options, Restricted Share Units, Share Appreciation Rights and Deferred Share Units (collectively, "**Awards**"). As of September 30th, 2020 there are 2,230,104 Stock Options outstanding and no other Awards. The key terms of the Equity Incentive Plan are set forth below:

Key Terms	Summary
Administration	The Board administers the Equity Incentive Plan and may delegate this responsibility to a compensation committee or another committee of the Board, although no such delegation has occurred as of the date hereof. The Board may also appoint the President and CEO of ESI to administer the Equity Incentive Plan with respect to Awards granted to Participants at the commencement of their involvement with ESI.
Number of Common Shares	The aggregate number of Common Shares that may be reserved for issuance to Participants at any time under (a) the Equity Incentive Plan and (b) all of ESI's other security-based compensation arrangements involving the issuance of Common Shares from treasury shall not exceed 10% of the total issued and outstanding Common Shares. The Equity Incentive Plan also contains the following limits on Award grants. • The aggregate number of ESI Shares underlying or relating to Awards granted in a 12-month period to "insiders" (as defined in the *Securities Act* (Alberta)), as a group, under (a) the Equity Incentive Plan and (b) all of ESI's other security based compensation arrangements involving the issuance of Common Shares from treasury shall not exceed 10% of the total issued and outstanding ESI Shares, calculated at the date an Award is granted to any insider. • The aggregate number of ESI Shares underlying or relating to Awards granted in a 12-month period to any one Participant (other than a consultant) under (a) the Equity Incentive Plan and (b) all of ESI's other security based compensation arrangements involving the issuance of common Shares from treasury shall not exceed 5% of the total issued and outstanding ESI Shares, unless approved by ESI's disinterested shareholders. • The aggregate number of ESI Shares underlying or relating to Awards granted in a 12-month period to any one consultant under (a) the Equity Incentive Plan and (b) all of ESI's other security based compensation arrangements involving the issuance of Common Shares from treasury shall not exceed 2% of the total issued and outstanding Common Shares. The aggregate number of Common Shares underlying or relating to Awards granted in a 12-month period to Participants retained to provide investor relations activities (as a group) under (a) the Equity Incentive Plan and (b) all of ESI's other security based compensation arrangements involving the issuance of ESI Shares from treasury shall not exceed 2% of the total issued and outstanding ESI Shares. Awards granted to Participants retained to provide investor relations activities must vest in stages over a period of not less than 12 months with no more than 1/4 of the Awards vesting in any three-month period.
Stock Options	A Stock Option represents a right to purchase a Common Share at a purchase price determined by the Board at the date of grant. The exercise must not be less than Fair Market Value as at the date of grant. The Stock Option's term must not exceed a period of five (5) years from the date of grant, unless the Stock Option would expire during a blackout period imposed by ESI under its policies, in which case the Stock Option's expiry date will be automatically extended to the date that is 10 business days after the last day of the blackout period.

Restricted Share Unit	A Restricted Share Unit represents a right to receive, on the vesting date, a cash payment or its equivalent in fully paid ESI Shares (or a combination thereof) equal to the Fair Market Value of one ESI Share. The Fair Market Value of the shares underlying vested Restricted Share Units will be determined as of the date the Restricted Share Units vest and, at the election of the Board, will be paid in cash or ESI Shares (or a combination thereof) after deduction of any applicable withholding taxes. Restricted Share Units will be paid out as soon as practicable following the date on which the Restricted Share Unit vests. The payment date must be no later than the date that is three years following the end of the "**Restricted Share Unit Service Year**". The Restricted Share Unit Service Year will be specified by the Board at the time of granting the Restricted Share Unit and may be the current or immediately preceding calendar year. If: (a) the vested Restricted Share Unit's payment date falls within a blackout period; and (b) the Board can elect at the time of vesting whether to pay out the vested Restricted Share Unit in either cash or Common Shares, then the vested Restricted Share Unit will automatically be paid out in cash.
Deferred Share Unit	Deferred Share Units have all of the rights and restrictions that may be applicable to Restricted Share Units except that the Deferred Share Units may not be redeemed until the Participant has ceased to hold all offices, employment and directorships with ESI and its affiliates (as defined in the *Income Tax Act* (Canada)). No payment may be made in respect of a Deferred Share Unit until after the Participant ceases to be an employee, officer or director of ESI or any affiliate, unless the Participant dies before then (referred to as the "**triggering event**"). All payments must be made no later than December 31 of the year commencing immediately after the occurrence ofa triggering event. On the redemption date, the vested Deferred Share Units will be redeemed and the Fair Market Value, which is determined as of the triggering event, will be paid in cash or Common Shares after deduction of any applicable withholding taxes. Subject to such rules and conditions as the Board may impose, a Participant may elect, irrevocably, no later than December 15th of the calendar year preceding the year in which the election is to be effective, to have all or a portion of his ordinary cash compensation to be paid for services to be performed in the calendar year following the date of the election satisfied by way of Deferred Share Units.
Share Appreciation Right	A Share Appreciation Right represents a right to a payment of cash or Common Shares (or a combination thereof) equal to the Fair Market Value of a Common Share on the date the Share Appreciation Right is exercised less the base value of the Share Appreciation Right (the "**Appreciation Value**"). The base value of a Share Appreciation Right set by the Board must not be less than the Fair Market Value of a Common Share on the date of grant. A Share Appreciation Right will expire on the earlier of: (a) December 15th of the calendar year in which the Share Appreciation Right vested; and (b) the fifth anniversary of the date the Share Appreciation Right was granted. If the date on which a Share Appreciation Right expires occurs during a blackout period, then the expiry date will be the earlier of: (a) 10 business days after the last day of such blackout period; or (b) December 15th of the calendar year in which the Share Appreciation Right vests, and the Share Appreciation Right will be deemed to have been exercised on that date. On the exercise of any vested Share Appreciation Right, an amount equal to the Appreciation Value will be paid in cash or Common Shares (or a combination thereof) at the election of the Board, after deduction of applicable withholding taxes. If: (a) the expiry date of a vested Share Appreciation Right is deemed to be December 15th and December 15th falls within a blackout period; and (b) the Board can elect at the time the Share Appreciation Right is exercised to pay the Appreciation Value in cash or Common Shares, then the Appreciation Value will automatically be paid in cash
Vesting	The Board may fix vesting criteria for Stock Options, Restricted Share Units and Share Appreciation Rights based on time and/or on performance criteria that relate to the performance of ESI or an affiliate (in which case, those Awards will be referred to as

"Performance Options", "Performance Restricted Share Units" or "Performance Share Appreciation Rights", respectively).

Fair Market Value	"Fair Market Value" with respect to Awards means; (a) the closing market price for the Common Shares on the CSE on the relevant date, or (b) the volume weighted average trading price for the Common Shares on the CSE for the five trading days on which the Common Shares traded immediately preceding the relevant date. If an Award can be settled in Common Shares, the Board may elect to settle the Award using authorized and unissued Common Shares or outstanding Common Shares acquired on the open market through the facilities of an independent broker (or a combination thereof).
Death or Disability	Upon the death or long-term disability of a Participant, all unvested Awards outstanding to the credit of the Participant will become vested Awards as of the date of the Participant's death or long-term disability. All of the Participant's vested Restricted Share Units and vested Deferred Share Units will be paid out in accordance with the terms of the Award agreement. All of the Participant's vested Options and vested Share Appreciation Rights will remain exercisable for 12 months from the date of the Participant's death or disability, unless they expire before then.
Termination for Cause	If a Participant's employment is terminated for cause, then all of the Participant's Awards, whether vested or unvested, will terminate as of the Participant's termination date.
Termination Without Cause	If a Participant's employment is terminated without cause, then (a) the Participant's unvested Awards will terminate as of the Participant's termination date, (b) the Participant's vested Restricted Share Units or Deferred Share Units will be paid out and (c) the Participant's vested Options and vested Share Appreciation Rights will remain exercisable for 90 days, unless they expire before then.
Voluntary Resignation	If a Participant resigns voluntarily or ceases to be a consultant to ESI or an affiliate, then (a) the Participant's unvested Awards will terminate as of the Participant's termination date, (b) the Participant's vested Restricted Share Units or Deferred Share Units will be paid out and (c) the Participant's vested Options and vested Share Appreciation Rights will remain exercisable for 90 days, unless they expire before then.
Non-employee Directors	If a non-employee director fails to be re-elected as a director of ESI, then such event will be treated similar to a "termination without cause". If the non-employee director voluntarily chooses to not stand for re-election as a director of ESI or resigns, then such event will be treated like a "voluntary resignation".
Assignability	The Awards may not be assigned by a Participant other than by will or by laws of descent for estate purposes.
Change of Control	In the event of a proposed change of control ("**Change of Control**") of ESI, and subject to any written employment, consultancy or engagement agreements, the Board has the discretion to determine the treatment of outstanding Awards, including whether to accelerate vesting of Awards under the Equity Incentive Plan. The Equity Incentive Plan defines "Change of Control" to mean the occurrence of any of the following events: • the acquisition by any person, or any persons acting jointly or in concert, whether directly or indirectly, of voting securities of ESI which, together with all other voting securities of ESI held by such persons, constitutes, in the aggregate, more than 50% of all outstanding voting securities of ESI; • an amalgamation, arrangement or other form of business combination of ESI with another corporation which results in the holders of voting securities of that other corporation holding, in the aggregate, more than 50% of all outstanding voting securities of ESI resulting from the business combination; • a sale, disposition, lease or exchange to or with another person or persons (other than an Affiliate) of property of the ESI representing 50% or more of the net book value of the assets of ESI, determined as of the date of the most recently published audited annual or unaudited quarterly interim financial statements of ESI;

- a change in the composition of the Board over any 12-month period such that more than 50% of the persons who were directors of ESI at the beginning of the period are no longer directors at the end of the period, unless such change is a consequence of normal attrition; or
- any other event which in the opinion of the Board constitutes a change of control of ESI.

The acquisition of the Purchased ESI Shares by BMR was waived by the Board (with the approval of the optionholders) as a Change of Control for the purposes of the Equity Incentive Plan.

Amendments

The Equity Incentive Plan specifies that shareholder approval is required for any amendments to the Equity Incentive Plan or any Award that would:

- change the persons eligible to be granted Awards under the Equity Incentive Plan;
- change the maximum percentage of Common Shares that may be reserved for issuance pursuant to Awards under the Equity Incentive Plan;
- change the limitations under the Equity Incentive Plan on the number of Awards that may be granted to any one person or any category of persons;
- change the method for determining the exercise price or Share Appreciation Right base amount (if the Share Appreciation Right is or may be payable in Common Shares);
- change the maximum term of Awards;
- change the expiry and termination provisions applicable to Awards;
- reduce the exercise price or Share Appreciation Right base amount (if the Share Appreciation Right is or may be payable in Common Shares) of (a) any Award held by an insider; or (b) any Award held by a non-insider if less than six (6) months have elapsed since the latter of the grant date and the last such amendment; or
- amend the provisions of the Equity Incentive Plan's amending provision.

Subject to the above, the Board may, without shareholder approval, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any Awards granted under the Equity Incentive Plan, provided that no amendment, alteration, suspension, discontinuation, cancellation or termination would, without the consent of the holder, adversely impair any right previously granted. The Board may also permit the acceleration of vesting of any or all Awards.

Summary Compensation Table

The following table sets forth all annual and long-term compensation information concerning the total compensation earned by each NEO, each director and each of ESI's four most highly compensated executive officers (regardless of the amount of their compensation) for each of ESI's two most recently completed financial years and the financial period ended September 30, 2020.

A NEO is defined by securities legislation to mean each of the following individuals, namely: (i) the Chief Executive Officer ("**CEO**") of ESI; (ii) the Chief Financial Officer of ESI ("**CFO**"); (iii) each of the three most highly compensated executive officers of ESI including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000 for that financial year; and (iv) each individual who would be a "Named Executive Officer" under (iii) above but for the fact that the individual was neither an executive officer of ESI or its subsidiaries, nor acting in a similar capacity, at the end of the most recently completed financial year-end.

Name and Position	Year	Salary, consulting fee, retainer or commission ($)	Bonus ($)	Committee or meeting fees ($)	Value of perquisites[1]	Value of all other compensation ($)	Total Compensation
Robert R. Dunstan President, Chief Executive Officer and Director[2]	Sept, 2020	225,771	Nil	Nil	Nil	3,976	259,747
	2019	334,817	Nil	Nil	Nil	5,847	340,664
	2018	271,866	129,570	Nil	Nil	13,669	415,105
Priyanka Bambaranda[3] Chief Financial Officer	Sept, 2020	112,500	Nil	Nil	Nil	7,974	120,474
	2019	142,000	10,000	Nil	Nil	10,714	162,714
	2018	120,000	24,000	Nil	Nil	10,478	154,978
Edward G. Rigaux[4] Former Chief Financial Officer	2018	34,000	Nil	Nil	Nil	5,708	39,708
Christopher Argue[5] Chief Operating Officer	Sept, 2020	174.992	Nil	Nil	Nil	22,134	197,126
	2019	221,081	Nil	Nil	Nil	31,249	252,330
	2018	199,737	25,914	Nil	Nil	24,545	250,196
Bryan H. Lawrence Director	Sept, 2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Yook L. Mah Director	Sept, 2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Brian E Roberts Director	Sept, 2020	Nil	15,000	10,000	Nil	Nil	25,000
	2019	Nil	Nil	25,000	Nil	Nil	25,000
	2018	Nil	Nil	28,000	Nil	Nil	28,000
Jason P. Stabell Director[6]	Sept, 2020	Nil	28,344	10,000	Nil	Nil	38,344
	2019	Nil	Nil	33,173	Nil	Nil	33,173
	2018	Nil	Nil	25,914	Nil	Nil	25,914
Harold R. Zimmer Director	Sept, 2020	Nil	28,344	10,000	Nil	Nil	38,344
	2019	Nil	Nil	25,000	Nil	Nil	25,000
	2018	Nil	Nil	28,000	Nil	Nil	28,000

Notes

(1) Unless otherwise noted, the value of perquisites and benefits for each NEO is less than $150,000 and less than 10% of each NEOs total salary for the indicated financial year. Includes compensation paid in connection with ESI's Employee Savings Plan whereby ESI provides 100% matching of employee contributions to a designated Savings Plan of up to 2.5% of an employee's Base Salary. The Savings Plan is managed by Great West Life Assurance Company.

(2) Mr. Dunstan does not receive any additional compensation for serving as a director of ESI.

(3) Ms. Bambaranda was appointed Chief Financial Officer in May 2018.

(4) Mr. Rigaux was appointed Chief Financial Officer in January 2017 and resigned in May 2018.

(5) Mr. Argue's compensation was paid in US dollars and was converted to CDN dollars using the average annual exchange rates for each of the following years (Sept 2020-1.3541 and 2019-1.3269 and 2018-1.2957).
(6) Mr. Stabell's "Fees Earned" compensation is in US dollars and was converted to CDN dollars using average annual exchange rate of 1.3269, the average rate of 1.3541 was used for the first nine months of 2020

As indicated above, each director of ESI who is not also a NEO (Mr. Dunstan) or a representative of the principal shareholder (Mr. Lawrence) receives an annual retainer of $15,000. In addition, the members of the audit committee received a meeting fee of $2,000 for each meeting attended in person or by telephone.

Stock Options and Other Compensation Securities

The following table sets forth for each NEO and director and each of ESI's four most highly compensated executive officers (regardless of the amount of their compensation), all compensation securities granted or issued in the financial year ended December 31, 2019.

Name and Position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price ($)	Closing price of security or underlying security on date of grant ($)	Closing price of security or underlying security at year end ($)	Expiry date
Robert R. Dunstan President, Chief Executive Officer and Director	Option	332,712	February 27, 2017	$0.50	$0.16	$0.11	February 27, 2022
Priyanka Bambaranda Chief Financial Officer	Option	250,000	October 10, 2018	$0.50	$0.20	$0.11	October 10, 2023
Edward G. Rigaux Former Chief Financial Officer	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Christopher Argue Chief Operating Officer	Option	332,712	February 27, 2017	$0.50	$0.16	$0.11	February 27, 2022
Bryan Lawrence Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Yook L. Mah, Director	Option	266,170	February 27, 2017	$0.50	$0.16	$0.11	February 27, 2022
Brian E. Roberts, Director	Option	266,170	February 27, 2017	$0.50	$0.16	$0.11	February 27, 2022
Jason P. Stabell, Director	Option	266,170	February 27, 2017	$0.50	$0.16	$0.11	February 27, 2022

Name and Position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price ($)	Closing price of security or underlying security on date of grant ($)	Closing price of security or underlying security at year end ($)	Expiry date
Harold R. Zimmer, Director	Option	266,170	February 27, 2017	$0.50	$0.16	$0.11	February 27, 2022

Notes

(1) Calculated on vested options as the difference between the $0.11 closing price of ESI Common Shares on the CSE on December 31, 2019 (the last day in 2019 on which the Common Shares traded) and the exercise price of the option. Not all options were vested at that date.

There were no option-based awards, or any share-based awards granted or exercised by such person for the financial year ended December 31, 2019 or the period ended September 30, 2020.

Employment and Consulting Contracts

ESI entered into employment or service agreements with each of Mr. Dunstan, Ms. Bambarana and Mr. Argue, or companies controlled by them, for the provision of executive services to ESI. Each such contains provisions with respect to a base salary or fee (which will initially be in the amounts in the table described above), reimbursement of certain business-related expenses, annual bonus provisions, and participation in the Equity Incentive Plan.

In addition, for the purpose of each agreement, "Change of Control" means (i) the acquisition by any person, or any persons acting jointly or in concert, whether directly or indirectly, of voting securities of ESI which, together with all other voting securities of ESI held by such persons, constitutes, in the aggregate, more than 50% of all outstanding voting securities of ESI; (ii) an amalgamation, arrangement or other form of business combination of ESI with another corporation which results in the holders of voting securities of that other corporation holding, in the aggregate, more than 50% of all outstanding voting securities of the corporation resulting from the business combination; (iii) a sale, disposition, lease or exchange to or with another person or persons (other than an affiliate) of property of ESI representing 50% or more of the net book value of the assets of ESI, determined as of the date of the most recently published audited annual or unaudited quarterly interim financial statements of ESI; (iv) a change in the composition of the ESI Board over any twelve month period such that more than 50% of the persons who were directors of ESI at the beginning of the period are no longer directors at the end of the period, unless such change is a consequence of normal attrition; or (v) any other event which in the opinion of the ESI Board constitutes a change of control of ESI.

Each of Mr. Dunstan, Ms. Bambarana and Mr. Argue waived the acquisition of the ESI Purchased Shares by BMR as a Change of Control under their respective employment agreement.

Robert R. Dunstan

Pursuant to an employment agreement dated September 14, 2020 between ESI and Mr. Dunstan, Mr. Dunstan receives annual remuneration of $252,000 per year payable in monthly arrears, as Chief Executive Officer of ESI (the "**Dunstan Agreement**").

Mr. Dunstan may terminate the Dunstan Agreement by giving 30 days prior notice to ESI, whereupon Mr. Dunstan will be entitled to receive an amount equal to his base salary to the end of the 30 day notice period, all accrued an unused vacation pay, and 20% of base salary for the loss of group benefits.

Pursuant to the Dunstan Agreement, in the event ESI terminates Mr. Dunstan's employment at any time without cause, or Mr. Dunstan resigns within six months of a Change of Control, Mr. Dunstan shall be entitled to a lump sum payment to Mr. Dunstan in an amount equal to: two times annual salary and 20% of base salary for the loss of group benefits.

The Dunstan Agreement, also provides that ESI may terminate the agreement immediately, without notice and without payment (other than salary to the date of termination) for cause. For the purpose of the Dunstan Agreement, "cause" means the continued failure by Mr. Dunstan to substantially perform his duties after reasonable notice by ESI, engaging in any act which is materially injurious to ESI or engaging in any criminal act of dishonesty resulting or intended to result in personal gain at ESI's expense.

Christopher Argue

Pursuant to an employment agreement dated September 14, 2020 between ESI and Mr. Argue, Mr. Argue receives annual remuneration of US$168,000 per year payable in monthly arrears, as Chief Operating Officer of ESI and EPSI (the "**Argue Agreement**").

Mr. Argue may terminate the Argue Agreement by giving 30 days prior notice to ESI, whereupon Mr. Argue will be entitled to receive an amount equal to his base salary to the end of the 30 day notice period, all accrued an unused vacation pay, and 20% of base salary for the loss of group benefits.

Pursuant to the Argue Agreement, in the event ESI terminates Mr. Argue's employment at any time without cause, or within six months of a Change of Control either Mr. Argue resigns provided his level of responsibility or compensation has been materially reduced, Mr. Argue shall be entitled to a lump sum payment to Mr. Argue in an amount equal to: (i) two times annual salary; (ii) 25% of base salary for foregone bonus opportunity; and (iii) 20% of base salary for the loss of group benefits.

The Argue Agreement, also provides that ESI may terminate the agreement immediately, without notice and without payment (other than salary to the date of termination) for cause. For the purpose of the Argue Agreement, "cause" means the continued failure by Mr. Argue to substantially perform his duties after reasonable notice by ESI, engaging in any act which is materially injurious to ESI or engaging in any criminal act of dishonesty resulting or intended to result in personal gain at ESI's expense.

Priyanka Bambaranda

Pursuant to an employment agreement dated September 14, 2020 between ESI and Mr. Bambaranda, Mr. Bambaranda receives annual remuneration of US$168,000 per year payable in monthly arrears, as Chief Financial Officer of ESI (the "**Bambaranda Agreement**").

Ms. Bambaranda may terminate the Bambaranda Agreement by giving 30 days prior notice to ESI, whereupon Mr. Bambaranda will be entitled to receive an amount equal to his base salary to the end of the 30 day notice period, all accrued an unused vacation pay, and 20% of base salary for the loss of group benefits.

Pursuant to the Bambaranda Agreement, in the event ESI terminates Ms. Bambaranda's employment at any time without cause, or within six months of a Change of Control either Ms. Bambaranda resigns provided his level of responsibility or compensation has been materially reduced, Ms. Bambaranda shall be entitled to a lump sum payment to Ms. Bambaranda in an amount equal to: (i) two times annual salary; (ii) 25% of base salary for foregone bonus opportunity; and (iii) 20% of base salary for the loss of group benefits.

The Bambaranda Agreement, also provides that ESI may terminate the agreement immediately, without notice and without payment (other than salary to the date of termination) for cause. For the purpose of the Bambaranda Agreement, "cause" means the continued failure by Ms. Bambaranda to substantially perform his duties after reasonable notice by ESI, engaging in any act which is materially injurious to ESI or engaging in any criminal act of dishonesty resulting or intended to result in personal gain at ESI's expense.

Management Contracts

None of the management functions of ESI or any subsidiary of ESI are to any substantial degree performed by a person other than the directors or senior officers of ESI or subsidiary of ESI.

Non Arm's Length Party Transactions Disclosure

Except as otherwise disclosed herein in respect of the Share Sale Agreement and the ESI Share Purchase Agreement, within five years from the date of this Filing Statement, ESI has not acquired any assets or services from any director, officer, promoter or person described herein as a principal security holder of ESI (and no such transaction is proposed).

Legal Proceedings

There are no legal proceedings material to ESI to which ESI or a subsidiary of ESI is a party or of which any of their respective property is the subject matter and no such proceedings are known to ESI to be contemplated.

Material Contracts

ESI and its subsidiaries have not entered into in the past two years and will not enter into prior to the conclusion of the Qualifying Transaction, other than in the ordinary course of business any material contract.

PART IV - INFORMATION CONCERNING THE RESULTING ISSUER

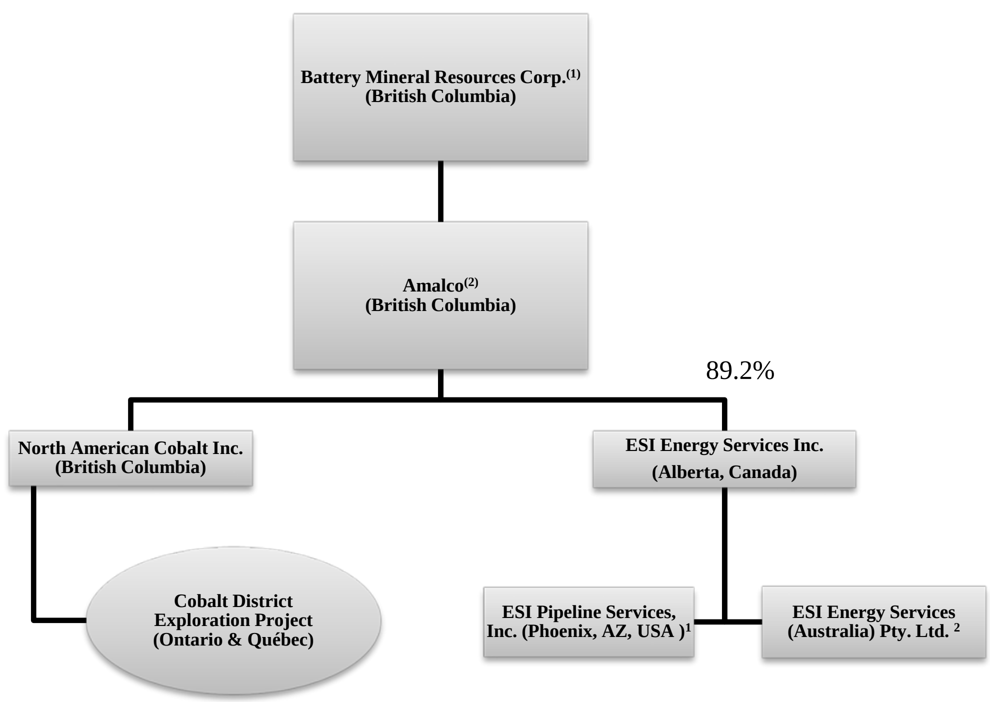
Corporate Structure

Name and Incorporation

The corporate name of the Resulting Issuer is expected to be "Battery Mineral Resources Corp.", or such other similar name as BMR may direct and which is acceptable to the TSXV. It is anticipated that the head and registered office of the Resulting Issuer will be located at 744 West Hastings St., Suite 400, Vancouver, BC V6C 1A5 and it will be governed by the *Business Corporations Act* (British Columbia).

Intercorporate Relationships

The following chart identifies the Resulting Issuer's material subsidiaries, including the jurisdiction of formation or incorporation of the various entities. The Resulting Issuer will own 100% of the shares of each subsidiary except as otherwise noted.



Notes

(1) The Resulting Issuer is expected to be renamed Battery Mineral Resources Corp.

(2) The company resulting from the amalgamation of BMR and Fusion Subco is expected to be a numbered British Columbia company.

Description of the Business

The business, milestones and business objectives of the Resulting Issuer will be those of BMR. See "*Part III – Information Concerning BMR*". A description of the funds available to the Resulting Issuer upon the completion of the Qualifying Transaction, together with the intended uses for those funds (including a description of the business objectives that the Resulting Issuer expects to accomplish using those funds), is set out below under the heading "*Available Funds and Principal Purposes*".

Description of the Securities

The Resulting Issuer Shares will have the same rights, privileges, restrictions and conditions as the rights, privileges, restrictions and conditions as are attached to the Fusion Shares. See "*Part II – Information Concerning Fusion – Description of Securities.*"

Pro Forma Consolidated Capitalization

The following table sets forth the pro forma consolidated capitalization of the Resulting Issuer as at September 30, 2020 after giving effect to the Qualifying Transaction.

Designation of Security	Amount authorized or to be authorized	After giving effect to the Qualifying Transaction
Resulting Issuer Shares(1)	Unlimited	134,376,856
Settlement Shares(3)	200,000	200,000
ESI Conditional Transaction Shares(4)	Up to 30,000,000	Up to 30,000,000
Property Purchase Shares(3)	900,000	900,000
Resulting Issuer Options(2)	Up to 10% of the outstanding Resulting Issuer Shares	75,000

Notes

(1) This includes the Private Placement Shares
(2) The Resulting Issuer Options will expire on September 21, 2023.
(3) The Settlement Shares and the Property Purchase Shares will be issued prior to the closing of the Qualifying Transaction.
(4) ESI Conditional Transaction Shares will only be issued if and to the extent, the Company receives proceeds in excess of $10 million upon a sale of all of the issued shares of ESI or all or substantially all of its assets, prior to March 31, 2021.

Fully Diluted Share Capital

The following table sets forth the securities of the Resulting Issuer proposed to be outstanding on a fully-diluted basis after giving effect to the Qualifying Transaction:

Designation of Security	Number (after giving effect to the Qualifying Transaction)	Approximate Percentage of Total (%)	Exercise Price
Resulting Issuer Shares(1)	134,376,856	81.17%	N/A
Settlement Shares	200,000	0.12%	N/A
Property Purchase Shares	900,000	0.54%	N/A
ESI Conditional Transaction Shares	30,000,000	18.12%	N/A
Resulting Issuer Options	75,000	0.05%	$0.20
Total Fully Diluted	165,551,856	100%	N/A

Notes

(1) Consists of (i) 128,618,485 BMR Shares issued and outstanding as of January 31, 2021; (ii) 2,658,371 BMR Shares issued pursuant to the Private Placement; and includes (iii) 3,100,000 Fusion Shares post-consolidation.
(2) The persons entitled to Resulting Issuer Shares by way of Property Purchase Shares or Settlement Shares are non arm's length to the Resulting Issuer.
(3) Any Resulting Issuer Shares that the Resulting Issuer elects to issue to Transition Metals Corp. in satisfaction of the $250,000 option payment due March 31, 2021 are not included in the Resulting Issuer Shares approved as part of the Qualifying Transaction and will be subject to TSXV approval.

Available Funds and Principal Purposes

Available Funds

As of January 31, 2021 (the most recent month end prior to the date of this Filing Statement), Fusion had working capital of approximately $72,147 and BMR had working capital of approximately $4,997,364. The consolidated pro forma working capital of the Resulting Issuer is $5,069,511 as at January 31, 2021.

On January 15, 2021, the Private Placement was completed resulting in gross proceeds of $1,750,000, which proceeds are held in escrow pending closing of the Qualifying Transaction.

Principal Purposes

The following table sets out the principal purposes, using approximate amounts, for which the Resulting Issuer currently intends to use the total available funds during the 12 months following the completion of the Qualifying Transaction and release of the proceeds of the Private Placement from escrow.

Item	Amount
Costs of Fusion and BMR to complete the Qualifying Transaction	$350,000(1)
General and administrative expenses for the next 12 months	$725,000(2)
Phase 1 exploration and drilling activities as recommended in Technical Report	$200,000 (3)
Phase 2 exploration and drilling activities as recommended in Technical Report	$986,250 (4)
Property maintenance costs (in respect of mineral property interests other than the Cobalt District Exploration Project)	$100,000
Advance royalty and option payments due under the Company's mineral properties (5)(6)(7)(8))(9)	$230,000
Unallocated working capital	$2,478,261
Total	$5,069,511

Notes

(1) Transaction costs are comprised of legal fees and listing fees ($200,000) accounting and professional fees ($150,000).
(2) The general and administrative expenses are comprised of salaries of the Company's NEO's other than Mr. Doyle ($482,000), director fees ($96,000), audit fees ($40,000), legal fees ($25,000), annual filing fees ($10,000), transfer agent fees ($15,000), corporate secretary fee ($12,000), D&O insurance ($20,000) and other general and administrative expenses ($25,000).
(3) The Phase 1 work program at the Cobalt District Exploration Project includes property maintenance fees for the claims ($20,000), trenching and assay ($40,000), geological contracting ($60,000) and project management ($70,000 (including Mr. Doyle’s salary ($60,000)) and a contingency of ($10,000).

(4) The Phase 2 work program for the Cobalt District Exploration Project includes drilling ($390,000), field and drill support ($70,000), assaying ($38,500), claim management ($25,000), first nation consultation and compensation ($25,000), geological contracting ($225,250) and project management ($187,500 (including Mr. Doyle's salary ($180,000)) and contingency ($25,000).

(5) Pursuant to an option and joint venture agreement between Battery Mineral Resources Limited (Canada) and Old Battery and Transition Metals Corp. dated March 2, 2019 and amended December 17, 2019 relating to the acquisition of a 60% interest in claims comprising the Gowganda claims, the Resulting Issuer is required to make a cash payment of $150,000 and incur $1M in expenditures by March 2, 2021, which expenditures have been satisfied in full) and make a cash payment of $250,000 and incur $2M in expenditures by March 2, 2022.

(6) Pursuant to a purchase and sale agreement between Old Battery and John Brady dated January 13, 2017 relating to the Wilder claims, there is an outstanding payment of $45,000 to be made by Battery and Battery is obligated to pay advance royalty payments to John Brady of $10,000 per year ($5,000 to be paid on March 1 and $5,000 to be paid on September 1).

(7) Pursuant to a purchase and sale agreement between Old Battery and John Brady dated January 12, 2017 relating to the Iron Mask claims, Battery is obligated to pay advance royalty payments to John Brady of $10,000 per year ($5,000 to be paid on March 1 and $5,000 to be paid on September 1).

(8) Pursuant to a purchase and sale agreement between Skead Holdings Ltd. and Ashley Gold Mines Limited (collectively, Skead and Ashley) and Battery Mineral Resources Limited (now NACI) and Skead Holdings Ltd. dated February 17, 2017 relating to the Skead / Ashley claims, Battery is obligated to pay advance royalty payments to Skead and Ashley of $5,000 per year ($2,500 to each party) to be paid annually on February 17.

(9) Pursuant to a purchase and sale agreement between Skead Holdings Ltd. and Battery Mineral Resources Limited (now NACI) and Skead Holdings LTD. dated February 17, 2017 relating to the Skead claims, Battery is obligated to pay advance royalty payments to Skead Holdings LTD of $10,000 per year to be paid annually on February 17.

For the period November 26, 2019 to September 30, 2020, the Company has expended an aggregate of CDN$3,846,802 (of which CDN$382,795 was attributed to salaries, including Mr. Doyle's salary of CDN$220,000) on the District Exploration Project.

There may be circumstances where, on the basis of results obtained or for other sound business reasons, a re-allocation of funds may be necessary or prudent. Accordingly, management of the Resulting Issuer will have broad discretion in the application of the working capital. The actual amount that the Resulting Issuer spends in connection with each intended purpose set out above may vary significantly from the amounts specified above and will depend on a number of factors, including those referred to under "*Part I - Risk Factors*".

Dividend Policy

The Resulting Issuer does not currently have any plans to pay dividends for the foreseeable future. The future dividend policy of the Resulting Issuer will be determined by the Resulting Issuer Board.

Principal Securityholders

To the knowledge of the management of BMR, no person is anticipated to own of record or beneficially, directly or indirectly, or exercise control or direction over, more than 10% of the outstanding shares of any class of the Resulting Issuer (each a "**principal shareholder**") after giving effect to the Qualifying Transaction and the Private Placement except as stated below:

	Resulting Issuer Shares Owned Immediately After the Qualifying Transaction and the Private Placement	
Name and Municipality of Residence of Principal Shareholder	**Number**	**Approximate % (non-diluted)(4)**
Weston (1)	71,601,000(2)	43.27%
Yorktown Entities(3)	60,000,000	36.26%

Notes

(1) Weston and/or it Affiliates own an aggregate of 71,601,000 BMR Shares.

(2) Assumes completion of the transactions contemplated by the Share Purchase Agreements and the Consolidation. Each of the Fusion Vendors and Weston covenanted pursuant to the Amalgamation Agreement not to complete the transactions therein prior to completing the transactions contemplated by the Share Purchase Agreement.

(3) This includes the ESI Conditional Transaction Shares.

(4) Calculated based on 165,476,856 Resulting Issuer Shares issued and outstanding. This includes the Private Placement Shares, Settlement Shares, the ESI Conditional Transaction Shares and the Property Purchase Shares.

Directors, Officers and Promoters

Board of Directors

The Resulting Issuer Board will be comprised of three directors.

Upon completion of the Qualifying Transaction, it is expected that the Resulting Issuer Board will consist of Lazaros Nikeas, Stephen Dunmead, and John Kiernan. An additional board member may be appointed in the future.

It is further expected that the management of the Resulting Issuer will consist of Lazaros Nikeas (Chief Executive Officer), Jack Cartmel (Chief Financial Officer), Peter Doyle (VP Exploration), and Dr. Henry Sandri (VP, Business Development). Each of these individuals presently serves as a director and/or officer of BMR. All directors and officers of Fusion will resign at the closing of the Qualifying Transaction.

The following table sets out, for each director and officer of the Resulting Issuer (assuming the completion of the Qualifying Transaction), the individual's name, municipality of residence, position(s) to be held with the Resulting Issuer, age, principal occupation(s) within the five preceding years, the number of Resulting Issuer Shares beneficially owned, directly or indirectly, or over which control or direction will be exercised, and, if a director, the year in which the individual became a director of BMR. The Resulting Issuer's directors will be elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders.

Name, Province and Country of Residence	Proposed Positions with the Resulting Issuer	Age	Director of BMR Since	Principal Occupation During the Past Five Years	Number (and approximate %) of Resulting Issuer Shares to be Owned after the Amalgamation(1) and the Private Placement
Lazaros Nikeas New York, United States	Chief Executive Officer, Director	44	November 26, 2019	Partner, Weston; Partner, Traxys Capital Partners; Managing Director, BNP Paribas	Nil
Jack Cartmel British Columbia, Canada	Chief Financial Officer	41	N/A	Chief Financial Officer, Resource Capital Gold Corp.; Senior Manager, Financial Reporting, Monument Mining Ltd.	Nil
Peter Doyle Ontario, Canada	Vice President, Exploration	64	N/A	Vice President, Exploration, Battery Mineral Resources Limited; Vice President, Exploration and Business Development, Troy Resources Limited	Nil
Henry Sandri Minnesota, United States	Vice President, Business Development	68	N/A	Managing Director & Principal, StoneBridge Analytics, LLC; Chief Executive Officer, North Star Manganese Inc	Nil
Stephen Dunmead, Georgia, United States	Non-Executive Director(2)	57	December 5, 2019	Independent business consultant; Chief Operating Officer, SWM International	Nil

Name, Province and Country of Residence	Proposed Positions with the Resulting Issuer	Age	Director of BMR Since	Principal Occupation During the Past Five Years	Number (and approximate %) of Resulting Issuer Shares to be Owned after the Amalgamation(1) and the Private Placement
John Kiernan, British Columbia, Canada	Non-Executive Director(2)	61	December 5, 2019	Chief Operating Officer, Asoct Resources Ltd.; VP Project Development, Magellan Minerals (acquired by Anfield Gold Corp) from 2012 to 2016, consulted through Kierstone Capital until joining Ascot. Also a director of Northern Superior Resources Inc. since 2016.	Nil
Sheryl Dhillon British Columbia Canada	Corporate Secretary	42	N/A	Corporate Secretary, Underworld Resources Inc., Aftermath Silver Ltd., Vendetta Mining Corp and Minaurum Gold Inc.	Nil

Notes

(1) On a non-diluted basis.

(2) Independent director.

(3) Effective date of appointment.

Assuming the completion of the Qualifying Transaction, the directors and officers of the Resulting Issuer (as a group) will not own, or exercise direction or control over any Resulting Issuer Shares on both a non-diluted basis and fully-diluted basis. After the completion of the Qualifying Transaction, the Resulting Issuer intends to adopt an equity incentive plan and to grant restricted share units to certain directors and officers of the Resulting Issuer.

Messrs, Nikeas, Sandri and Cartmel each expect to devote approximately 50% of their time and attention to the business of the Resulting Issuer. Mr. Doyle expects to devote 100% of his time and attention to the business of the Resulting Issuer. Mr. Nikeas also devotes time to other Weston portfolio projects, and Mr. Cartmel acts on a consultancy basis with other issuers. The directors of the Company expect to devote approximately 10% of their time and attention to the business of the Resulting Issuer and may also act as directors or officers of other companies. See "*Part III – Information Concerning BMR –Executive Compensation – Employment and Consulting Contracts*".

Biographies

The following are brief profiles of the proposed members of management and directors of the Resulting Issuer.

Lazaros Nikeas – Chief Executive Officer and Director, Age 44

Mr. Nikeas is the current Chief Executive Officer of BMR and was formerly a director of BMR Limited. He is currently a principal investment manager for Weston, a portfolio company of New York private equity group, Yorktown Partners LLC. Prior to this, he was a Partner of Traxys Capital Partners, a private equity vehicle focused on mining, chemicals and industrial investments in partnership with The Carlyle Group. Before moving into private equity, he served as the Head of Corporate Finance Advisory for Materials, Mining and Chemicals for North America for BNP Paribas for five years. Other investment banking roles included Partner in Mergers & Acquisitions Advisory at Hill Street Capital for eight years and as a Corporate Finance Analyst at Morgan Stanley, where he began his career. Altogether, he has advised on over US$25 billion of mergers and acquisitions transactions. Mr. Nikeas holds a Bachelor of Arts from Amherst College in Massachusetts, U.S.

Jack Cartmel – Chief Financial Officer, Age 41

Mr. Cartmel is the current Chief Financial Officer of BMR. Mr. Cartmel is a Chartered Professional Accountant with over 15 years of experience in the mining industry, as well as extensive experience in mergers and acquisitions, public and prospectus offerings, public company accounting and disclosure, as well as financial and risk management. Mr. Cartmel was Interim CEO and CFO of Resource Capital Gold Corp, which was listed on the TSX Venture Exchange. He was previously also a senior manager of Financial Reporting and Internal Audit for Monument Mining Ltd., a mid-size gold producer in Asia listed on the Toronto Stock Exchange. He has also worked as Manager of Finance for White Tiger Gold Limited (formerly Century Mining Corporation), a mid-sized gold producer. Mr. Cartmel obtained a Bachelor of Business Administration degree from Capilano University.

Peter Doyle – Vice President, Exploration, Age 64

Mr. Doyle is the current Vice-President Exploration of BMR. He is a geologist with 40 years of experience in all aspects of mineral exploration, from regional reconnaissance to project evaluation and development. He has a successful track record in discovery and assessment of numerous mineral deposits in a variety of geological terrains throughout Canada, the United States, South America, Asia, and Australia. Mr. Doyle was previously Vice-President Exploration and Business Development of Troy Resources Limited. Prior to joining Troy Resources Limited in 2005, Mr. Doyle was regional geologist with Gold Fields Australasia Pty Ltd ("Gold Fields Australasia"), responsible for project generation, property assessments and exploration management in Australia, China, Mongolia, Papua New Guinea, the Philippines and the Australasian region. Mr. Doyle was involved in the identification, motivation and completion of acquisition of Western Mining Corporation Ltd.'s gold assets (St Ives and Agnew) by Gold Fields Australasia and played a key role in Gold Fields Australasia's participation in Sino Gold Limited, Zijin Mining Group Co. Ltd and Avoca Resources Limited's strategic equity financings. Between 1992 and 1995, Mr. Doyle was project manager for P.T. Freeport Indonesia Company, supervising the regional exploration in the Central Highlands of Irian Jaya that resulted in the delineation of the Wabu gold deposit.

Mr. Doyle holds a Bachelor of Science (Hons) degree in Geology from Laurentian University in Sudbury, Ontario, Canada. Mr. Doyle is a Fellow of the Australasian Institute of Mining and Metallurgy as well as a member of the Canadian Institute of Mining and Metallurgy, Society of Economic Geologists, Geological Association of Australia, Prospectors and Developers Association of Canada, and the Geological Association of Canada.

Dr. Henry Sandri – Vice President, Technical Development, Age 68

Dr. Sandri is the current Vice-President, Business Development of BMR. Dr. Sandri is a mineral economist and a seasoned executive in the mineral resource industry, with over 35 years' experience in finance, planning, business development, and executive management. He has worked with cobalt, copper, nickel and related metals on six continents over the past three decades. Dr. Sandri is the former Vice-President of Inco Ltd. and President and Chief Operations Officer of Duluth Metals Ltd. In addition, Dr. Sandri has held senior management positions in management, finance, planning, and operations with Select Resources, Burlington Northern Inc., Inco Ltd. and Inco Exploration Technical Services, Behre Dolbear & Company and K&M Engineering and Consulting Corporation.

His early career included positions at The World Bank, The American Iron & Steel Institute and Booz Allen & Hamilton Inc. He is a former Adjunct Professor of Economics and Finance at the Colorado School of Mines and an Adjunct Professor of Energy Resources and Natural Resource Economics at the Virginia Polytechnic Institute and State University. Dr. Sandri obtained his Bachelor of Science degree in Foreign Service (International Trade & Transportation) from Georgetown University in 1974, a Master of Arts degree in Applied Economics from The American University in 1978 and a Ph.D. in Mineral Economics from the Colorado School of Mines in 1991.

John Kiernan – Director, Age 61

Mr. Kiernan is a Mining Engineer with over 30 years of mine operating, engineering, consulting, corporate and finance experience, including a cumulative four years as an underground miner and operating foreman. Mr. Kiernan is currently COO of Ascot Resources and prior to that, VP Project Development for Magellan Minerals (acquired by Anfield Gold Corp), and a Director of Northern Superior Resources Inc. Previously, Mr. Kiernan was Manager Project Evaluation for Quadra FNX / KGHM International, Mining Analyst for PI Financial Corp and VP Mining/ Mine

Manager for Roca Mines Inc. From 1987 to 2006, Mr. Kiernan held various senior engineering positions with Strathcona Mineral Services, Inco Ltd., Wardrop and MRDI / AMEC. Mr. Kiernan holds B.Sc. In Mining Engineering from Queen's University and an MBA from Laurentian University.

Dr. Stephen Dunmead – Director, Age 57

Dr. Dunmead is currently an industrial consultant, he is an independent director for Eden Innovations Ltd., a clean tech and nanomaterials company listed on the ASX, and serves on the Audit Committee and Compensation Committee of Battery. He is a senior global business executive with over 30 years of strong operational leadership experience in the advanced materials and specialty chemicals industries. Previously, he served as Chief Operating Officer at SWM International ("**SWM**") where he was responsible for over 3,000 employees across 20 sites of SWM's global operations in North and South America, Europe and Asia, accounting for US$0.8 billion of revenue and US$180,000,000 in EBITDA. At SWM International he led the business into the high growth and high margin filtration and medical sectors. Prior to SWM, Dr. Dunmead spent 15 years at OM Group ("**OMG**") where he had responsibility for six businesses with more than 6,500 employees across 32 sites. During his time at OMG, he led their cobalt business for more than ten years, was Chairman of the Board for OMG's joint venture in the Democratic Republic of Congo for ten years and was Chairman of the Cobalt Development Institute (now the Cobalt Institute) for seven years.

Dr. Dunmead started his career as a research engineer at the Lawrence Livermore National Laboratory in California. He later joined the Dow Chemical Company where he held a variety of research and business development positions. He has a Ph.D. in materials science and engineering from the University of California at Davis, as well as a Masters of Science and Bachelor of Science degree in ceramic engineering from The Ohio State University.

Sheryl Dhillon–Corporate Secretary, Age 42

Ms. Dhillon is the current Corporate Secretary of BMR and has over fifteen years of experience as Corporate Secretary for multiple mineral exploration and development companies, operating in multiple jurisdictions. Ms. Dhillon has extensive experience and knowledge in corporate governance and regulatory matters including public offerings and public company disclosure. Ms. Dhillon previously consulted to Underworld Resources Inc. (which was acquired by Kinross Gold Corporation in 2010) and currently acts as Corporate Secretary for several TSX.V and CSE listed companies, including Aftermath Silver Ltd., Vendetta Mining Corp and Minaurum Gold Inc.

Chairman of the Board

Mr. Nikeas will be the Chairman of the Resulting Issuer Board, and in such role, shall be principally responsible for overseeing the operations and affairs of the Resulting Issuer Board.

Resulting Issuer Board Mandate

It is expected that the Resulting Issuer Board will adopt a written charter describing, *inter alia*, its role and overall responsibility to supervise the management of the business and affairs of the Resulting Issuer following completion of the Qualifying Transaction (the "**Board Mandate**").

Ethical Business Conduct

It is expected that the Resulting Issuer Board will adopt a written code of ethics (the "**Code**") applicable to all of its employees, executive officers and directors following completion of the Qualifying Transaction.

Committees of the Board of Directors

The Resulting Issuer Board will establish two committees following the completion of the Qualifying Transaction: an Audit Committee and a Compensation Committee.

Audit Committee

The Audit Committee will be comprised of Lazaros Nikeas, Stephen Dunmead and John Kiernan, each of whom (other than Mr. Nikeas) meet the requirements for independence under NI 52-110. Mr. Dunmead will be the Chair of the Audit Committee. For the education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee, see "*Directors, Officers and Promoters – Biographies*".

Each of the proposed members of the Audit Committee is financially literate within the meaning of NI 52-110. A director is "financially literate" within the meaning of NI 52-110 if he has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Resulting Issuer's financial statements.

The Audit Committee shall be responsible for overseeing the accounting and financial reporting practices of the Resulting Issuer and audits of the Resulting Issuer's financial statements. The Audit Committee's responsibilities also include the selection, recommendation and oversight of Resulting Issuer's independent auditors, as well as the oversight of its internal audit process and system of internal controls over financial reporting and disclosure. The Audit Committee shall also be responsible for the pre-approval of all non-audit services to be provided to the Resulting Issuer by its independent auditors.

Compensation Committee

The Compensation Committee will initially be composed of Stephen Dunmead, who has a working familiarity with governance, human resources and compensation. For the skills and experience of Dr. Dunmead relevant to the performance of his duties as a member of the Compensation Committee, see "*Directors, Officers and Promoters - Biographies*".

The Compensation Committee shall, among other things:

- consider and recommend for approval by the Resulting Issuer Board the appointment of the executive officers of the Resulting Issuer;

- review existing management resources and plans for ensuring that qualified personnel will be available as required and to report on this matter to the Resulting Issuer Board;

- review and assess annually the performance of the Chief Executive Officer, the Chief Financial Officer and the Vice Presidents against pre-set specific corporate and individual goals and objectives;

- oversee and recommend for approval by the Resulting Issuer Board the executive compensation principles, policies, programs, grants of equity-based incentives and processes and specifically consider and recommend annually or as required;

- review the compensation discussion and analysis and related executive compensation disclosure for inclusion in the Resulting Issuer's public disclosure documents, in accordance with applicable rules and regulations; and

- review, monitor, report and where appropriate, provide recommendations to the Resulting Issuer Board on the Resulting Issuer's exposure to risks related to executive compensation policies and practices, if any, and identify compensation policies and practices that mitigate any such risk.

The Compensation Committee will have the authority to engage outside counsel or other outside advisors as it deems appropriate to assist the Compensation Committee in the performance of its functions.

The Compensation Committee may also recommend to the Resulting Issuer Board the further changes to the existing executive compensation regime and severance pay practices, employment agreements for executive officers, and adopted stock ownership guidelines.

Promoter Consideration

Weston may be considered a promoter of BMR and the Resulting Issuer for the purposes of applicable securities laws.

As of the date hereof, Weston, its Affiliates and Yorktown IV, Yorktown VI and Yorktown XI, beneficially own, control or direct, directly or indirectly, 100,001,000 BMR Shares, comprising approximately 77.75% of the issued and outstanding BMR Shares prior to giving effect to the Qualifying Transaction, and, Weston, its Affiliates and Yorktown IV, Yorktown VI and Yorktown XI will beneficially own, control or direct, directly or indirectly, 100,001,000. Resulting Issuer Shares after giving effect to the Qualifying Transaction, the transfer of shares contemplated by the Share Purchase Agreements, the issuance of the Private Placement Shares, Settlement Shares, Property Purchase Shares and the ESI Conditional Transaction Shares, comprising approximately 78.64% of the issued and outstanding Resulting Issuer Shares. As previously, stated the Yorktown Entities are entitled to an additional 30 million Resulting Issuer Shares if and to the extent, the Resulting Issuer receives proceeds in excess of $10 million from a disposition of the shares or assets of ESI prior to March 31, 2021 on the basis of $0.65 per share.

Corporate Cease Trade Orders or Bankruptcies

Except as otherwise set out below, no proposed director, officer or promoter of the Resulting Issuer is, or within the ten years prior to the date of this Filing Statement has been, a director, officer, or promoter of any person or company that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days, or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Battery Mineral Resources Limited, a company of which Lazaros Nikeas, Jack Cartmel, Peter Doyle, Henry Sandri and Stephen Dunmead, each proposed directors and/or officers of the Resulting Issuer, served as directors and/or officers, filed for voluntary administration in Australia respect of Battery Mineral Resources Limited’s insolvency on November 11, 2019.

Penalties or Sanctions

No proposed director, officer or promoter of the Resulting Issuer, nor securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision concerning the Amalgamation.

Personal Bankruptcies

No proposed director, officer or promoter of the Resulting Issuer, nor securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, nor a personal holding company of any such person has, within the 10 years before the date of the Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director or officer, or personal holding company of any such person.

Conflicts of Interest

The majority of each of the board of directors of ESI and the Company are comprised of persons independent of Weston, the Yorktown Entities, ESI or Battery. Accordingly, to the best of BMR’s knowledge, there are no known existing or potential conflicts of interest between the Resulting Issuer or a subsidiary of the Resulting Issuer and a proposed director, officer or promoter of the Resulting Issuer or a subsidiary of the Resulting Issuer as at the date hereof other than in respect of Mr. Nikeas, who is employed by Weston. Any such conflict will be addressed in accordance with the applicable corporate law.

Other Reporting Issuer Experience

The following table sets out for each proposed directors, officers and promoters of the Resulting Issuer that is, or has been within the last five years, a director, officer or promoter of any other reporting issuer the names and jurisdictions of those reporting issuers and the periods during which the individual has so acted:

Proposed Individual	Name and Jurisdiction of Reporting Issuer	Position	From	To
John Kiernan	Ascot Resources Inc. (TSX)	Chief Operating Officer	October 2017	Present
	Northern Superior Resources Inc. (TSXV)	Director	November 2016	January 2020
	Minkap Resources Inc. (Formerly Kapuskaing Gold Corp.) (TSXV)	Director	May 2012	May 2018
Jack Cartmel	Resource Capital Gold Corp.	Chief Financial Officer	November 2015	July 2019

Executive Compensation

It is currently anticipated that the Resulting Issuer will have five NEOs who are the focus of this "Executive Compensation" section:

Named Executive Officer	Position
Lazaros Nikeas	Chief Executive Officer and Director
Jack Cartmel	Chief Financial Officer
Dr. Henry Sandri	Vice President, Business Development
Peter Doyle	Vice President, Exploration

Compensation Discussion and Analysis

The Resulting Issuer will establish a Compensation Committee comprising Mr. Stephen Dunmead, who is an independent director. For a description of the education and experience of Mr. Dunmead, see "*Directors, Officers, and Promotors - Biographies*". The Compensation Committee will assist in discharging the Resulting Issuer Board's oversight responsibilities relating to the attraction, compensation, evaluation and retention of key senior management employees, and in particular the Resulting Issuer's Chief Executive Officer, with the skills and expertise needed to enable the Resulting Issuer to achieve its goals and strategies at fair and competitive compensation and appropriate performance incentives.

It is expected that the Resulting Issuer will adopt a holistic executive compensation program following the Completion of the Qualifying Transaction that will be designed to reinforce a strong link between pay and performance in order to attract leading talent, retain and motivate top performers, promote a pay for performance culture with an emphasis on variable compensation, specifically annual incentives, and align with good or best market practices for a TSXV-listed company.

It is expected that compensation of the Resulting Issuer's executives will consist primarily of a salary component, with both short-term and long-term incentive components available.

The salary may be paid directly, in an employment relationship, or through consulting fees. The component of compensation that is not at risk comprises base salary or fee, which is designed to compensate the executive officers for fulfilling their day-to-day responsibilities, and to ensure the Resulting Issuer is able to attract and motivate talent given that market practice for compensation of executives in the mineral exploration sector includes a significant component of compensation being not at risk, particularly for a company at the Resulting Issuer's current stage of development.

The design of the short-term incentive plan will be to introduce structure to the compensation program while allowing the Resulting Issuer Board to exercise informed judgment when evaluating performance. The short-term incentive plan design will consider the Resulting Issuer's stage of development and operating environment. As financial and operational measures may be difficult to define for the Resulting Issuer while it is in the exploration stage, the objectives for short-term incentives will largely focus on milestones to meeting the Resulting Issuer's longer-term strategy until the Resulting Issuer can use quantifiable operating metrics on a regular basis, and as such, the expected number of formal objectives, or criteria for the short-term incentive component may be limited. The short-term incentive plan objectives will include advancement of the exploration and evaluation of the Cobalt District Exploration Project, the expansion and promotion of the Resulting Issuer's non-Canadian assets, and activities to advance sustainability, health and safety within the Resulting Issuer.

The long-term incentive component of the compensation program will be designed to focus management on longer-term results (e.g. 3-5 years), increase retention (as awards will generally be forfeited upon exit from the organization), ensure the Resulting Issuer's compensation program is competitive within its peer group, and align the interests of management with shareholders through both direct and notional equity ownership.

Meetings of the Compensation Committee will be held periodically, but in any case at least once per year, to review compensation policies and to consider the overall compensation to be paid by the Resulting Issuer to its employees, executive officers and directors. Following review of data and discussion by members of the Compensation Committee, recommendations will be made to the Resulting Issuer Board. In making compensation recommendations, the Compensation Committee will consider each executive's performance and other relevant factors against the achievement of any identified short-term and long-term objectives, the scope of each executive's position and responsibilities, the current business and operating environment and any anticipated changes, as well as executive retention and recruitment considerations.

It is not currently anticipated that the Resulting Issuer in place any specific practices to identify and mitigate compensation policies and practices that could encourage an NEO to take inappropriate or excessive risks. Going forward, however, it is expected that the Resulting Issuer's compensation program will be designed to provide executive incentives for the achievement of near-term and long-term objectives, without motivating such individuals to take inappropriate or excessive risk.

The Resulting Issuer Board will provide regular oversight of the Resulting Issuer's risk management practices, and may delegate to the Compensation Committee the responsibility to provide risk oversight of compensation policies and practices and to identify and mitigate compensation policies and practices that could encourage inappropriate or excessive risk taking by the executive team. As part of its review and discussion regarding compensation risk, the Resulting Issuer Board will consider and is expected to implement the following approaches to mitigate compensation risk:

- a formal claw back policy specifying the recoupment of incentive compensation applicable to the executive officers upon material financial restatements and misconduct; and

- a formal anti-hedging prohibition whereby neither the Resulting Issuer's directors nor its NEOs are permitted to purchase financial instruments (which, for greater certainty, include prepaid variable forward contracts, equity swaps, collars, or units of exchange funds) that are designed to hedge or offset a decrease in market value of equity securities granted by the Resulting Issuer to such individuals as compensation or Resulting Issuer Shares held, directly or indirectly, by the director or NEO under any established share ownership requirements.

The Compensation Committee will consider and assess, as necessary, risks relating to compensation prior to entering into or amending employment and/or consulting agreements with executive officers and when setting the compensation of directors. The compensation policies and practices are expected to be appropriate for the Resulting Issuer's industry and stage of development and such policies and practices are not expected to have associated with them any risks that are reasonably likely to have a material adverse effect on the Resulting Issuer or which would encourage a NEO to take any inappropriate or excessive risks. As described above, the Resulting Issuer expects to implement a formal anti-hedging policy pursuant to which it will codify the prohibitions on actions by NEOs or directors including purchases of financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by a NEO or director.

Share-based and Option-based Awards, Stock Option Plan

The Resulting Issuer Board intends to continue the operation of the Fusion Option Plan and assume the operation of the RSU Plan, pursuant to which incentive stock options to purchase Resulting Issuer Shares and RSUs may be granted to executive officers, directors, employees and consultants of the Resulting Issuer and its subsidiaries. The Resulting Issuer Board will delegate to the Compensation Committee the responsibility for administering and interpreting the Resulting Issuer's security-based compensation arrangements and policies respecting the grant of awards under the Fusion Option Plan and the RSU Plan (in each case as administered for the Resulting Issuer).

Summary Compensation Table - Expectation

It is currently anticipated that the Resulting Issuer will continue with the compensation implemented by BMR. See "*Part III – Information Concerning BMR – Executive Compensation – Summary Compensation Table*".

Employment and Consulting Contracts

It is currently anticipated that the Resulting Issuer will continue engaging its NEOs pursuant to the employment and consulting contracts implemented by BMR. See "*Part III – Information Concerning BMR – Executive Compensation – Employment and Consulting Contracts*".

Termination and Change of Control Benefits

See "*Part III – Information Concerning BMR – Executive Compensation – Termination and Change of Control Benefits*".

Director Compensation

It is currently anticipated that the Resulting Issuer will continue the director compensation policy implemented by BMR. See "*Part III – Information Concerning BMR – Executive Compensation – Director Compensation*".

Indebtedness of Directors and Officers

Following the completion of the Qualifying Transaction, no person who is a director, or officer of Fusion or BMR (or was at any time during the most recently completed financial year of Fusion or BMR, respectively) or proposed to be a director or officer of the Resulting Issuer, is indebted to Fusion or BMR or whose indebtedness to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Fusion or BMR.

Investor Relations Arrangements

The Resulting Issuer has no plans to enter any agreements or understandings, either written or oral, with any person to provide promotional or investor relations services.

Options to Purchase Securities

As of January 31, 2021, assuming the completion of the Qualifying Transaction, the following options and other rights to purchase Resulting Issuer Shares will be outstanding:

Type of Security	Aggregate Number of Securities under option	Holder Category	Exercise Price[(1)]	Expiry Date	Value of securities under option at the date of grant	Value of securities under option as of October 31, 2020
Resulting Issuer Options	75,000[(2)]	Other Persons	$0.20	September 21, 2023	0.075	0.095

Notes

(1) Presented on a post-Consolidation basis.

(2) Comprised of: 12,500 Options held by January Vandale; 12,500 Options held by David De Witt; 12,500 Options held by Christopher Cooper; and 37,500 Options held by Victoria McMillan.

(3) Issued to Canaccord Genuity Corp. in connection with the Fusion IPO.

(4) It is currently anticipated that no Resulting Issuer Options will be held by any proposed officers, directors, employees or consultants of the Resulting Issuer or any of its subsidiaries.

The Resulting Issuer intends to continue the operation of the Fusion Option Plan and assume the operation of the RSU Plan for the benefit of the Resulting Issuer on completion of the Qualifying Transaction. The outstanding Resulting Issuer Options referenced above were granted pursuant to the Fusion Option Plan. See "*Part II – Information Concerning Fusion – Stock Option Plan*."

Escrowed Securities

Under the CPC Escrow Agreement, an aggregate of 4,285,000 Fusion Shares (on a pre-Consolidation basis) held by January Vandale, Canaccord Genuity Corp., David De Witt, Christopher Cooper and Victoria McMillan are currently held in escrow pursuant to the rules of the TSXV.

To the knowledge of Fusion and BMR, as of the date hereof and after giving effect to the Share Purchase Agreements, the following table sets out the number of Resulting Issuer Shares which are or will be subject to escrow pursuant to the rules of the TSXV.

		Prior to giving effect to the Transaction and prior to giving effect to the Consolidation and Escrow Transfer		After giving effect to the Transaction, including the Consolidation and Escrow Transfer	
Name and municipal residence of securityholder	**Designation of Class**	**Number of securities held in escrow**	**Percentage of class[(1)]**	**Number of securities to be held in escrow**	**Percentage of class Following Completion of Transaction[(6)]**
January Vandale *Vancouver, British Columbia*	Resulting Issuer Shares	3,035,000[(2)]	48.95%	217,500[(5)]	0.16%
David De Witt *Vancouver, British Columbia*	Resulting Issuer Shares	1,000,000[(2)]	16.1%	200,000[(2)(5)]	0.15%
Christopher Cooper *Vancouver, British Columbia*	Resulting Issuer Shares	100,000[(2)]	1.6%	50,000[(2)]	0.04%
Victoria McMillan *Vancouver, British Columbia*	Resulting Issuer Shares	100,000[(2)]	1.6%	50,000[(2)]	0.04%

Name and municipal residence of securityholder	Designation of Class	Prior to giving effect to the Transaction and prior to giving effect to the Consolidation and Escrow Transfer		After giving effect to the Transaction, including the Consolidation and Escrow Transfer	
		Number of securities held in escrow	Percentage of class(1)	Number of securities to be held in escrow	Percentage of class Following Completion of Transaction(6)
Marcel DeGroot *Vancouver, British Columbia*	Resulting Issuer Shares	35,000(2)	0.56%	17,500(2)	0.01%
Marianne De Witt *Vancouver, British Columbia*	Resulting Issuer Shares	15,000(2)	0.24%	7,500(2)	0.01%
Weston *New York, New York*	Resulting Issuer Shares	Nil.	N/A	71,601,000(3)(4)	52.85%
Yorktown Entities *New York, New York*	Resulting Issuer Shares	Nil	N/A	30,000,000(5)	22.14%

Notes

(1) Calculated on a non-diluted basis.
(2) Held pursuant to the CPC Escrow Agreement.
(3) To be held pursuant to the Value Escrow Agreement.
(4) Pursuant to the Share Purchase Agreement January Vandale will transfer 2,600,000 pre-Consolidation Fusion Shares and David De Witt will transfer 600,000 pre-Consolidation Fusion Shares to Weston.
(5) This does not include the ESI Conditional Shares issuable to the Yorktown Entities in certain circumstances which will be subject to escrow, if issued.
(6) Calculated based on 135,476,856 Resulting Issuer Shares issued and outstanding. This includes the Private Placement Shares, the Settlement Shares and the Property Purchase Shares.

In addition, an aggregate of 22,654,856 Resulting Issuer Shares held by non-principals of the Resulting Issuer will be subject to the Value Escrow Agreement.

The Escrow Agent is escrow agent for the CPC Escrow Agreement. It is anticipated that the Escrow Agent will also act as escrow agent under the Value Escrow Agreement.

The CPC Escrow Agreement includes, and the Value Escrow Agreement shall include the following principal terms:

- 10% of the securities subject to escrow will be released from escrow on the date of issuance of a Final Exchange Bulletin (the "**Initial Release**");
- the remaining escrowed securities will be released in six tranches of 15% every six months following the date of the Initial Release; and
- while in escrow, none of the securities subject to escrow can be transferred, either directly or indirectly through a change in control of a holding company, without the consent of the TSXV.

Auditors, Transfer Agent and Registrar

The Resulting Issuer's independent auditors will be Davidson & Co., located at 1200 – 609 Granville Street, Pacific Centre, Vancouver, BC V7Y 1G6.

The transfer agent and registrar for the Resulting Issuer Shares will be Odyssey Trust Company at its principal offices in Vancouver, British Columbia.

PART V - GENERAL MATTERS

Sponsorship and Relationships

Sponsorship of a TSXV qualifying transaction of a CPC, like the Qualifying Transaction, is required by the TSXV unless exempt therefrom in accordance with the TSXV's policies or a waiver is obtained. In the absence of an available exemption from the sponsorship requirements, Fusion intends to make an application to the TSXV for a waiver from sponsorship requirements. There is no assurance that a waiver will be granted on application.

Experts

Except as disclosed herein, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement holds any beneficial interest, direct or indirect, in any securities or property of Fusion or BMR or of an Associate or Affiliate of Fusion or BMR, respectively, and no such person is expected to be elected, appointed or employed as a director, officer or employee of Fusion or BMR or of an Associate or Affiliate of Fusion or BMR, respectively.

Other Material Facts

There are no material facts about Fusion, BMR or the Amalgamation which are not otherwise disclosed in this Filing Statement.

Fusion Board Approval

The Fusion Board has approved this Filing Statement. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than Fusion, Fusion has relied upon information furnished by such person.

BMR Board Approval

The BMR Board has approved this Filing Statement. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than BMR, BMR has relied upon information furnished by such person.

Acknowledgement – Personal Information

"Personal Information" means any information about an identifiable individual, and includes information contained in any Items in the Filing Statement that are analogous to Items 4.2, 11, 12.1, 15, 17.2, 18.2, 23, 24, 26, 31.3, 32, 33, 34, 35, 36, 37, 38, 40 and 41 of Form 3B2 of the TSXV, as applicable.

[*Signature page follows*]

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

(a) the disclosure of Personal Information by the undersigned to the TSXV pursuant to this Filing Statement; and

(b) the collection, use and disclosure of Personal Information by the TSXV for purposes described in Appendix 6B of Exchange Form 3B2 or as otherwise identified by the TSXV from time to time.

BATTERY MINERAL RESOURCES CORP.

Per: *"Lazaros Nikeas"*
Lazaros Nikeas

FUSION GOLD LTD.

Per: *"David DeWitt"*
David DeWitt

EXHIBIT "A"
FINANCIAL STATEMENTS OF BATTERY FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

BATTERY MINERAL RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited)

(Expressed in Canadian Dollars)

BATTERY MINERAL RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars - Unaudited)

As at

	Note		September 30, 2020		December 31, 2019
ASSETS					
Current assets					
Cash	4	$	**74,957**	$	469,112
Restricted cash	4, 12		**-**		1,100,000
Receivables	5		**158,260**		473,867
Prepaids	6		**19,679**		51,166
Total current assets			**252,896**		2,094,145
Non-current assets					
Equipment	7		**95,828**		133,401
Exploration advances	8		**120,000**		1,286,620
Exploration and evaluation assets	9		**22,659,692**		20,698,422
Assets included in disposal group classified as held for sale	19		**33,891,717**		-
Total non-current assets			**56,767,237**		22,118,443
TOTAL ASSETS		$	**57,020,133**	$	24,212,588
LIABILITIES					
Current liabilities					
Trade and other payables	10, 13	$	**603,706**	$	1,295,719
Flow-through premium liability	12		**-**		549,564
Income taxes payable			**183,000**		183,000
Total current liabilities			**786,706**		2,028,283
Non-current liabilities					
Liabilities related to in disposal group classified as held for sale	19		**5,190,000**		-
Deferred revenue	11		**-**		10,000,000
Total non-current liabilities			**5,190,000**		**10,000,000**
TOTAL LIABILITIES			**5,976,706**		**12,028,283**
EQUITY					
Share capital	12		**35,239,267**		11,335,824
Contingently issuable shares	18		**11,250,000**		-
Contributed surplus	11, 12		**10,000,000**		-
Subscriptions receivable	12		**-**		(200,000)
Share subscriptions	12		**-**		1,300,000
Cumulative translation adjustment on Assets included in disposal group	19		**(197,099)**		**-**
Non-controlling interest on Assets included in disposal group	19		**3,099,785**		**-**
Deficit			**(8,348,526)**		(251,519)
TOTAL EQUITY			**51,043,427**		12,184,305
TOTAL LIABILITIES AND EQUITY		$	**57,020,133**	$	24,212,588

Nature of operations and going concern	1
Contingent liabilities	17
Subsequent events	20

Approved on behalf of the Board:

/s/ Lazaros Nikeas */s/ Stephen Dunmead*

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars - Unaudited)
For the three and nine months ended September 30, 2020

	Note	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
EXPENSES			
Consulting fees		$ -	$ 7,458
Depreciation of equipment	7	2,872	8,616
Director fees	13	23,951	72,257
Foreign exchange losses		45,952	23,193
General and administration		16,098	82,736
Management fees	13	121,950	360,903
Professional fees	13	239,525	596,575
Property examination costs		7,980	150,706
Loss from operations		(458,328)	(1,302,444)
Impairment of exploration and evaluation assets	9	(73,118)	(2,393,158)
Recognition of flow-through premium	12	-	549,564
Loss for the period for continuing operations		$ (531,446)	$ (3,146,038)
Discontinued operation income	19	401,611	401,611
Attributable to non-controlling interest	19	48,626	48,626
Discontinued operations for the period		450,237	450,237
Loss and comprehensive loss for the period		$ (81,209)	$ (2,695,801)
Loss per share			
Basic and diluted loss per ordinary share		$ (0.00)	$ (0.03)
Basic and diluted weighted average number of ordinary shares outstanding		106,551,094	99,419,304
Loss per share - Discontinued operations			
Basic and diluted loss per ordinary share		$ 0.00	$ 0.00
Basic and diluted weighted average number of ordinary shares outstanding		106,551,094	99,419,304

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian Dollars, except where indicated - Unaudited)

	# of shares issued	Share capital	Contributed surplus	Receivable share subscriptions	Contingently issuable shares	Deficit	Total	Non-controlling interest and Cumulative translation adjustment	Total equity
		$		$	$	$	$	$	$
Balance at November 26, 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued on incorporation	1,000	1,000	-	-	-	-	1,000	-	1,000
Shares issued per share purchase agreement	90,054,990	10,165,687	-	-	-	-	10,165,687	-	10,165,687
Shares issued for flow through shares	1,831,880	1,740,286	-	(200,000)		-	1,540,286	-	1,540,286
Flow through premium liability	-	(549,564)	-	-	-	-	(549,564)	-	(549,564)
Share issue costs	-	(21,585)	-	-	-	-	(21,585)	-	(21,585)
Subscriptions received in advance	-	-	-	1,300,000	-	-	1,300,000	-	1,300,000
Loss for the period	-	-	-	-	-	(251,519)	(251,519)	-	(251,519)
Balance at December 31, 2019	**91,887,870**	**11,335,824**	**-**	**1,100,000**	**-**	**(251,519)**	**12,184,305**	**-**	**12,184,305**
Shares issued for cash	4,130,615	2,685,000	-	(1,300,000)	-	-	1,385,000	-	1,385,000
Shares issued to Weston for cash	2,600,000	1,727,690	-	-	-	-	1,727,690	-	1,727,690
Shares issued to Yorktown for ESI (Note 18)	30,000,000	19,500,000	-	-	-	-	19,500,000	-	19,500,000
Share issue costs	-	(9,247)	-	-	-	-	(9,247)	-	(9,247)
Subscription receipts (Note 12)	-	-	-	200,000	-	-	200,000	-	200,000
Loss for the period	-	-	-	-	-	(3,146,038)	(3,146,038)	-	(3,146,038)
Discontinued operation income	-	-	-	-	-	401,611	401,611	-	401,611
Attributable to non-controlling interest	-	-	-	-	-	48,626	48,626	-	48,626
Excess purchase price on common control transaction (Note 18)	-	-	-	-	-	(5,401,206)	(5,401,206)	-	(5,401,206)
Capital contribution from Yorktown related to ESI (Note 18)	-	-	10,000,000	-	-	-	10,000,000	-	10,000,000
Cumulative translation adjustment on Assets included in disposal group (Note 19)	-	-	-	-	-	-	-	(197,099)	(197,099)
Non-controlling interest on Assets included in disposal group (Note 19)	-	-	-	-	-	-	-	3,099,785	3,099,785
Contingently issuable shares (Note 18)	-	-	-	-	11,250,000	-	11,250,000	-	11,250,000
Balance at September 30, 2020	**128,618,485**	**35,239,267**	**10,000,000**	**-**	**11,250,000**	**(8,348,526)**	**48,140,741**	**2,902,686**	**51,043,427**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars - Unaudited)
For the nine months ended September 30, 2020

		September 30, 2020
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the period	$	**(3,146,038)**
Items not affecting cash:		
Depreciation		**8,616**
Impairment of exploration and evaluation assets		**2,393,158**
Recognition of flow-through premium		**(549,564)**
Changes in non-cash working capital items:		
Receivables		**315,607**
Prepaid expenses		**31,487**
Trade and other payables		**(232,338)**
Net cash used in operating activities		**(1,179,072)**
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Exploration and evaluation assets		**(3,618,526)**
Restricted cash		**1,100,000**
Net cash used in investing activities		**(2,518,526)**
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Proceeds from issuance of shares		**3,112,690**
Share issue costs		**(9,247)**
Subscription receipts		**200,000**
Net cash provided by financing activities		**3,303,443**
Change in cash during the period		**(394,155)**
Cash, beginning of period		**469,112**
Cash, end of period	**$**	**74,957**

Non-cash financing and investing activities:		**September 30, 2020**
Amortization of equipment reclassified to E&E	$	**28,957**
Exploration and evaluation in accounts payable		**545,144**
Exploration and evaluation advances applied to exploration and evaluation assets		**1,166,620**
Shares issued to Yorktown in consideration for ESI		**19,500,000**
Disposal group classified as held for sale		**(19,500,000)**
Capital contribution from Yorktown related to ESI		**-**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Battery Mineral Resources Corp. (the "Company") was incorporated on November 26, 2019 under the laws of British Columbia, Canada. The Company's registered office and principal place of business is located Suite 400 – 744 West Hastings Street, Vancouver, BC V6C 1A5.

The Company holds resource interests including cobalt, lithium, and graphite properties. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as exploration and evaluation properties represent net costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

The Company's principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in Canada, the United States and South Korea. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

On September 9, 2020, the Company completed the acquisition of an 89.2% interest in ESI Energy Services Inc. ("ESI") (Note 18), a company in the business of supplying backfill separation machines ("Padding Machines") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors. ESI is considered to be held for sale and ESI and the Company are under common control.

While there can be no assurances that the Company will be able to raise additional financing in the future, or at favourable terms, if needed, management is of the opinion that additional financing will be available to continue its planned activities in the normal course of operations. If the Company is unable to raise the necessary capital and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations or obtain financing at unfavourable terms. Furthermore, failure to continue as a going concern would require the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

These condensed interim consolidated financial statements have been prepared on a going concern basis. The Company estimates it will require additional funding to continue operations for the upcoming year. The continuing operations of the Company are dependent upon its ability to raise additional financing. These material uncertainties may raise significant doubt about the Company's ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

On December 2, 2019, the Company acquired companies previously owned by Battery Mineral Resources Limited ("Old Battery") (Note 3).

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed interim consolidated 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 (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the period ended December 31, 2019.

Comparative information on the condensed interim consolidated statement of loss and comprehensive loss and cash flows is not presented as the Company was incorporated on November 26, 2019.

Approval of the financial statements

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on February 5, 2021.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian Dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiaries.

(Expressed in Canadian Dollars - Unaudited)

2. BASIS OF PREPARATION (cont'd.)

Basis of consolidation

These consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries as follows:

			Proportion of Ownership Interest and Voting Power Held Incorporation	
Name of Subsidiaries	**Principal Activity**	**Country of Incorporation**	**September 30, 2020 %**	**December 31, 2019 %**
North American Cobalt Inc. (formerly Battery Mineral Resources Limited)	Intermediate Holding Company	Canada	100	100
Battery Mineral Resources (Ontario), Inc.	Resource Exploration	Canada	100	100
North American Cobalt Inc.	Resource Exploration	USA	100	100
Battery Mineral Resources (Nevada), Inc.	Resource Exploration	USA	100	100
Battery Mineral Resources (California), Inc.	Resource Exploration	USA	-	100
Opirus Minerals Group Pty Ltd.	Intermediate Holding Company	Australia	100	100
Battery Mineral Resources Korea (formerly Won Kwang Mines Inc.)	Resource Exploration	South Korea	100	100
ESI Energy Services Inc. ("ESI") *	Oil and Gas Service Company	Canada	89.2%	-

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation. Assets, liabilities, income, and expenses of entities subject to consolidation are recorded from the date of acquisition to the date of disposal.

* Note: ESI is classified as assets held for sale in these financial statements (Note 18 and 19)

2. BASIS OF PREPARATION (cont'd…)

Significant estimates

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events, or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates are made when applying accounting policies. The critical estimates that have the most significant effects on the amounts recognized in the condensed interim consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of common shares issued

Valuation of common shares issued for the net assets of the Old Battery subsidiaries are classified as equity based on the value of consideration provided. The measurement date is defined as the earliest of the date at which the commitment for shares were entered into or the current fair value of the cash consideration which has been exchanged for the shares issued.

Deferred revenue

Deferred revenue consists of advances received by the Company in consideration for future commitments to deliver ore extracted from the Company's exploration and evaluation assets. As deliveries are made, the Company will record a portion of the deferred revenue as sales, based on a proportionate share of deliveries made compared with the total estimated contractual commitment. The Company will earn into ownership in a mill and has determined there is no financing component.

Significant judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are, but are not limited to, as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

2. BASIS OF PREPARATION (cont'd…)

Significant judgements (cont'd…)

Acquisition of an associated company

The Company acquired Old Battery subsidiaries in December 2019 (Note 3). The process for determining whether the acquisition was an asset purchase versus a business acquisition was performed and primary consideration was given to the exploration stage of mineral properties. Continuity of interest was also considered but was determined not to be applicable as subsidiaries acquired were not controlled by similar parties at the date of acquisition. The excess of overall acquisition consideration over net assets acquired was attributed to the mineral properties acquired.

The Company acquired 89.2% ownership of ESI on September 9, 2020 (Note 18). The process for determining whether the acquisition was an asset purchase versus a business acquisition was performed. Primary consideration was given to the Oil and Gas Padding Service Company and ESI was considered to meet the definition of a business. As both the Company and ESI were under common control by Yorktown Energy LLC, the acquisition of ESI was scoped out of IFRS 3 as the acquisition was a transaction under common control. The Company's intent is to sell ESI to a third party within the next 12 months and accordingly has recorded the investment in ESI as a non-current asset held for sale and discontinued operations and will account for the acquisition at the lower of carrying amount or fair market value less cost to sell. Any gain on a bargain purchase is recognised in profit or loss immediately.

Shares issued to acquire ESI and contingently issuable shares were valued based on the most recent third-party financing. Contingently issuable shares were also based on probability of occurrence as further disclosed in Note 18.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

New accounting pronouncements

The Company has reviewed the new and revised accounting pronouncements that have been issued but are not yet effective. The Company has determined that there are no standards that are relevant to the Company.

(Expressed in Canadian Dollars - Unaudited)

3. ACQUISITION OF OLD BATTERY

The Company acquired 100% of the subsidiaries of Old Battery in the form of an asset purchase through a share sale agreement which completed on December 2, 2019. Old Battery was an Australian Company, that owned subsidiaries with interests in various exploration and evaluation projects described in note 9.

The Company acquired 100% of the shares of Old Battery subsidiaries excluding all Old Battery debt except for amounts in the table below. The acquisition was financed by the Weston Group which includes Weston Energy LLC, Weston Energy II LLC, Weston Cobalt Inc., and ESI. The Weston Group was a significant shareholder and debtor of Old Battery and holds the majority of issued and outstanding shares of the Company and has directors in common with the Company (Note 13).

Old Battery was placed in voluntary administration on November 11, 2019 by the Old Battery Board of Directors. Administrators were appointed to manage and control the affairs of Old Battery (the "Administrators") and were appointed liquidators to undertake a sale process. The Administrators narrowed its interested parties and received three indicative bid offers from which Weston Group bid was accepted. The Weston Group paid $1,442,944 and applied its debt of $8,722,743 as a capital transaction toward the purchase price consideration on behalf of the Company and was issued 67,400,000 common shares which approximated a 75% ownership in the Company (Note 12). The consideration for the purchase acquisition was:

Purchase Price	**$**
Amounts paid or applied by the Weston Group on behalf of the Company	10,165,687
Total consideration	**10,165,687**
Net assets acquired:	
Exploration and evaluation assets	20,388,656
Equipment	135,415
Exploration deposits	340,785
Prepaid expenses	42,564
Receivables	406,555
Income taxes payable	(183,000)
Accounts payable	(965,288)
Deferred revenue	(10,000,000)
Total net assets acquired	**10,165,687**

(Expressed in Canadian Dollars - Unaudited)

4. CASH

Cash is comprised as follows:

		September 30, 2020		December 31, 2019
Cash in Canadian financial institutions	**$**	**71,808**	$	463,210
Cash in Australian financial institutions		**(35)**		438
Cash in South Korean financial institutions		**3,184**		5,464
Total	**$**	**74,957**	$	469,112

As at September 30, 2020, the Company has $Nil (December 31, 2019: $1,100,000) of restricted cash held in escrow and released as flow-through expenditures are incurred (Note 12).

5. RECEIVABLES

Receivables are comprised as follows:

		September 30, 2020		December 31, 2019
GST/HST receivable	**$**	**157,775**	$	228,820
QST receivable		**469**		33,863
VAT receivables		**16**		22,643
Refundable mining tax credit		**-**		188,541
Total	**$**	**158,260**	$	473,867

6. PREPAID EXPENSES

Prepaid expenses are comprised as follows:

		September 30, 2020		December 31, 2019
Prepaid expenses	**$**	**19,679**	$	51,166
Total	**$**	**19,679**	$	51,166

(Expressed in Canadian Dollars - Unaudited)

7. EQUIPMENT

	Motor vehicles	Mining equipment	Computer equipment	Office equipment	Total
Cost					
At November 26, 2019	$ -	$ -	$ -	$ -	$ -
Additions (Note 3)	13,465	47,420	48,727	25,803	135,415
At December 31, 2019 and September 30, 2020	**$ 13,465**	**$ 47,420**	**$ 48,727**	**$ 25,803**	**$ 135,415**
Accumulated depreciation					
At November 26, 2019	$ -	$ -	$ -	$ -	$ -
Additions	-	(1,102)	(912)	-	(2,014)
At December 31, 2019	-	(1,102)	(912)	$ -	(2,014)
Additions	(6,447)	(9,923)	(8,616)	(12,587)	(37,573)
At September 30, 2020	**$ (6,447)**	**$ (11,025)**	**$ (9,528)**	**$ (12,587)**	**$ (39,587)**
Carrying amounts					
At December 31, 2019	$ 13,465	$ 46,318	$ 47,815	$ 25,803	$ 133,401
At September 30, 2020	**$ 7,018**	**$ 36,395**	**$ 39,199**	**$ 13,216**	**$ 95,828**

As of September 30, 2020, $9,923 (December 31, 2019: $1,102) of mining equipment depreciation has been capitalized to the McAra Canadian Cobalt Project recorded in field office and other (Note 9). As of September 30, 2020, $19,034 (December 31, 2019: $nil) of motor vehicle and office equipment depreciation has been capitalized to the Geumam and Taehwa Projects recorded in field office and other (Note 9).

As of September 30, 2020, $8,616 of computer equipment depreciation has been recorded as depreciation of equipment expense.

(Expressed in Canadian Dollars - Unaudited)

8. EXPLORATION ADVANCES

The Company has made advance payments of for drilling and exploration services for its Cobalt Project. The deposits will be capitalized to the Company's exploration and evaluation assets, as the services are rendered.

		September 30, 2020		December 31, 2019
Exploration deposits (Note 3)	$	-	$	340,785
Additions during period		120,000		945,835
Total	$	120,000	$	1,286,620

9. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves inherent risks due to difficulties of determining the validity of certain mineral claims and leases as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated the titles to its exploration and evaluation assets and to the best of its knowledge, the titles are in good standing.

The following table represents expenditures incurred on the exploration and evaluation assets during the period ended September 30, 2020 and include the properties purchased in the Acquisition (Note 3):

	Canadian Cobalt Projects	U.S. Cobalt Projects	U.S. Lithium Projects	South Korea Graphite Projects	Total
	$	$	$	$	$
November 26, 2019 Balances	-	-	-	-	-
E&E Assets acquired (Note 3)	**15,413,325**	**1,110,106**	**2,226,675**	**1,638,550**	**20,388,656**
Additions during period	324,816	7,619	3,016	20,387	355,838
Impairment	(46,072)	-	-	-	(46,072)
Balance as December 31, 2019	**15,692,069**	**1,117,725**	**2,229,691**	**1,658,937**	**20,698,422**
Additions during period	3,521,945	202,213	458,100	172,170	4,354,428
Impairment	(15,881)	(68,118)	(2,309,159)	-	(2,393,158)
Balance as September 30, 2020	**19,198,133**	**1,251,820**	**378,632**	**1,831,107**	**22,659,692**

(Expressed in Canadian Dollars - Unaudited)

9. EXPLORATION AND EVALUATION ASSETS

Canadian Cobalt Projects

	McAra	Gowganda	Fabre	Shining Tree	Elk Lake	Wilder	White Reserve	Iron Mask	Other	Total
	$	$	$	$	$	$	$	$	$	$
Balance at November 26, 2019	-	-	-	-	-	-			-	-
E&E Assets acquired	6,440,940	2,808,810	1,480,443	1,104,129	1,410,782	878,319	558,798	-	731,104	15,413,325
Additions										
Property acquisition and staking costs	-	105,450	-	-	600	-	225	42,925	-	149,200
Exploration expenditures										
Consulting	18,695	4,266	1,647	3,832	850	425	425	3,147	425	33,712
Field office and other	4,957	6,683	700	3,612	5,076	242	-	-	-	21,270
Geological	10,807	12,969	4,323	8,646	6,484	-	-	-	-	43,229
Local Indigenous engagements	20,706	5,266	-	5,681	857	-	1,945	-	-	34,455
Project management	9,142	16,019	1,200	2,800	1,400	-	-	-	400	30,961
Travel	3,727	6,225	214	896	785	-	-	-	142	11,989
Additions during period	68,034	156,878	8,084	25,467	16,052	667	2,595	46,072	967	324,816
Impairment	-	-	-	-	-	-	-	(46,072)	-	(46,072)
Balance at December 31, 2019	**6,508,974**	**2,965,688**	**1,488,527**	**1,129,596**	**1,426,834**	**878,986**	**561,393**	**-**	**732,071**	**15,692,069**

	McAra	Gowganda	Fabre	Shining Tree	Elk Lake	Wilder	White Reserve	Iron Mask	Other	Total
	$	$	$	$	$	$	$	$	$	$
Balance at December 31, 2019	6,508,974	2,965,688	1,488,527	1,129,596	1,426,834	878,986	561,393	-	732,071	15,692,069
Additions										
Property acquisition and staking costs	21,755	44,850	-	1,600	53,925	86,763	53,875	15,575	18,868	297,211
Exploration expenditures										
Assay	18,120	83,325	-	2,533	20,793	-	-	-	-	124,771
Consulting	55,780	69,417	3,733	38,654	5,742	5,478	(2,438)	-	(1,638)	174,728
Drilling	450,851	642,079	3,571	87,894	218,682	-	1,157	-	-	1,404,234
Field office and other	68,386	47,813	6,908	22,067	27,637	3,685	1,209	-	331	178,036
Geological	58,801	351,037	111,359	77,608	168,388	16,898	125,448	-	2,720	912,259
GIS, mapping and surveying	1,085	52,084	10,135	585	13,570	-	18,635	-	-	96,094
Government and land payments	2,356	2,813	(241,471)	-	-	-	-	306	521	(235,475)
Ground truthing and trenching	387	31,008	-	129	-	-	-	-	-	31,524
Local Indigenous engagements	6,676	4,307	-	1,542	2,336	-	2,262	-	-	17,123
Project management	116,296	168,099	1,246	37,731	24,618	-	2,200	-	1,644	351,834
Travel	30,869	96,000	1,887	8,687	23,858	-	3,044	-	5,261	169,606
Additions during period	831,362	1,592,832	(102,632)	279,030	559,549	112,824	205,392	15,881	27,707	3,521,945
Impairment	-	-	-	-	-	-	-	(15,881)	-	(15,881)
Balance at September 30, 2020	**7,340,336**	**4,558,520**	**1,385,895**	**1,408,626**	**1,986,383**	**991,810**	**766,785**	**-**	**759,778**	**19,198,133**

(Expressed in Canadian Dollars - Unaudited)

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

McAra Project area, Ontario Canada

The Company holds a 100% interest in the McAra project, located in Ontario, Canada. The property is subject to net smelter returns royalties ("NSR") ranging from 1% to 2% of which 1.5% can be acquired for $750,000.

Gowganda Project area, Ontario Canada

The Company holds a 100% interest in certain claims the Gowganda project area, located in Ontario, Canada. The property is subject to NSR's ranging from 1% to 3% of which 0.5% to 1% of the royalty can be acquired for $250,000 to $1,000,000.

Gowganda Transition-Claims, Ontario, Canada

The Company has an option agreement to acquire a 60% interest in certain claims in the Gowganda project area located in Nicol, Haultain, Milner, Van Hise and Lawson townships through completing option payments, and exploration expenditures as follows:

	Payments	Exploration expenditures
By December 19, 2019:	$100,000 (paid)	
By September 2, 2020:	$nil	$400,000 (incurred)
By March 2, 2021:	$150,000	$1,000,000
By March 2, 2022:	$250,000	$2,000,000

On December 17, 2019, the Company amended the option agreement by paying the $100,000 option payment in advance of the obligation date of March 2, 2020 and in doing so the optionor extended the annual exploration expenditures commitment of $400,000 to September 2, 2020.

As of September 30, 2020, the Company has met the $400,000 expenditure commitment.

Of the total exploration expenditures, 25% of the work must be spent on gold exploration expenditures.

The Company can acquire an additional 20% interest in the property through completion of a feasibility study within three years of exercise of the above option.

The Company has the right to extend the period to four years for payment of $250,000 in cash or shares if the Company's stock is free trading.

The property is subject to a 2% NSR of which 1% of the royalty can be purchased for $1,000,000.

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Fabre Project area, Quebec Canada

The Company holds a 100% interest in the Fabre project area located in Quebec, Canada.

The property is subject to a 2% gross smelter returns royalty ("GSR") of which 1% can be acquired for $1,000,000 and an additional 1% can be acquired for an additional $1,500,000.

Shining Tree Project area, Ontario Canada

The Company holds a 100% interest in the Shining Tree Project area, located in Ontario, Canada.

The property is subject to a 1% NSR of which 0.5% can be purchased for $250,000.

Elk Lake Project area, Ontario Canada

The Company holds a 100% interest in certain claims the Elk Lake project area, located in Ontario, Canada.

The property is subject to NSR's ranging from 1% to 2% of which 0.5% to 1% of the royalty can be acquired for $250,000 to $1,000,000.

Elk Lake Project Area (Silverstrike property), Ontario, Canada

The Company has a purchase option agreement, with Ashley Gold Mines Limited ("Ashley") to acquire a 100% interest in the Elk Lake (Silverstrike property), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $22,000 (paid)

The property is subject to a 1% NSR of which 0.5% can be purchased for $1,000,000.

Elk Lake Project Area (Mapes-Johnson property), Ontario, Canada

The Company has a purchase option agreement, to acquire a 100% interest in the Elk Lake (Mapes-Johnson property), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $11,000 (paid)

The property is subject to a 1% NSR of which 0.5% can be purchased for $1,000,000.

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Elk Lake Project area, Ontario Canada (cont'd.)

Sunvest property claims

The Company has a joint venture agreement with Sky Gold Corp. (formerly Sunvest Minerals Corp.) to acquire 80% interest in certain claims in the Elk Lake project area in Ontario.

The Company owns a 60% interest and can earn an additional 5% interest from Sky Gold through issuance of 150,000 common shares or payment of $45,000. The Company did not exercise the right to increase ownership by 15%, from 60-75%.

The property is subject to a 2% NSR of which 1% can be purchased for $500,000.

Wilder Project area, Ontario, Canada

Wilder Project area (Kell claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the Wilder (Kell claims), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $44,000 (paid)

The property is subject to a 1% NSR of which 1% can be purchased for $2,000,000.

Wilder Project area (Thompson claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the Wilder (Thompson claims), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $16,500 (paid)

The property is subject to a 1% NSR of which 1% can be purchased for $2,000,000.

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

White Reserve Project area (White Reserve claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the White Reserve claims, located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $44,000 (paid)

The property is subject to a 1% NSR of which 1% can be purchased for $2,000,000.

Iron Mask area (Brady claims and leases), Ontario, Canada

The Company had a purchase option agreement to acquire a 100% interest in the Brady Iron Mask claims and leases, located in Ontario.

During the period ended September 30, 2020, the Company has abandoned the Iron Mask projects and recorded impairment of $15,881.

Other Projects, Ontario Canada

Other Projects are comprised of mineral claims located in the Province of Ontario.

(Expressed in Canadian Dollars - Unaudited)

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

U.S. Cobalt Projects

	Bonanza	Quartzburg	Total
	$	$	$
Balance at November 26, 2019	-	-	-
E&E Assets acquired	1,041,988	68,118	1,110,106
Additions			
Exploration expenditures			
Consulting	7,619	-	7,619
Additions during period	7,619	-	7,619
Balance at December 31, 2019	**1,049,607**	**68,118**	**1,117,725**

	Bonanza	Quartzburg	Total
	$	$	$
Balance at December 31, 2019	1,049,607	68,118	1,117,725
Additions			
Property acquisition and staking costs	140,010	-	140,010
Consulting	59,972	-	59,972
Government and land payments	397	-	397
Travel	1,834	-	1,834
Additions during period	202,213	-	202,213
Impairment	-	(68,118)	(68,118)
Balance at September 30, 2020	**1,251,820**	**-**	**1,251,820**

U.S. Cobalt Projects

Bonanza Project, Idaho, USA

The Company holds a 100% interest in certain land tenure rights in the Bonanza Project in Idaho.

The property is subject to a 0.5% NSR which can be purchased for US$1,000,000.

As of September 30, 2020, the Company has reached an agreement relating to the settlement of the claim dispute in Idaho (Note 17). The Company has agreed to issue 200,000 common shares to the US Company upon completion of the Transaction (Note 20). In exchange for the shares, the Company has received the right to all claims the US Company held in Idaho on the Bonanza Project, including the ones in dispute.

Quartzburg Projects, Oregon, USA

During the period ended September 30, 2020, the Company has abandoned the Quartzburg project and recorded impairment of $68,118.

(Expressed in Canadian Dollars - Unaudited)

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

U.S. Lithium Projects

	Amargosa	Panamint	Total
	$	$	$
Balance at November 26, 2019	-	-	-
E&E Assets acquired	368,027	1,858,648	2,226,675
Additions			
Exploration expenditures			
Consulting	-	1,665	1,665
Project management	-	664	664
Travel	-	687	687
Additions during period	-	3,016	3,016
Balance at December 31, 2019	**368,027**	**1,861,664**	**2,229,691**

	Amargosa	Panamint	Total
	$	$	$
Balance at December 31, 2019	368,027	1,861,664	2,229,691
Additions			
Property acquisition and staking costs	4,396	-	4,396
Exploration expenditures			
Assay	-	10,113	10,113
Consulting	4,810	49,104	53,914
Drilling	-	320,588	320,588
Geological	-	8,197	8,197
Government and land payments	1,399	1,345	2,744
Project management	-	30,111	30,111
Travel	-	28,037	28,037
Additions during period	10,605	447,495	458,100
Impairment	-	(2,309,159)	(2,309,159)
Balance at September 30, 2020	**378,632**	**-**	**378,632**

Amargosa Project area, Nevada, USA

The Company holds a 100% interest in certain land tenure rights in the Amargosa Project in Nevada.

The property is subject to a 5% GSR of which 2.5% can be purchased for US$7,000,000.

2.5% of the 5% GSR is held by an officer of the Company.

Panamint Project area, California, USA

The Company had a purchase option agreement to acquire a 100% interest in the certain claims and leases in the Panamint property. The option required the Company to pay US$2,500,000 for a 100% interest.

The Company had annual work expenditure requirements of US$100,000 and an annual minimum payment of US$100,000 until November 1, 2036.

The property was subject to a 2.5% NSR of which 1.25% can be purchased for US$5,000,000.

During the period ended September 30, 2020, the Company has abandoned the Panamint projects and recorded impairment of $2,309,159.

(Expressed in Canadian Dollars - Unaudited)

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

South Korea Graphite Projects

	Geuman & Taehwa	Total
	$	$
Balance at November 26, 2019	-	-
E&E Assets acquired	1,638,550	1,638,550
Additions		
Drilling	199	199
Field office and other	4,903	4,903
Project management	15,210	15,210
Travel	75	75
Additions during period	20,387	20,387
Balance at December 31, 2019	**1,658,937**	**1,658,937**

	Geuman & Taehwa	Total
	$	$
Balance at December 31, 2019	1,658,937	1,658,937
Additions		
Property acquisition and staking costs	3,089	3,089
Exploration expenditures		
Consulting	3,303	3,303
Field office and other	28,479	28,479
Project management	136,937	136,937
Travel	362	362
Additions during period	172,170	172,170
Balance at September 30, 2020	**1,831,107**	**1,831,107**

Geumam and Taehwa Projects, South Korea

The Company holds a 100% interest in two exploration stage graphite projects in the Geumam and Taehwa regions of South Korea. The Geumam and Taehwa projects are past producing mines.

(Expressed in Canadian Dollars - Unaudited)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		September 30, 2020		December 31, 2019
Trade payables	$	**593,706**	$	1,225,719
Accrued liabillities		**10,000**		70,000
Total	$	**603,706**	$	1,295,719

11. DEFERRED REVENUE

The Company, through North American Cobalt Inc., is subject to an early stage Process Facility and Cobalt Supply Agreement (the "Agreement") with ESI, part of the Weston Energy Group, which has been continued from Old Battery, inclusive of an advance of $10,000,000 from ESI classified as deferred revenue. In May 2018, ESI advanced $10,000,000 to North American Cobalt Inc. (then a subsidiary of Old Battery) as an incentive to enter the Agreement. Pursuant to the Agreement, ESI would finance, build, and operate a cobalt processing facility that would be supplied by feedstock material mined by the Company from its cobalt properties in Ontario. The liability is re-payable if the Company does not use commercially reasonable efforts to advance the development of its Ontario cobalt properties.

Once the process facility has achieved commercial production, the Company shall provide ESI the lesser of a) the amount of metals extracted and b) not less than 2,250 metric tonnes of contained cobalt.

The Company would earn an initial 35% interest in the processing facility and related assets once sufficient quantities of feedstock material have been delivered such that ESI achieves a one-time return of capital expenditures (approximates ESI's investment in the mill) incurred to design and construct the processing facility. The Company would earn a further 40% interest once ESI achieves a two-times return of capital expenditures incurred to design and construct the processing facility. If the Company earns a cumulative 75% interest, the Company and ESI would establish a joint venture to assume responsibility for purchasing feedstock material from the Company, operating the processing facility and marketing cobalt concentrate.

The Company would have a right of first refusal to purchase ESI's interest if ESI wishes to sell to a third party and an option to purchase ESI's remaining 25% interest after the joint venture is formed. The Agreement contains various default and termination events. Certain events, such as ESI's failure to raise required financing, commence design and procurement activities or advance construction by determined dates, would entitle the Company to terminate the Agreement and receive a $20,000,000 fee.

On April 20, 2020, the Company, through Weston, received a notice of default from ESI. On September 9, 2020, ESI became a subsidiary of the Company (Note 18). The ESI liability, while being a $10,000,000 liability on the Company's records, was written down to $nil on ESI's records. On consolidation, the $10,000,000 liability is eliminated, and the benefit of that elimination is scoped out of the purchase equation due to the pre-existing relationship with ESI, and is recorded as a capital contribution due to the nature of the common control transaction.

Subsequent to September 30, 2020, the agreement was terminated (Note 20).

(Expressed in Canadian Dollars - Unaudited)

12. SHARE CAPITAL

a) Authorized share capital

The Company has authorized share capital of unlimited common shares without par value.

b) Share issuances

During the period ended December 31, 2019, the Company:

i. issued 1,000 common shares for consideration of $1,000 upon incorporation;

ii. issued 67,400,000 and 22,654,990 common shares valued at $10,165,687 to the Weston Group and Old Battery shareholders respectively upon completion of the share sale agreement (Note 3). The shares were valued at $10,165,687;

iii. issued 1,831,800 flow-through shares (“Flow-Through Shares”) at a price of $0.95 per Flow-Through Share for total gross proceeds of $1,740,286 of which $200,000 was recorded as subscriptions receivable and received on January 17, 2020.

   The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur $1,740,286 of qualifying Canadian Exploration Expenses (“CEE”) and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2020. The Company attributed a flow-through premium liability of $549,564 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to $21,585.

   Received $1,300,000 toward a private placement completed on January 9, 2020.

During the period ended September 30, 2020, the Company:

i. issued 4,130,615 common shares for a total consideration of $2,685,000 of which $1,300,000 was received in advance.

ii. received subscription receivables of $200,000.

iii. In relation to the Flow-Through Shares, the Company entered into an Escrow Agreement whereby the Flow-Through Agent (“Agent”), held $1,100,000 of funds in trust (Note 4) to be released in two tranches of $550,000 each, when the Company provides the Agent proof that eligible flow-through expenditures were incurred and paid for in full. During the period ended September 30, 2020, the Company received $1,100,000 of the funds held in escrow.

iv. issued 2,600,000 common shares for a cash consideration of $1,727,690 to the Weston Group.

v. issued 30,000,000 common shares for a total consideration of $19,500,000 to Yorktown in consideration for 89.2% ownership in ESI.

c) Flow-through premium liability

Pursuant to flow-through agreements, the Company was obligated to incur $1,740,286 in CEE. As at September 30, 2020, the Company has spent $1,740,286 in CEE. Accordingly, the flow through premium liability was derecognized and recorded in profit or loss.

Balance as of November 26, 2019	$	-
Flow-through premium liability additions		**549,564**
Balance as of December 31, 2019		**549,564**
Recognition of flow-through premium		**(549,564)**
Balance as of September 30, 2020	$	-

(Expressed in Canadian Dollars - Unaudited)

12. SHARE CAPITAL (Cont.)

Stock options
As of September 30, 2020, no stock options were issued or outstanding.

Warrants
As of September 30, 2020, no warrants were issued or outstanding.

13. RELATED PARTY TRANSACTIONS

- Compensation of key management personnel

Key management includes members of the Board of Directors, the Executive Chairman, the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel, which include the amounts disclosed above, during the period ended September 30, 2020:

	For the period ending September 30, 2020	For the period ending December 31, 2019
Director fees	**$ 72,257**	$ 4,846
Management fees	**454,263**	39,650
Professional fees	**80,000**	20,000
Total	**$ 606,520**	$ 64,496

As of September 9, 2020, the Company issued 30,000,000 common shares to Yorktown Energy LLC ("Yorktown") valued at $19,500,000, in exchange for 89.2% of the commonly held shares in ESI. As the Weston Group is controlled by Yorktown, the ESI acquisition is being treated as an acquisition under common control. The Company intends to dispose of the ESI business and is accounting for the ESI acquisition as asset group held for sale (Note 17, 18 and 19).

As at September 30, 2020, the Company paid or accrued management fees of $454,263 of which $90,360 (December 31, 2019: $nil) was capitalized to project costs and $360,903 (December 31, 2019: $39,650) expensed to management fees.

As of September 30, 2020, the Company has a commitment of $10,000,000 (December 31, 2019: $10,000,000) to ESI, part of the Weston Group which is considered to be a related party by virtue of significant ownership and senior management as directors with the Company (Note 11 and 17).

As of September 30, 2020, included in trade and other payables was $9,202 (December 31, 2019: $100,486) due to directors and officers of the Company.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

The Company's financial instruments consist of cash, restricted cash, receivables, and trade and other payables. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, and commodity price.

Currency risk

The Company conducts exploration and evaluation activities in the United States, Canada, and South Korea. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and foreign currencies. As at September 30, 2020, the Company had foreign currency liabilities of approximately $369,163. Each 10% change in the foreign currencies relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately $36,916.

The Company is exposed to currency risk on bank accounts that are denominated in a currency other than Canadian dollars, being United States Dollars (USD), Australian Dollars (AUD), and Korean Won (KRW). The Group is also exposed to currency risk on payables that are denominated in a currency other than Canadian dollars, being USD, CAD and Korean Won (KRW).

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in significant financial institutions and the Company considers this risk to be remote. The Company's receivables primarily include balances receivable from the government of Canada.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and highly liquid short-term investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning, and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Commodity price risk

The ability of the Company to raise funds to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of cobalt, lithium, and graphite as well as oil and gas prices. The Company monitors cobalt, lithium, and graphite prices to determine the appropriate course of action to be taken.

(Expressed in Canadian Dollars - Unaudited)

15. SEGMENTED INFORMATION

The Company operates in one segment being the acquisition and exploration of exploration and evaluations assets located in Canada, USA, and South Korea.

The following table presents geographic information regarding operating segments.

	Canada	USA	South Korea	Corporate	Total
	$	$	$	$	$
CAPITAL EXPENDITURE					
As at November 26, 2019	**-**	**-**	**-**	**-**	**-**
Exploration and evaluation	15,692,069	3,347,416	1,658,937	-	20,698,422
Equipment	46,318	-	39,268	47,815	133,401
As at December 31, 2019	**15,738,387**	**3,347,416**	**1,698,205**	**47,815**	**20,831,823**
Exploration and evaluation	19,198,133	1,630,452	1,831,107	-	22,659,692
Equipment	36,395	-	20,234	39,199	95,828
Disposal group classified as held for sale	-	-	-	18,253,364	18,253,364
As at September 30, 2020	**19,234,528**	**1,630,452**	**1,851,341**	**18,292,563**	**41,008,884**

16. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company holds an 89.2% interest in ESI, recorded as assets held sale, which is being actively marketed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

17. CONTINGENT LIABILITIES

In respect of a number of exploration and evaluation tenements acquired or under option agreement, the Company will be obligated to pay to the vendors NSRs and GSRs of between 1% to 5% upon commencement of commercial production (Note 9).

In August 2020, the Company reached an agreement relating to the settlement of the claim dispute in Idaho. The Company has agreed to issue 200,000 common shares valued at $130,000 issued for mineral claims at $0.65 per share to the US Company upon completion of the Transaction. In exchange for the shares, the Company has received the right to all claims the US Company held in Idaho, including the ones in dispute.

In August 2020, the Company agreed to issue up to 900,000 additional shares to be issued for historical Cobalt district property payments for $585,000 subsequent to the period ended September 30, 2020 and after the completion of the Transaction.

Pursuant to the ESI Agreement, the deferred revenue of $10,000,000 is repayable by the Company to ESI in certain circumstances (Note 11). On April 20, 2020, the Company received a notice of default from ESI.

The Company has a contingent obligation under an August 31, 2020 agreement of purchase and sale entered into between the Company and the Yorktown Entities (Note 18). Upon the transfer of 89.2% ownership of ESI shares to the Company in exchange for 30,000,000 common shares, up to 30,000,000 additional common shares of the Company may be issued to the Yorktown Entities if the Company receives, on or prior to March 31, 2021, proceeds in excess of $10,000,000 on account of its ownership of ESI shares in certain circumstances. Based on the agreement Yorktown will receive, for each dollar in excess of proceeds of $10,000,000, a fee of $1.538 per dollar payable in shares of the Company.

(Expressed in Canadian Dollars - Unaudited)

18. ACQUISITION OF DISPOSAL GROUP HELD FOR SALE

As consideration to acquire 89.2% of the shares of ESI, BMR, on September 9, 2020, issued 30,000,000 common shares at $0.65 per share for a value of $19,500,000, and contingently issuable shares valued at $11,250,000. The BMR value per share is based on BMR's most recent third-party financing.

As both BMR and ESI are controlled by Yorktown, the acquisition is considered to be a common control transaction.

The Company had a pre-existing relationship with ESI and due to the common control transaction, the benefit of the $10,000,000 elimination of the streaming liability, notified as being in default, is considered to be a contribution of capital by Yorktown (Note 11), and is recorded in contributed surplus.

While ESI met the definition of a business under IFRS 3, the interest in ESI is considered to be held for resale and is actively being marketed. Shares are issuable to Yorktown on the basis of one share at $0.65 per share for each dollar of proceeds received in excess of $10,000,000 upon success of Yorktown locating a buyer on or before March 31, 2021. The Company has recorded the net assets on a fair value less costs to sell basis.

The preliminary allocation of the estimated cost of acquisition, subject to change, is summarized as follows:

Consideration for 89.2% interset in ESI		
Common shares	$	19,500,000
Contingently issuable shares as a fee		11,250,000
Total		**30,750,000**
Costs to sell		
Contingently issuable shares as a fee		(11,250,000)
Other transaction costs		(100,000)
Total costs to sell	$	**(11,350,000)**

The consideration and cost to sell (above) have been grossed up to a 100% level to determine the full entity values.

Costs to sell have been offset against the capital assets acquired on a pro-rata basis. Any consideration over net assets acquired has been allocated to deficit as a result of the common control transaction.

Net assets acquired		
Assets:		
Cash	$	7,910,449
Short term investments		2,639,179
Accounts receivable		2,264,976
Prepaid		227,125
Inventory		758,390
Property and equipment		18,347,033
Right-of-use assets		47,784
Intangible		1,531,840
Total assets	$	**33,726,776**
Liabilities:		
Accounts payable	$	(1,777,675)
Deferred revenue		(121,552)
Debt		(3,339,029)
Lease liability		(70,590)
Total liabilities	$	**(5,308,846)**
Total net assets acquired		**28,417,930**
Net assets attributable to non-controlling interest - 10.8%		(3,069,136)
Allocated to deficit		5,401,206
Total	$	**30,750,000**

The valuation of certain capital assets were incomplete and accordingly are considered to be provisional amounts.

(Expressed in Canadian Dollars - Unaudited)

18. ACQUISITION OF DISPOSAL GROUP HELD FOR SALE (cont'd…)

As at September 9, 2020, the Company has estimated the fair value of the contingent consideration for the sale of the 89.2% interest in ESI to be $11,250,000, based on the net value of expected proceeds on the sale of ESI less $10,000,000, probability weighted for likelihood, and multiplied by a factor of 1.538 representing the contractual fee to Yorktown payable in shares of the Company. The $11,250,000 has been grossed up to a 100% level and treated as a cost to sell ESI assets and has been offset against the assets acquired. The costs to sell resulted in the reduction of the net tangible assets of ESI, including property and equipment by $11,715,543, right of use assets by $30,512, and intangible assets by $978,160 to determine the fair market value less to cost sell of ESI net asset group. The Company has estimated additional costs to sell relating to accounting and legal costs to the ESI proposed disposal of $100,000.

19. DISPOSAL GROUP HELD FOR SALE

The Company is committed to a plan to sell ESI. ESI currently operates in western Canada as well as in the United States of America. ESI, together with its operating subsidiaries, ESI Pipeline Services, Inc. and ESI Energy Services (Australia) Pty Ltd., supplies (rents and sells) backfill separation machines to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors. Accordingly, the ESI business is presented as a disposal group held for sale.

a) Assets and liabilities of disposal group held for sale as at September 30, 2020 are as follows:

Assets held for sale		
Cash	$	8,052,000
Short term investments		2,703,000
Accounts receivable		2,197,000
Prepaid		181,000
Inventory		805,000
Property and equipment		18,275,794
Right-of-use assets		35,711
Intangible		1,642,212
Total assets	$	33,891,717
Assets included in disposal group classified as held for sale	**$**	**33,891,717**

Liabilities held for sale		
Accounts payable	$	(1,657,000)
Deferred revenue		(134,000)
Debt		(3,333,000)
Lease liability		(66,000)
Liabilities included in disposal group classified as held for sale	**$**	**(5,190,000)**
ESI net assets		**28,701,717**
Non-controlling interest on net asset		(3,099,785)
Total	**$**	**25,601,932**

The Company intends to sell the ESI asset group on or before March 31, 2021, at which time the Company will issue the contingently issuable shares relating to the transaction.

Income from discontinued operations for the 21-day period ended September 30, 2020, is $401,611 and has been recognized on the statement of income and comprehensive income and $48,626 has been attributed to non-controlling interest.

(Expressed in Canadian Dollars - Unaudited)

19. DISPOSAL GROUP HELD FOR SALE (Cont'd.)

b) Cumulative income or expenses included in Other Comprehensive Income

For the 21-day period, being the acquisition date to September 30, 2020, the Company has recognized $450,237 of income, included in Other Comprehensive Income relating to the disposal group.

REVENUE		
Sales	**$**	**1,023,250**
COSTS AND EXPENSES		
Cost of purchases		342,300
Operating and maintenance		98,026
Selling and administrative		236,995
Total costs and expenses		**677,321**
INCOME FROM OPERATIONS		**345,929**
Other items		
Gain on disposal of property and equipment		20,300
Finance and other income		8,470
Finance and other costs		(16,447)
Foreign exchange gain (loss)		91,985
Income before income taxes		**104,308**
Income taxes		-
Income and comprehensive income from discontinued operations		**450,237**

20. SUBSEQUENT EVENTS

Subsequent to September 30, 2020, the Company:

- Entered into an agreement, as amended, with Fusion Gold ("Fusion"), a TSX Venture Exchange listed company, to complete a share exchange that would result in the Company taking over Fusion and would be accounted for a reverse takeover (the "Transaction"). The Transaction is intended to constitute Fusion's "qualifying transaction" and is structured as a three-cornered amalgamation pursuant to which the Company will amalgamate with 1234525 B.C. Ltd. The amalgamated entity will become a wholly-owned subsidiary of Fusion and the security holders of the Company will exchange securities of the Company for securities of Fusion on a one-for-one basis (after a consolidation of Fusion's common shares on a 2:1 basis). As a result of the shareholders of the Company owning more shares in the combined entity, the Company will be deemed to control the new entity and the continuing financial statements will be those of the Company.

  If the transaction does not complete by March 1, 2021, the Company will be required to pay a termination fee of $350,000 subject to certain terms and conditions.

- On December 21, 2020, ESI issued a $5,683,420 special dividend of which the Company received $5,069,594.

- Has received $1,750,000 of subscription receipts pending completion of a financing consisting of flow-through and non flow-through shares as follows: 735,294 flow-through shares to be issued at an issuance price of $0.68 per flow-through share for proceeds of $500,000 and 1,923,077 non flow-through shares in the Company at an issuance price of $0.65 per share for proceeds of $1,250,000. Gross proceeds raised through the financing equal $1,750,000. The financing is contingent upon the completion of the RTO with Fusion.

- On January 29, 2021, the Company and ESI mutually agreed to terminate without any liability the Process Facility and Cobalt Supply Agreement (Note 11).

EXHIBIT "B"
FINANCIAL STATEMENTS OF BATTERY FOR THE PERIOD FROM INCORPORATION TO DECEMBER 31, 2019

BATTERY MINERAL RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD NOVEMBER 26, 2019 to DECEMBER 31, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Battery Mineral Resources Corp.

Opinion

We have audited the accompanying consolidated financial statements of Battery Mineral Resources Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders equity, and cash flows for the period from incorporation on November 26, 2019 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company estimates it will require additional funding to continue operations for the upcoming year. The continuing operations of the Company are dependent upon its ability to raise additional financing. As stated in Note 1, these material uncertainties may raise significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

May 25, 2020

BATTERY MINERAL RESOURCES CORP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at

	Note		December 31, 2019
ASSETS			
Current assets			
Cash	5	$	**469,112**
Restricted cash	5, 13		**1,100,000**
Receivables	4, 6		**473,867**
Prepaids	4, 7		**51,166**
Total current assets			**2,094,145**
Non-current assets			
Equipment	4, 8		**133,401**
Exploration advances	4, 9		**1,286,620**
Exploration and evaluation assets	4, 10		**20,698,422**
Total non-current assets			**22,118,443**
TOTAL ASSETS		$	**24,212,588**
LIABILITIES			
Current liabilities			
Trade and other payables	4, 11, 14	$	**1,295,719**
Flow-through premium liability	13		**549,564**
Income taxes payable	4, 18		**183,000**
Total current liabilities			**2,028,283**
Deferred revenue	4, 12		**10,000,000**
TOTAL LIABILITIES			**12,028,283**
SHAREHOLDERS' EQUITY			
Share capital	4, 13		**11,335,824**
Subscriptions receivable	13, 20		**(200,000)**
Share subscriptions	13, 20		**1,300,000**
Deficit			**(251,519)**
TOTAL SHAREHOLDERS' EQUITY			**12,184,305**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	**24,212,588**

Nature of operations and going concern	1
Contingent liabilities	19
Subsequent events	20

Approved on behalf of the Board:

/s/ Lazaros Nikeas   */s/ Stephen Dunmead*

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

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note		Period from November 26 to December 31, 2019
EXPENSES			
Consulting fees		$	**1,755**
Depreciation of equipment	8		**912**
Director fees	14		**4,846**
Foreign exchange loss			**15,115**
General and administration			**9,966**
Professional fees	14		**133,203**
Management fees	14		**39,650**
Loss from operations			**(205,447)**
Impairment of exploration and evaluation assets	10		**(46,072)**
Loss and comprehensive loss for the period		$	**(251,519)**
Basic and diluted loss per ordinary share		$	**0.00**
Basic and diluted weighted average number of ordinary shares outstanding			**68,918,843**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	# of shares issued	Share capital	Share subscriptions	Subscriptions receivable	Deficit	Total
		$	$	$	$	$
Balance at November 26, 2019	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued on incorporation	1,000	1,000	-	-	-	1,000
Shares issued per share purchase agreement	90,054,990	10,165,687	-	-	-	10,165,687
Shares issued for flow through shares	1,831,880	1,740,286	-	(200,000)	-	1,540,286
Flow through premium liability	-	(549,564)	-	-	-	(549,564)
Share issue costs	-	(21,585)	-	-	-	(21,585)
Subscriptions received in advance	-	-	1,300,000	-	-	1,300,000
Loss for the period	-	-	-	-	(251,519)	(251,519)
Balance at December 31, 2019	**91,887,870**	**11,335,824**	**1,300,000**	**(200,000)**	**(251,519)**	**12,184,305**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

		Period from November 26 to December 31, 2019
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the period	$	(251,519)
Items not affecting cash:		
Depreciation		912
Impairment of exploration and evaluation assets		46,072
Changes in non-cash working capital items:		
Receivables		(67,312)
Advances and prepaid expenses		(8,602)
Trade and other payables		603,435
Net cash used in operating activities		322,986
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Exploration and evaluation assets		(627,740)
Exploration deposits additions		(945,835)
Restricted cash		(1,100,000)
Net cash used in investing activities		(2,673,575)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Proceeds from issuance of shares		1,541,286
Share issue costs		(21,585)
Subscriptions received in advance		1,300,000
Net cash provided by financing activities		2,819,701
Increase in cash during the period		469,112
Cash, beginning of period		-
Cash, end of period	**$**	469,112

Non-cash financing and investing activities:		**December 31, 2019**
Amortization of equipment reclassified to E&E	$	1,102
Net acquisition assets and liabilities (Note 4)		10,165,687
Recognition of PT premium liability		549,564
Subscriptions receivable		200,000
Exploration and evaluation in accounts payable		1,004,819
Exploration and evaluation in accounts payable on acquisition date (Note 4)		1,277,823

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Battery Mineral Resources Corp. (the "Company") was incorporated on November 26, 2019 under the laws of British Columbia, Canada. The Company's registered office and principal place of business is located Suite 400 – 744 West Hastings Street, Vancouver, BC V6C 1A5.

The Company holds resource interests including cobalt, lithium and graphite properties. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as exploration and evaluation properties represent net costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

The Company's principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in Canada, the United States and South Korea. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

While there can be no assurances that the Company will be able to raise additional financing in the future, or at favourable terms, if needed, management is of the opinion that additional financing will be available to continue its planned activities in the normal course of operations. If the Company is unable to raise the necessary capital and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations or obtain financing at unfavourable terms. Furthermore, failure to continue as a going concern would require the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis. The Company estimates it will require additional funding to continue operations for the upcoming year. The continuing operations of the Company are dependent upon its ability to raise additional financing. These material uncertainties may raise significant doubt about the Company's ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company acquired companies previously owned by Battery Mineral Resources Limited ("Old Battery") (Note 4).

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Financial Statements" and utilize accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PREPARATION (cont'd…)

Approval of the financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on May 25, 2020.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in Canadian Dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiaries.

Basis of consolidation

These consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries as follows:

Name of Subsidiaries	Principal Activity	Country of Incorporation	Proportion of Ownership Interest and Voting Power Held Incorporation December 31, 2019 %
North American Cobalt Inc. (formerly Battery Mineral Resources Limited)	Intermediate Holding Company	Canada	100
Battery Mineral Resources (Ontario), Inc.	Resource Exploration	Canada	100
North American Cobalt Inc.	Resource Exploration	USA	100
Battery Mineral Resources (Nevada), Inc.	Resource Exploration	USA	100
Battery Mineral Resources (California), Inc.	Resource Exploration	USA	100
Opirus Minerals Group Pty Ltd.	Intermediate Holding Company	Australia	100
Battery Mineral Resources Korea (formerly Won Kwang Mines Inc.)	Resource Exploration	South Korea	100

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation. Assets, liabilities, income and expenses of entities subject to consolidation are recorded from the date of acquisition to the date of disposal.

2. BASIS OF PREPARATION (cont'd…)

Significant estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates are made when applying accounting policies. The critical estimates that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of common shares issued

Valuation of common shares issued for the net assets of the Old Battery subsidiaries are based on the value of consideration of cash payments and debt relinquished to acquired the subsidiaries. The measurement date is defined as the earliest of the date at which the commitment for shares were entered into or the current fair value of the cash consideration which has been exchanged for the shares issued.

Deferred revenue

Deferred revenue consists of $10,000,000 received by the Company in consideration for future commitments to deliver ore extracted from the Company's exploration and evaluation assets. As deliveries are made, the Company will record a portion of the deferred revenue as sales, based on a proportionate share of deliveries made compared with the total estimated contractual commitment. The Company will earn into ownership in a mill and has determined there is no financing component.

Significant judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are, but are not limited to, as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Valuation of the acquisition of an associated company

The Company acquired Old Battery subsidiaries in December 2019 (Note 4). The process for determining whether the acquisition was an asset purchase versus a business acquisition was performed and primary consideration was given to the exploration stage of mineral properties. Continuity of interest was also considered but was determined not to be applicable as subsidiaries acquired were not controlled by similar parties at the date of acquisition. The excess of overall acquisition consideration over net assets acquired was attributed to the mineral properties acquired.

3. SIGNIFICANT ACCOUNTING POLICIES

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized in operations on a straight-line basis over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are from three to five years commencing from the year the equipment available for its intended use.

Exploration and evaluation assets

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition and exploration of exploration and evaluation assets are capitalized on an individual prospect basis. Amounts received for the sale of exploration and evaluation assets and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, and the ability to obtain the necessary financing.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is recognized in profit or loss in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at the quoted market price on the day the securities are received.

Restoration and environmental obligations

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

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

Changes in the net present value, excluding changes in amount and timing of the Company’s estimates of reclamation costs, are charged to profit or loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The Company has no restoration and environmental obligations for the period presented.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of assets

The carrying amount of the Company's assets (which includes exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase warrants and stock options, if any, are classified as equity instruments.

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

<u>Valuation of equity units issued in private placements</u>

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the issuance date, the balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

<u>Flow-through common shares</u>

Flow-through common shares may be issued from time to time to finance a portion of the Company's exploration activities and results in the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares being transferred to the purchasers of the shares. Under IFRS, on the issuance of such shares, the Company bifurcates the flow-through shares into: a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability, and share capital. The Company estimates the portion of the proceeds attributable to the premium as being the excess of the subscription price over the fair value of the shares without the flow-through feature at the time of issuance. The premium is recorded as a deferred liability and is included in income at the time the qualified Canadian exploration expenditures as defined in the Income Tax Act (Canada) are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based compensation

The Company uses the fair value-based method of accounting for stock options granted to employees and directors and for compensatory warrants. Under this method, the fair value of the stock options and compensatory warrants are determined using the Black-Scholes option pricing model. The fair value of stock options is recognized to expense over the vesting period, and the fair value of compensatory warrants is recognized as share issuance costs, with the offsetting credit to reserves. If the stock options or warrants are exercised, the proceeds are credited to share capital and the fair value of the options or warrants exercised are reclassified from reserves to share capital. If stock options expire unexercised, the value attributed to the options is transferred to deficit.

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Options and warrants were excluded from diluted loss per share as they proved to be anti-dilutive.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets which consist of cash, restricted cash, and receivables are classified as amortized cost.

Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities which consist of trade and other payables classified as amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred tax

Deferred taxes are recognized in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company has not recognized any deferred tax assets for the years presented.

IFRS 16, Leases

IFRS 16, "Leases" requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. The standard did not impact the Company.

Upcoming accounting standards, and pronouncements

The Company has evaluated upcoming accounting standards and determined they will not have a significant impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

4. ACQUISITION

The Company acquired 100% of the subsidiaries of Old Battery in the form of an asset purchase through a share sale agreement which completed on December 2, 2019. Old Battery was an Australian Company that owned subsidiaries with interests in various exploration and evaluation projects described in note 10.

The Company acquired 100% of the shares of Old Battery subsidiaries excluding all Old Battery debt except for amounts in the table below. The acquisition was financed by the Weston Group which includes: Weston Energy LLC, Weston Energy II LLC, Weston Cobalt Inc., and ESI Energy Services Inc. (“ESI”). The Weston Group was a significant shareholder and debtor of Old Battery and holds the majority of issued and outstanding shares of the Company and has directors in common with the Company (Note 14).

Old Battery was placed in voluntary administration on November 11, 2019 by the Old Battery Board of Directors. Administrators were appointed to manage and control the affairs of Old Battery (the "Administrators") and were appointed liquidators to undertake a sale process. The Administrators narrowed its interested parties and received three indicative bid offers from which Weston Group bid was accepted. The Weston Group paid $1,442,944 and applied its debt of $8,722,743 as a capital transaction toward the purchase price consideration on behalf of the Company and was issued 67,400,000 common shares which approximated a 75% ownership in the Company (note 13). The consideration for the purchase acquisition was:

Purchase Price		**$**
Amounts paid or applied by the Weston Group on behalf of the Company		10,165,687
Total consideration		**10,165,687**
Net assets acquired:		
Exploration and evaluation assets	Note 10	20,388,656
Equipment	Note 8	135,415
Exploration deposits	Note 9	340,785
Prepaid expenses	Note 7	42,564
Receivables	Note 6	406,555
Income taxes payable	Note 18	(183,000)
Accounts payable		(965,288)
Deferred revenue	Note 12	(10,000,000)
Total net assets acquired		**10,165,687**

(Expressed in Canadian Dollars)

5. CASH

Cash is comprised as follows:

		December 31, 2019
Cash in Canadian financial institutions	$	**463,210**
Cash in Australian financial institutions		**438**
Cash in South Korean financial institutions		**5,464**
Total	$	**469,112**

Additionally, the Company has $1,100,000 of restricted cash held in escrow and released as flow-through expenditures are incurred (Note 13).

6. RECEIVABLES

Receivables are comprised as follows:

		December 31, 2019
GST/HST receivable	$	**228,820**
QST receivable		**33,863**
VAT receivables		**22,643**
Refundable mining tax credit (Note 4)		**188,541**
Total	$	**473,867**

7. PREPAID EXPENSES

Prepaid expenses are comprised as follows:

		December 31, 2019
Prepaid expenses	$	**51,166**
Total	$	**51,166**

(Expressed in Canadian Dollars)

8. EQUIPMENT

		Motor vehicles		Mining equipment		Computer equipment		Office equipment		Total
Cost										
At November 26, 2019	$	-	$	-	$	-	$	-	$	-
Additions (Note 4)		13,465		47,420		48,727		25,803		135,415
At December 31, 2019	**$**	**13,465**	**$**	**47,420**	**$**	**48,727**	**$**	**25,803**	**$**	**135,415**
Accumulated depreciation										
At November 26, 2019	$	-	$	-	$	-	$	-	$	-
Additions		-		(1,102)		(912)		-		(2,014)
At December 31, 2019	**$**	**-**	**$**	**(1,102)**	**$**	**(912)**	**$**	**-**	**$**	**(2,014)**
Carrying amounts										
At November 26, 2019	$	-	$	-	$	-	$	-	$	-
At December 31, 2019	**$**	**13,465**	**$**	**46,318**	**$**	**47,815**	**$**	**25,803**	**$**	**133,401**

As of December 31, 2019, $1,102 of mining equipment depreciation expense has been capitalized to the McAra Canadian Cobalt Project recorded in field office and other (Note 10). The balance of $912 has been recorded as depreciation expense.

(Expressed in Canadian Dollars)

9. EXPLORATION ADVANCES

The Company has made advance payments of $1,286,620 for drilling and exploration services for its Cobalt and Lithium Projects. The deposits will be capitalized to the Company's exploration and evaluation assets, as the services are rendered.

		December 31, 2019
Exploration deposits acquired (Note 4)	$	**340,785**
Additions during period		**945,835**
Total	$	**1,286,620**

10. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves inherent risks due to difficulties of determining the validity of certain mineral claims and leases as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated the titles to its exploration and evaluation assets and to the best of its knowledge, the titles are in good standing.

The following table represents expenditures incurred on the exploration and evaluation assets during the period ended December 31, 2019 and include the properties purchased in the Acquisition (Note 4):

	Canadian Cobalt Projects	U.S. Cobalt Projects	U.S. Lithium Projects	South Korea Graphite Projects	Total
	$	$	$	$	$
November 26, 2019 Balances	-	-	-	-	-
E&E Assets acquired (Note 4)	15,413,325	1,110,106	2,226,675	1,638,550	20,388,656
Additions during period	324,816	7,619	3,016	20,387	355,838
Impairment	(46,072)	-	-	-	(46,072)
Balance as December 31, 2019	15,692,069	1,117,725	2,229,691	1,658,937	20,698,422

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS

Canadian Cobalt Projects

	McAra	Gowganda	Fabre	Shining Tree	Elk Lake	Wilder	White Reserve	Iron Mask	Other	Total
	$	$	$	$	$	$	$	$	$	$
Balance at November 26, 2019	-	-	-	-	-	-			-	-
E&E Assets acquired	6,440,940	2,808,810	1,480,443	1,104,129	1,410,782	878,319	558,798	-	731,104	15,413,325
Additions										
Property acquisition and staking costs	-	105,450	-	-	600	-	225	42,925	-	149,200
Exploration expenses										
Consulting	18,695	4,266	1,647	3,832	850	425	425	3,147	425	33,712
Field office and other	4,957	6,683	700	3,612	5,076	242	-	-	-	21,270
Geological	10,807	12,969	4,323	8,646	6,484	-	-	-	-	43,229
Local Indigenous engagements	20,706	5,266	-	5,681	857	-	1,945	-	-	34,455
Project management	9,142	16,019	1,200	2,800	1,400	-	-	-	400	30,961
Travel	3,727	6,225	214	896	785	-	-	-	142	11,989
Additions during period	68,034	156,878	8,084	25,467	16,052	667	2,595	46,072	967	324,816
Impairment	-	-	-	-	-	-	-	(46,072)	-	(46,072)
Balance at December 31, 2019	**6,508,974**	**2,965,688**	**1,488,527**	**1,129,596**	**1,426,834**	**878,986**	**561,393**	**-**	**732,071**	**15,692,069**

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS (cont'd…)

McAra Project area, Ontario Canada

The Company holds a 100% interest in the McAra project, located in Ontario, Canada. The property is subject to net smelter returns royalties ("NSR") ranging from 1% to 2% of which 1.5% can be acquired for $750,000.

Gowganda Project area, Ontario Canada

The Company holds a 100% interest in certain claims the Gowganda project area, located in Ontario, Canada. The property is subject to NSR's ranging from 1% to 3% of which 0.5% to 1% of the royalty can be acquired for $250,000 to $1,000,000.

Gowganda Transition-Claims, Ontario, Canada

The Company has an option agreement to acquire a 60% interest in certain claims in the Gowganda project area located in Nicol, Haultain, Milner, Van Hise and Lawson townships through completing option payments, and exploration expenditures as follows:

	Payments	**Exploration expenditures**
By December 19, 2019:	$100,000 (paid)	
By September 2, 2020:	$nil	$400,000
By March 2, 2021:	$150,000	$1,000,000
By March 2, 2022:	$250,000	$2,000,000

On December 17, 2019, the Company amended the option agreement by paying the $100,000 option payment in advance of the obligation date of March 2, 2020 and in doing so the optionor extended the annual exploration expenditures commitment of $400,000 to September 2, 2020.

Of the total exploration expenditures, 25% of the work must be spent on gold exploration expenditures.

The Company can acquire an additional 20% interest in the property through completion of a feasibility study within three years of exercise of the above option.

The Company has the right to extend the period to four years for payment of $250,000 in cash or shares if the Company's stock is free trading.

The property is subject to a 2% NSR of which 1% of the royalty can be purchased for $1,000,000.

10. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Fabre Project area, Quebec Canada

The Company holds a 100% interest in the Fabre project area located in Quebec, Canada.

The property is subject to a 2% gross smelter returns royalty ("GSR") of which 1% can be acquired for $1,000,000 and an additional 1% can be acquired for an additional $1,500,000.

Shining Tree Project area, Ontario Canada

The Company holds a 100% interest in the Shining Tree Project area, located in Ontario, Canada.

The property is subject to a 1% NSR of which 0.5% can be purchased for $250,000.

Elk Lake Project area, Ontario Canada

The Company holds a 100% interest in certain claims the Elk Lake project area, located in Ontario, Canada. The property is subject to NSR's ranging from 1% to 2% of which 0.5% to 1% of the royalty can be acquired for $250,000 to $1,000,000.

Elk Lake Project Area (Silverstrike property), Ontario, Canada

The Company has a purchase option agreement, with Ashley Gold Mines Limited ("Ashley") to acquire a 100% interest in the Elk Lake (Silverstrike property), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $22,000 (subsequently paid)

The property is subject to a 1% NSR of which 0.5% can be purchased for $1,000,000.

Elk Lake Project Area (Mapes-Johnson property), Ontario, Canada

The Company has a purchase option agreement, to acquire a 100% interest in the Elk Lake (Mapes-Johnson property), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $11,000 (subsequently paid)

The property is subject to a 1% NSR of which 0.5% can be purchased for $1,000,000.

10. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Elk Lake Project area, Ontario Canada (cont'd.)

Sunvest property claims

The Company has a joint venture agreement with Sky Gold Corp (formerly Sunvest) to acquire 80% interest in certain claims in the Elk Lake project area in Ontario.

The Company owns a 75% interest and can earn an additional 5% interest from Sky Gold through issuance of 150,000 common shares or payment of $45,000.

The property is subject to a 2% NSR of which 1% can be purchased for $500,000.

Wilder Project area, Ontario, Canada

Wilder Project area (Kell claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the Wilder (Kell claims), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $44,000 (subsequently paid)

The property is subject to a 1% NSR of which 1% can be purchased for $2,000,000.

Wilder Project area (Thompson claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the Wilder (Thompson claims), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $16,500 (subsequently paid)

The property is subject to a 1% NSR of which 1% can be purchased for $2,000,000.

10. EXPLORATION AND EVALUATION ASSETS (cont'd…)

White Reserve Project area (White Reserve claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the White Reserve claims, located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $44,000 (subsequently paid)

The property is subject to a 1% NSR of which 1% can be purchased for $2,000,000.

Iron Mask area (Brady claims and leases), Ontario, Canada

The Company has a purchase option agreement to acquire a 100% interest in the Brady Iron Mask claims and leases, located in Ontario.

During the period ended December 31, 2019, the Company decided to abandon the Iron Mask projects and recorded impairment of $46,072.

Other Projects, Ontario Canada

Other Projects are comprised of mineral claims located in the Province of Ontario.

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS (cont'd…)

U.S. Cobalt Projects

	Bonanza	Quartzburg	Total
	$	$	$
Balance at November 26, 2019	-	-	-
E&E Assets acquired	1,041,988	68,118	1,110,106
Additions			
Consulting	7,619	-	7,619
Additions during period	7,619	-	7,619
Balance at December 31, 2019	**1,049,607**	**68,118**	**1,117,725**

U.S. Cobalt Projects

Bonanza Project, Idaho, USA

The Company holds a 100% interest in certain land tenure rights in the Bonanza Project in Idaho.

The property is subject to a 0.5% NSR which can be purchased for US$1,000,000.

Quartzburg Projects, Oregon, USA

The Company holds a 100% interest in certain rights in the Quartzburg property in Oregon.

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS (cont'd…)

U.S. Lithium Projects

	Amargosa	Panamint	Total
	$	$	$
Balance at November 26, 2019	-	-	-
E&E Assets acquired	368,027	1,858,648	2,226,675
Additions			
Consulting	-	1,665	1,665
Project management	-	664	664
Travel	-	687	687
Additions during period	-	3,016	3,016
Balance at December 31, 2019	**368,027**	**1,861,664**	**2,229,691**

U.S. Lithium Projects

Amargosa Project area, Nevada, USA

The Company holds a 100% interest in certain land tenure rights in the Amargosa Project in Nevada.

The property is subject to a 5% GSR of which 2.5% can be purchased for US$7,000,000.

2.5% of the 5% GSR is held by an officer of the Company.

Panamint Project area, California, USA

The Company has a purchase option agreement to acquire a 100% interest in the certain claims and leases in the Panamint property. The option requires the Company to pay US$2,500,000 for a 100% interest.

The Company has annual work expenditure requirements of US$100,000 and an annual minimum payment of US$100,000 until November 1, 2036.

The property is subject to a 2.5% NSR of which 1.25% can be purchased for US$5,000,000.

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS (cont'd…)

South Korea Graphite Projects

	Geuman & Taehwa	Total
	$	$
Balance at November 26, 2019	-	-
E&E Assets acquired	1,638,550	1,638,550
Additions		
Drilling	199	199
Field office and other	4,903	4,903
Project management	15,210	15,210
Travel	75	75
Additions during period	20,387	20,387
Balance at December 31, 2019	**1,658,937**	**1,658,937**

Geuman and Taehwa Projects, South Korea

The Company holds a 100% interest in two exploration stage graphite projects in the Geuman and Taehwa regions of South Korea. The Geumam and Taehwa projects are past producing mines.

(Expressed in Canadian Dollars)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		December 31, 2019
Trade payables	$	**1,225,719**
Accrued liabillities		**70,000**
Total	$	**1,295,719**

12. DEFERRED REVENUE

		December 31, 2019
Liability assumed (Note 4)		**10,000,000**
Total	$	**10,000,000**

The Company, through North American Cobalt Inc., is subject to an early stage Process Facility and Cobalt Supply Agreement (the "Agreement") with ESI, part of the Weston Energy Group, which has been continued from Old Battery, inclusive of an advance of $10,000,000 from ESI classified as deferred revenue. In May 2018, ESI advanced $10,000,000 to North American Cobalt Inc. (then a subsidiary of Old Battery) as an incentive to enter the Agreement. Pursuant to the Agreement, ESI would finance, build and operate a cobalt processing facility that would be supplied by feedstock material mined by the Company from its cobalt properties in Ontario. The liability is re-payable if the Company does not use commercially reasonable efforts to advance the development of its Ontario cobalt properties.

Once the process facility has achieved commercial production, the Company shall provide ESI the lesser of a) the amount of metals extracted and b) not less than 2,250 metric tonnes of contained cobalt.

The Company would earn an initial 35% interest in the processing facility and related assets once sufficient quantities of feedstock material have been delivered such that ESI achieves a one-time return of capital expenditures (approximates ESI’s investment in the mill) incurred to design and construct the processing facility. The Company would earn a further 40% interest once ESI achieves a two-times return of capital expenditures incurred to design and construct the processing facility. If the Company earns a cumulative 75% interest, the Company and ESI would establish a joint venture to assume responsibility for purchasing feedstock material from the Company, operating the processing facility and marketing cobalt concentrate.

The Company would have a right of first refusal to purchase ESI's interest if ESI wishes to sell to a third party and an option to purchase ESI's remaining 25% interest after the joint venture is formed. The Agreement contains various default and termination events. Certain events, such as ESI’s failure to raise required financing, commence design and procurement activities or advance construction by determined dates, would entitle the Company to terminate the Agreement and receive a $20,000,000 fee.

13. SHARE CAPITAL

a) Authorized share capital

The Company has authorized share capital of unlimited common shares without par value.

b) Share issuances

During the period ended December 31, 2019, the Company:

i. issued 1,000 common shares for consideration of $1,000 upon incorporation;

ii. issued 67,400,000 and 22,654,990 common shares valued at $10,165,687 to the Weston Group and Old Battery shareholders respectively upon completion of the share sale agreement (note 4). The shares were valued at $10,165,687;

iii. issued 1,831,800 flow-through shares ("Flow-Through Shares") at a price of $0.95 per Flow-Through Share for total gross proceeds of $1,740,286 of which $200,000 was recorded as subscriptions receivable and received subsequent December 31, 2019 (Note 20).

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur $1,740,286 of qualifying Canadian Exploration Expenses ("CEE") and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2020. The Company attributed a flow-through premium liability of $549,564 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to $21,585.

Received $1,300,000 toward a private placement completed subsequent to December 31, 2019 (Note 20).

In relation to the Flow-Through Shares, the Company entered into an Escrow Agreement whereby the Flow-Through Agent ("Agent"), will hold $1,100,000 of funds in trust (Note 5). The funds held in trust will be released in two tranches of $550,000 each, when the Company provides the Agent proof that eligible flow-through expenditures were incurred and paid for in full. Subsequent to December 31, 2019, the Flow-Through Agent released $1,100,000 of the funds held in trust (Note 20).

Stock options
As of December 31, 2019, no stock options were issued or outstanding.

Warrants
As of December 31, 2019, no warrants were issued or outstanding.

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

- Compensation of key management personnel

Key management includes members of the Board of Directors, the Executive Chairman, the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel, which include the amounts disclosed above, during the period ended December 31, 2019:

		For the period ending December 31, 2019
Director fees	$	4,846
Management fees		39,650
Professional fees		20,000
Total	$	**64,496**

As of December 31, 2019, the Company has a commitment of $10,000,000 to ESI, part of the Weston Group which is considered to be a related party by virtue of significant ownership and senior management as directors with the Company (Note 12).

As of December 31, 2019, included in trade and other payables was $100,486 due to directors and officers of the Company.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, restricted cash, receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, and commodity price.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Currency risk

The Company conducts exploration and evaluation activities in the United States, Canada, and South Korea. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and foreign currencies. As at December 31, 2019, the Company had foreign currency liabilities of approximately $438,497. Each 10% change in the foreign currencies relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately $43,850.

The Company is exposed to currency risk on bank accounts and accounts payables that are denominated in a currency other than Canadian dollars, being United States Dollars (USD), Australian Dollars (AUD), and Korean Won (KRW). The Group is also exposed to currency risk on payables that are denominated in a currency other than Canadian dollars, being USD, CAD and Korean Won (KRW).

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in significant financial institutions and the Company considers this risk to be remote. The Company's receivables primarily include balances receivable from the government of Canada.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and highly liquid short-term investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning, and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Commodity price risk

The ability of the Company to raise funds to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of cobalt, lithium, and graphite. The Company monitors cobalt, lithium, and graphite prices to determine the appropriate course of action to be taken.

(Expressed in Canadian Dollars)

16. SEGMENTED INFORMATION

The Company operates in one segment being the acquisition and exploration of exploration and evaluations assets located in Canada, USA and South Korea.

The following table presents geographic information regarding operating segments as at December 31, 2019.

	Canada $	USA $	South Korea $	Corporate $	Total $
CAPITAL EXPENDITURE					
As at November 26, 2019	**-**	**-**	**-**	**-**	**-**
Exploration and evaluation	15,692,069	3,347,416	1,658,937	-	20,698,422
Equipment	46,318	-	39,268	47,815	133,401
As at December 31, 2019	**15,738,387**	**3,347,416**	**1,698,205**	**47,815**	**20,831,823**

17. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

(Expressed in Canadian Dollars)

18. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

		Period ended December 31, 2019
Loss for the period	$	(251,519)
Expected income tax (recovery)		(68,000)
Change in statutory, foreign tax, foreign exchange rates and other		186,000
Permanent differences		(169,000)
Share issue cost		(6,000)
Change in unrecognized deductible temporary differences		57,000
Total (Note 4)	$	-

The Company owes $183,000 in taxes pursuant to the acquisition of Old Battery subsidiaries.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		December 31, 2019
Deferred tax assets (liabilities)	$	
Share issue costs		5,000
Non-capital losses available for future period		52,000
		57,000
Unrecognized deferred tax assets		(57,000)
Net deferred tax assets	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		December 31, 2019	Expiry date range
Temporary differences			
Share issue costs	$	17,000	2040 to 2043
Non-capital losses available for future periods		193,000	2035 onwards
Non-capital loss summary			
Australia		1,000	No expiry date
Canada		192,000	2035 to 2039
Korea		-	
USA		-	

19. CONTINGENT LIABILITIES

In respect of a number of exploration and evaluation tenements acquired or under option agreement, the Company will be obligated to pay to the vendors NSRs of between 1% to 5% upon commencement of commercial production.

In addition, a US company has continued legal proceedings against the Company in respect of certain claims staked in Idaho, USA. The Company is defending this action and the Company considers the actions to be without merit.

Pursuant to the ESI Agreement, the deferred revenue of $10,000,000 is repayable by the Company to ESI in certain circumstances (Note 12).

Pursuant to flow through agreements, the Company is obligated to incurred $1,740,286 in mineral property expenditures in Canada.

20. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the Company:

- Entered into an agreement, as amended, with Fusion Gold (“Fusion”), a TSX Venture Exchange listed company, to complete a share exchange that would result in the Company taking over Fusion and would be accounted for a reverse takeover (the “Transaction”). The Transaction is intended to constitute Fusion's "qualifying transaction" and is structured as a three-cornered amalgamation pursuant to which the Company will amalgamate with 1234525 B.C. Ltd. The amalgamated entity will become a wholly-owned subsidiary of Fusion and the security holders of the Company will exchange securities of the Company for securities of Fusion on a one-for-one basis (after a consolidation of Fusion's common shares on a 2:1 basis). As a result of the shareholders of the Company owning more shares in the combined entity, the Company will be deemed to control the new entity and the continuing financial statements will be those of the Company. On or before the closing of the Transaction, the Company is required to raise private placement proceeds of not less than $4,000,000.

  If the transaction does not complete by August 31, 2020, the Company will be required to pay a termination fee of $250,000 subject to certain terms and conditions.

- Issued 4,130,615 common shares for a total cash consideration of $2,684,900 of which $1,300,000 was received in advance (Note 13).

- Received subscription receivables of $200,000 (Note 13).

- $1,100,000 in restricted cash was released from escrow (Note 13).

EXHIBIT "C"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF BATTERY FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The purpose of this Management's Discussion and Analysis ("MD&A") is to provide readers with management's overview of the past performance of, and future outlook for, the Company. This MD&A also provides information to improve the reader's understanding of the Company's financial statements and related notes as well as important trends and risks affecting the Company's financial performance, and should therefore be read in conjunction with the Company's condensed interim consolidated financial statements and notes for the nine months ended September 30, 2020 (the "Financial Statements") and the Company's annual management discussion and analysis (the "2019 Annual MD&A") and annual audited consolidated financial statements (the "2019 Annual Financial Statements") for the period from November 26, 2019 to December 31, 2019.

The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are presented in Canadian dollars, unless otherwise noted.

Business Overview

The Company is a private mineral exploration company incorporated under the laws of British Columbia on November 26, 2019 to acquire the assets of Battery Minerals Resources Limited ("**Old Battery**"), an Australian corporation. Its head office is located at 744 West Hastings St., Suite 400, Vancouver, BC V6C 1A5, and its registered office is located at 550 Burrard St., Suite 2900, Vancouver, BC V6C 0A3.

The Company is a cobalt-focused multi-commodity explorer and developer of properties prospective for minerals required to meet the anticipated growth in the demand for the raw materials used in the lithium-ion battery and energy storage sector. Its principal business activity since incorporation has been the acquisition, consolidation and exploration of the Cobalt District Exploration Project in Ontario and Quebec, Canada, comprised of mineral claims and leases covering an aggregate of 237,636 hectares in Ontario and 1,813 hectares in Quebec.

The Company also controls secondary assets prospective for cobalt, lithium, and graphite in the United States and South Korea. The Company's United States cobalt assets include 434 mineral claims covering fourteen cobalt occurrences located in the historic Blackbird Mining District ~30 km west of the town of Salmon, Idaho, along with a number of other cobalt prospects in other states. The Company has one lithium exploration assets in the United States, the Amargosa prospect in Nye County, Nevada. The Amargosa tenements cover approximately 5 km^2.

BMR also owns the Geuman and Taehwa flake graphite prospects in South Korea. The Geuman prospect was an operating graphite mine between 1986 and 1993.

To date, the Company has not generated any revenues from its operations and is considered to be in the exploration stage.

For a discussion as to the business of the Company, please see "*General Development and Business of the Company*" and *"Risk Factors*".

Outlook

The Company's immediate plan is further exploring and assessing the potential for the development of its principal asset, the Cobalt District Exploration Project. The Company plans to advance and increase the geological knowledge and economic potential of the project through, among other things, additional surveying, sampling and drilling programs, resource delineation, metallurgical testing, and conducting pre-feasibility and feasibility studies where warranted to form a basis for a production decision. As part of its goal to become leading low-cost producer of high-quality battery metals, the Company will also pursue strategic acquisition opportunities in the battery metals mining and processing sector, particularly opportunities representing near-term cash flow.

The Company is advancing its Cobalt exploration plan in Cobalt district project area. The Company completed a curtailed winter drill program on the McAra, Gowganda, Shining Tree and Gowganda-Transition Metals JV Projects that was comprised of 14 Diamond Core holes, totaling 2,765.32m. The program was shutdown in March due to COVID-19.

The Company re-started exploration in early June. Diamond Drilling re-commenced on the Gowganda Project where 22 Diamond Core Holes for 3,912.00m were completed. Drilling will continue throughout the summer with holes planned to test the Big Four Cobalt-Gold Target on the Transition Metals JV at Gowganda (19 holes for 2022.00m) and the rig will then be moved east to Elk Lake where drilling is planned for the Cotley Silver Target (7 Holes/ 1,074.00m) and Silver Strike Silver-Cobalt Target (6 holes/ 684.00m). The Drill program is expected to be completed in late August. A Fall Field Exploration program is scheduled for Gowganda, Shining Tree, Elk Lake, McAra, Wilder & White Reserve consisting of geological mapping, rock sampling and prospecting. Selected high priority targets at Shining Tree, Gowganda and Elk Lake may be trenched, and channel sampled. A 3D Multi-directional Induced Polarization (IP) survey is planned at Fabre West in Quebec. This planned surface exploration will commence in early September and conclude in late October or early November.

Corporate Activities

On March 23, 2020, the Company entered into a letter agreement with Fusion and Fusion Subco *(i) extending* the deadline to complete the *Qualifying* Transaction from April 30, 2020 to May 31, 2020; and (ii*) reducing* the condition that *the Company* completes a private placement for aggregate proceeds of at least $5 million to at least $4 million.

On May 14, 2020, the Company entered into a further letter agreement with Fusion and Fusion Subco extending the deadline to complete the Qualifying Transaction from May 31, 2020 to August 31, 2020 and in connection therewith agreed to increase the termination fee payable to Fusion by the Company in the event Qualifying Transaction is not consummated for any reason other than as a result of the failure to fulfill a material condition or obligation under the Amalgamation Agreement from $150,000 to $250,000.

On December 23, 2019, the Company entered into the Amalgamation Agreement in respect of the Qualifying Transaction.

The Company entered into an agreement, as amended, with Fusion Gold ("Fusion"), a TSX Venture Exchange listed company, to complete a share exchange that would result in the Company taking over Fusion and would be accounted for a reverse takeover (the "Transaction"). The Transaction is intended to constitute Fusion's "qualifying transaction" and is structured as a three-cornered amalgamation pursuant to which the Company will amalgamate with 1234525 B.C. Ltd. The amalgamated entity will become a wholly-owned subsidiary of Fusion and the security holders of the Company will exchange securities of the Company for securities of Fusion on a one-for-one basis (after a consolidation of Fusion's common shares on a 2:1 basis). As a result of the shareholders of the Company owning more shares in the combined entity, the Company will be deemed to control the new entity and the continuing financial statements will be those of the Company. On or before the closing of the Transaction, the Company is required to raise private placement proceeds of not less than $4,000,000.

During the period ended December 31, 2019, the Company:

i. issued 1,000 common shares for consideration of $1,000 upon incorporation;

ii. issued 67,400,000 and 22,654,990 common shares valued at $10,165,687 to the Weston Group and Old Battery shareholders respectively upon completion of the share sale agreement. The shares were valued at $10,165,687;

iii. issued 1,831,800 flow-through shares ("Flow-Through Shares") at a price of $0.95 per Flow-Through Share for total gross proceeds of $1,740,286 of which $200,000 was recorded as subscriptions receivable and received on January 17, 2020.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur $1,740,286 of qualifying Canadian Exploration Expenses ("CEE") and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2020. The Company attributed a flow-through premium liability of $549,564 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to $21,585.

Received $1,300,000 toward a private placement completed on January 9, 2020.

In the nine-month period ended September 30, 2020 the Company also settled and executed employment or consulting agreements with each of Mr. Nikeas (Chief Executive Officer), Mr. Cartmel (Chief Financial Officer), Dr. Sandri (Vice Present, Business Development, Mr. Phillips (Vice President, Mergers & Acquisitions) and Mr. Doyle (Vice President Exploration).

The Company acquired 100% of the subsidiaries of Old Battery in the form of an asset purchase through a share sale agreement which completed on December 2, 2019. Old Battery was an Australian Company, that owned subsidiaries with interests in various exploration and evaluation projects.

The Company acquired 100% of the shares of Old Battery subsidiaries excluding all Old Battery debt except for amounts in the table below. The acquisition was financed by the Weston Group which includes Weston Energy LLC, Weston Energy II LLC, Weston Cobalt Inc., and ESI Energy Services Inc. (“ESI”). The Weston Group was a significant shareholder and debtor of Old Battery and holds the majority of issued and outstanding shares of the Company and has directors in common with the Company.

Old Battery was placed in voluntary administration on November 11, 2019 by the Old Battery Board of Directors. Administrators were appointed to manage and control the affairs of Old Battery (the "Administrators") and were appointed liquidators to undertake a sale process. The Administrators narrowed its interested parties and received three indicative bid offers from which Weston Group bid was accepted. The Weston Group paid $1,442,944 and applied its debt of $8,722,743 as a capital transaction toward the purchase price consideration on behalf of the Company and was issued 67,400,000 common shares which approximated a 70% ownership in the Company.

During the period ended September 30, 2020, the Company:

i. issued 4,130,615 common shares for a total consideration of $2,685,000 of which $1,300,000 was received in advance.

ii. received subscription receivables of $200,000.

iii. In relation to the Flow-Through Shares, the Company entered into an Escrow Agreement whereby the Flow-Through Agent (“Agent”), held $1,100,000 of funds in trust to be released in two tranches of $550,000 each, when the Company provides the Agent proof that eligible flow-through expenditures were incurred and paid for in full. During the period ended September 30, 2020, the Company received $1,100,000 of the funds held in escrow.

iv. issued 2,600,000 common shares for a cash consideration of $1,727,690 to the Weston Group

v. issued 30,000,000 common shares for a total consideration of $19,500,000 to Yorktown in consideration for 89.2% ownership in ESI

Exploration Activities

In the nine-month period ended September 30, 2020, the Company continued its exploration program at its Cobalt District Exploration Project by focusing a strategic drill targets at McAra, the Gowganda Transition block as well as Shining Tree Area. The Company drilled a total of 68 holes, totaling 10,457.32m. Assay results for the McAra (Kite Lake & SK2 Cobalt Targets) and Gowganda Transition JV (Gold Zone) and Shining Tree Cobalt Target yielded no significant results.

Results of Operations

The following table provides a summary of the financial results of the Company for the nine months ended September 30, 2020 and as at December 31, 2019. Tabular amounts are in Canadian dollars, except share and per share amounts.

		Period Ended
		September 30, 2020 (1)
General and administrative	$	1,302,444
Operating loss		(1,302,444)
Impairment of investment in mineral properties		(2,393,158)
Recognition of flow-through premium liability		549,564
Loss for the period for continuing operations		(3,146,038)
Discontinued operation income		401,611
Attributable to non-controlling interest		48,626
Discontinued operations for the period	$	450,237
Loss and comprehensive loss for the period		(2,695,801)
Loss per share		
Net loss per share (basic and diluted)	$	(0.03)
Weighted average number of Ordinary Shares outstanding		99,419,304
Loss per share		
Net loss per share (basic and diluted)	$	0.00
Weighted average number of Ordinary Shares outstanding		99,419,304

		30-Sep-20	31-Dec-19
Cash and cash equivalents	$	74,957	469,112
Total assets	$	57,020,133	24,212,588
Current liabilities	$	786,706	2,028,283

Notes:
(1) Operating loss for the nine months ended represents $1,302,444 of losses related to corporate and general administrative costs.

Cash and cash equivalents

At September 30, 2020, cash and cash equivalents totaled $74,957 (December 31, 2019: $1,569,112), including restricted cash of $nil (December 31, 2019: $1,100,000). Cash and cash equivalents decreased by $1,494,155 during the nine months ended September 30, 2020. The Company's cash flows from operating, investing, and financing activities during the period consist of cash flows from financing activities of $3.3 million (December 31, 2019: $2.8 million); offset by: cash used in investing activities of $2.5 million (December 31, 2019: $2.7 million); and cash used in operating activities of $1.2 million (December 31, 2019: $0.3 million).

The Company's cash and cash equivalents at September 30, 2020 includes $36,110 (December 31, 2019: $7,262) denominated in United States dollars, $35,699 (December 31, 2019: $15,662) denominated in Canadian dollars, $(35) (December 31, 2019: $438) in Australian dollars, and $3,184 (December 31, 2019: $5,464) denominated in Korean won.

Receivables

Receivables at September 30, 2020, relates to tax receivables relating to income tax credits in Canada. Included in the receivables balance is $157,775 (December 31, 2019: $228,820) in HST receivable from the Canadian Revenue Agency, $469 (December 31, 2019: $33,863) in Quebec Sales Taxes receivable from Revenue Quebec, $16 (December 31, 2019: $22,643) in Value Added Tax receivable from South Korea National Tax Service and $nil (December 31, 2019: $188,541) relating to Quebec refundable mining tax credit.

Prepaid expenses and other assets

At as September 30, 2020, prepaid expenses and other assets totaled $19,679 (December 31, 2019: $51,166).

Exploration and Evaluation Expenditures

Mining claims and deferred exploration costs represent costs pertaining to the Company's various cobalt, lithium and graphite projects.

Cobalt:
As of September 30, 2020, the Company historic costs incurred $ 20,449,953 (December 31, 2019: $16,809,794) of acquisition and exploration costs on the Company's various cobalt properties. The historic expenditures consisted of $16,809,794 (December 31, 2019: $16,672,431). During the nine month period ending September 30, 2020, the company incurred $1,966,226 (December 31, 2019: $149,200) related to acquisition costs, assay, drilling, claiming and staking, $1,008,353 (December 31, 2019: $43,229) for geologic, geophysics and mapping, and $749,579 (December 31, 2019: $93,934) for other exploration activities, including consulting, project management, field and travel expenses, and local Indigenous payments. During the period, the Company recorded an impairment of $83,999 (December 31, 2019: $46,072).

Lithium:
As of September 30, 2020, the Company historic cost incurred $378,632 (December 31, 2019: $2,229,691) of acquisition and exploration costs on the Company's lithium properties. The historic expenditures consisted of $2,229,691 (December 31, 2019: $2,226,675). During the nine month period ending September 30, 2020, the company incurred $335,097 (December 31, 2019: $nil) related to acquisition costs, assay, drilling, claiming and staking, $8,197 (December 31, 2019: $nil) for geologic, geophysics and mapping, and $114,806 (December 31, 2019: $3,016) for other exploration activities including consulting, project management, and field and travel expenses. During the period, the Company recorded an impairment of $2,309,159 (December 31, 2019: $nil).

Graphite:
As of September 30, 2020, the Company historic costs incurred included $1,831,107 (December 31, 2019: $1,658,937) acquisition and exploration on the Company's graphite projects. The historic expenditures consisted of $1,658,937 (December 31, 2019: $1,638,550). During the nine month period ending September 30, 2020, the company incurred $3,089 (December 31, 2019: $199) related to acquisition costs, assay, drilling, claiming and staking, $nil (December 31, 2019: $nil) for geologic, geophysics and mapping, and $169,081 (December 31, 2019: $20,188) for other exploration activities including consulting, project management, and field and travel expenses.

Accounts payable and accrued liabilities

As of September 30, 2020, accounts payable and accrued liabilities totaled $603,706 (December 31, 2019: $1,295,719). The balance comprised of $163,142 (December 31, 2019: $948,571) in Canadian dollar accounts payable and $12,479 (December 31, 2019: $35,510) in United States dollar accounts payable, primarily related to the cobalt and lithium exploration expenditures. $243,742 (December 31, 2019: $311,638) related to the Company's Geuman and Taehwa graphite project in South Korean. The balance also includes other current liabilities (accrual) of $175,684 (December 31, 2019: $70,000) and withholding taxes payable $8,660 (December 31, 2019: $nil)

Exploration advances

As of September 30, 2020, exploration advances totaled $120,000 (December 31, 2019: $1,286,620). The balance comprised of $nil (December 31, 2019: $340,785) which exploration advances that were assumed related to the purchase price acquisition of Old Battery and $120,000 (December 31, 2019: $945,835) of new additions from the period for future work in the Cobalt district.

Flow-through premium liability

In December 2019, the Company issued 1,831,800 flow-through shares ("Flow-Through Shares") at a price of $0.95 per Flow-Through Share for total gross proceeds of $1,740,286 of which $200,000 was recorded as subscriptions receivable and received on January 17, 2020.

The subscription agreements for the Flow-Through Shares requires the Company's subsidiary, North American Cobalt Inc. to incur $1,740,286 of qualifying Canadian Exploration Expenses ("CEE") and renounce the CEE to the purchasers of the Flow-Through Shares by December 31, 2020. The Company attributed a flow-through premium liability of $549,564 and reduced share capital by the same amount.

As at September 30, 2020, the Company has incurred $1,740,286 in CEE. Accordingly, the flow through premium liability was derecognized and recorded in profit or loss.

Total general and administrative expense for the nine months ended September 30, 2020, was $1,302,444. General and administrative expense includes consulting fees of $7,458, depreciation of $8,616, director fees of $72,257, foreign exchange loss of $23,193, general and administration of $82,736, professional fees $596,575 relating to legal and accounting, property examination costs of $150,706, and management fees of $360,903.

Summary of Quarterly Results

The following table presents selected financial information for each of the most recent quarters.

Selected Financial Information		**2020 Q3**	**2020 Q2**	**2020 Q1**
Net loss for the period	C$	$ (81,209)	$ (2,575,822)	$ (38,770)
Net loss attributed to owners of the Company	C$	$ (81,209)	$ (2,575,822)	$ (38,770)
Loss per share attributable to owners of the Company (basic and diluted)	C$	(0.03)	(0.03)	(0.00)
Weighted Average number of Ordinary Shares outstanding		99,419,304	96,018,485	95,610,963

Liquidity, Capital Resources and Contractual Obligations

Liquidity

As at September 30, 2020, the Company had cash and cash equivalents of $74,957 (December 31, 2019: $1,569,112, of which $1,100,000 held in escrow) and no cash held in escrow (as further described below). Cash and cash equivalents are primarily comprised of cash held with reputable financial institutions and are invested in highly liquid short- term investments with maturities of six months or less.

In relation to the issue of the Flow-Through Shares, the Company entered into an escrow agreement pursuant to which $1,100,000 of the proceeds from the issue of the Flow-Through Shares was deposited with a "flow-through agent (the “Agent”), to be released in two tranches of $550,000 each, upon the Company providing the Agent with evidence proof that CEE had been incurred and paid for in full. During the period ended September 30, 2020, the Company received $1,100,000 of the funds held in escrow.

The Company currently has no source of operating cash flow and he Company’s primary sources of capital resources are comprised of cash and cash equivalents. The Company will continuously monitor its capital structure and based on changes in operations and economic conditions, may adjust the structure by issuing new shares or new debt, as necessary. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. While the Company has been successful in securing financing to date, there are no guarantees that it will be able to secure such financing in the future on terms acceptable to the Company, if at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration of the Company’s properties and the possible loss of title to such properties. Significant reliance is placed on Weston, the Company’s controlling shareholder, for providing ongoing financing to the Company. Failure of Weston to provide or participate in financing, or the inability of Weston to provide or participate in financing, would likely result in difficulty for the Company to attract separate third-party investment. Accordingly, there are material risks and uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. See “Risk Factors.”

Off-Balance Sheet Arrangements

During the nine months ended September 30, 2020, the Company was not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, capital expenditures, liquidity or capital resources of the Company.

Proposed Transactions

There are no proposed transactions that have not been disclosed herein.

Financial Instruments and Risk Management

Financial Instruments

The Company's financial instruments consist of cash, restricted cash, receivables, and trade and other payables.

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value on a recurring basis, whether changes in fair value are recognized at fair value through profit or loss or fair value through other comprehensive income. The carrying value of the Company's financial assets set out in the below table represents the maximum credit risk exposure as at September 30, 2020:

		September 30, 2020	**December 31, 2020**
Cash and equivalents	$	74,957	1,569,112
Accounts receivable		158,260	473,867
Total	**$**	**$233,217**	**2,042,979**

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included in Level 1 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 for the asset or liability that are not based on observable market data (unobservable inputs). Investments in traded equity securities are valued using level one inputs. Investments in warrants are valued using level two inputs.

The carrying amounts for cash and cash equivalents, other receivables, deposits, accounts payable and accrued liabilities, due to related parties and other liability approximate fair values due to their short-term nature.

The Company is exposed to risks that arise from its use of financial instruments. The Company's exposures to financial risk and how the Company manages each of those risks is described in the Company's MD&A for the year ended December 31, 2019. There were no significant changes to the Company's exposure to those risks or to the Company's management of its risk exposures during the nine months ended September 30, 2020.

Management of Financial Risks

The Company is exposed to the following risks arising from financial instruments credit risk liquidity risk, interest rate risk, currency risk and commodity price risk

Credit Risk

Credit risk is the risk that the Company will incur losses from a financial instrument arising from a counterparty's failure to comply with its contractual obligations. The Company' s cash is held in significant financial instructs. As a result, the Company considers this risk to be remote

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity and debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and highly liquid short-term investments.

Currency Risk

The Company conducts exploration and evaluation activities in the United States, Canada and South Korea. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and foreign currencies. As at September 30, 2020 the Company had foreign currency liabilities of approximately $369,163. Each 10% change in the foreign currencies relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately $36,916.

The Company is exposed to currency risk on bank accounts and accounts payable that are denominated in a currency other than Canadian dollars, being United States Dollars (USD), Australian Dollars (AUD), and Korean Won (KRW). The Company is also exposed to currency risk on payables that are denominated in a currency other than Canadian dollars, being USD, AUD and KRW.

Commodity Price Risk

The ability of the Company to raise funds to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of cobalt, lithium and graphite. The Company monitors cobalt, lithium and graphite prices to determine the appropriate course of action to be taken.

Related Party Transactions

Related parties of the Company include directors, officers, Weston and ESI. Pursuant to the ESI Agreement however, ESI made a non-refundable payment to the Company in the amount of $10,000,000 (December 31, 2019: $10,000,000), which is repayable if the ESI Agreement is terminated upon the occurrence of certain prescribed and limited circumstances. See "Risk Factors – Risks Related to the ESI Agreement" and Corporate Activities.

As noted above the Company acquired all of the assets of Old Battery. Weston Energy is 69% shareholder of New Battery and are acting as guarantor of the Company.

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and includes members of the Board of Directors, the Executive Chairman, the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel, during the nine months ended September 30, 2020 were as follows:

		For the period ending September 30, 2020
Director fees	$	72,257
Management fees		454,263
Professional fees		80,000
Total	**$**	**606,520**

Acquisition of Disposal Group Held For Sale

As consideration to acquire 89.2% of the shares of ESI, BMR, on September 9, 2020, issued 30,000,000 common shares at $0.65 per share for a value of $19,500,000, and contingently issuable shares valued at $11,250,000. The BMR value per share is based on BMR's most recent third-party financing.

As both BMR and ESI are controlled by Yorktown, the acquisition is considered to be a common control transaction.

The Company had a pre-existing relationship with ESI and due to the common control transaction, the benefit of the $10,000,000 elimination of the streaming liability, notified as being in default, is considered to be a contribution of capital by Yorktown, and is recorded in contributed surplus.

While ESI met the definition of a business under IFRS 3, the interest in ESI is considered to be held for resale and is actively being marketed. Shares are issuable to Yorktown on the basis of one share at $0.65 per share for each dollar of proceeds received in excess of $10,000,000 upon success of Yorktown locating a buyer on or before March 31, 2021. The Company has recorded the net assets on a fair value less costs to sell basis.

The preliminary allocation of the estimated cost of acquisition, subject to change, is summarized as follows:

Consideration for 89.2% interset in ESI		
Common shares	$	19,500,000
Contingently issuable shares as a fee		11,250,000
Total		**30,750,000**
Costs to sell		
Contingently issuable shares as a fee		(11,250,000)
Other transaction costs		(100,000)
Total costs to sell	**$**	**(11,350,000)**

The consideration and cost to sell (above) have been grossed up to a 100% level to determine the full entity values.

Costs to sell have been offset against the capital assets acquired on a pro-rata basis. Any consideration over net assets acquired has been allocated to deficit as a result of the common control transaction.

Net assets acquired		
Assets:		
Cash	$	7,910,449
Short term investments		2,639,179
Accounts receivable		2,264,976
Prepaid		227,125
Inventory		758,390
Property and equipment		18,347,033
Right-of-use assets		47,784
Intangible		1,531,840
Total assets	**$**	**33,726,776**
Liabilities:		
Accounts payable	$	(1,777,674)
Deferred revenue		(121,552)
Debt		(3,339,029)
Lease liability		(70,590)
Total liabilities	**$**	**(5,308,845)**
Total net assets acquired		**28,417,931**
Net assets attributable to non-controlling interest - 10.8%		(3,069,136)
Allocated to deficit		5,401,206
Total	**$**	**30,750,000**

The valuation of certain capital assets was incomplete and accordingly are considered to be provisional amounts.

As at September 9, 2020, the Company has estimated the fair value of the contingent consideration for the sale of the 89.2% interest in ESI to be $11,250,000, based on the net value of expected proceeds on the sale of ESI less $10,000,000, probability weighted for likelihood, and multiplied by a factor of 1.538 representing the contractual fee to Yorktown payable in shares of the Company. The $11,250,000 has been grossed up to a 100% level and treated as a cost to sell ESI assets and has been offset against the assets acquired. The costs to sell resulted in the reduction of the net tangible assets of ESI, including property and equipment by $11,715,543, right of use assets by $30,512, and intangible assets by $978,160 to determine the fair market value less to cost sell of ESI net asset group. The Company has estimated additional costs to sell relating to accounting and legal costs to the ESI proposed disposal of $100,000.

Disposal Group Held for Sale

The Company is committed to a plan to sell ESI. ESI currently operates in western Canada as well as in the United States of America. ESI, together with its operating subsidiaries, ESI Pipeline Services, Inc. and ESI Energy Services (Australia) Pty Ltd., supplies (rents and sells) backfill separation machines to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors. Accordingly, the ESI business is presented as a disposal group held for sale.

a) *Assets and liabilities of disposal group held for sale as at September 30, 2020 are as follows:*

Assets held for sale		
Cash	$	8,052,000
Short term investments		2,703,000
Accounts receivable		2,197,000
Prepaid		181,000
Inventory		805,000
Property and equipment		18,275,794
Right-of-use assets		35,711
Intangible		1,642,212
Total assets	$	33,891,717
Assets included in disposal group classified as held for sale	$	**33,891,717**

Liabilities held for sale		
Accounts payable	$	(1,657,000)
Deferred revenue		(134,000)
Debt		(3,333,000)
Lease liability		(66,000)
Liabilities included in disposal group classified as held for sale	$	**(5,190,000)**
ESI net assets		**28,701,717**
Non-controlling interest on net asset		(3,099,785)
Total	$	**25,601,932**

The Company intends to sell the ESI asset group on or before March 31, 2021, at which time the Company will issue the contingently issuable shares relating to the transaction.

Income from discontinued operations for the 21-day period ended September 30, 2020, is $401,611 and has been recognized on the statement of income and comprehensive income and $48,626 has been attributed to non-controlling interest.

b) *Cumulative income or expenses included in Other Comprehensive Income*

For the 21-day period, being the acquisition date to September 30, 2020, the Company has recognized $450,237 of income, included in Other Comprehensive Income relating to the disposal group.

REVENUE		
Sales	**$**	**1,023,250**
COSTS AND EXPENSES		
Cost of purchases		342,300
Operating and maintenance		98,026
Selling and administrative		236,995
Total costs and expenses		**677,321**
INCOME FROM OPERATIONS		**345,929**
Other items		
Gain on disposal of property and equipment		20,300
Finance and other income		8,470
Finance and other costs		(16,447)
Foreign exchange gain (loss)		91,985
Income before income taxes		**104,308**
Income taxes		-
Income and comprehensive income from discontinued operations		**450,237**

Adoption of New and Amended IFRS Pronouncements

The Company has adopted the following amendments to IFRS:

Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. The definition of a business has been amended to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and to exclude returns in the form of lower costs and other economic benefits. These amendments did not impact the Company's consolidated financial statements for the nine months ended September 30, 2020.

Amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (effective January 1, 2020) were made to refine the definition of material in IAS 1 and align the definitions used across IFRS Standards and other publications. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition and the threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. These amendments did not impact the Company's consolidated financial statements or disclosures for the nine months ended September 30, 2020. Accounting Standard, Amendments and Interpretations Issued but Not Yet Applied.

The Company has not applied the following amendments to standards that have been issued but are not yet effective: Amendments to IAS 1, Presentation of Financial Statements (effective January 1, 2022) clarifies the presentation of liabilities in the statement of financial position. The classification of liabilities as current or noncurrent is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management is currently assessing the impact of this amendment.

Outstanding Share Data

As of the date of this MD&A, the Company has 128,618,485 outstanding shares.

Additional Disclosure for Venture Issuers

For the disclosure required under Section 5.3 of National Instrument 51-102 – Continuous Disclosure Obligations, please see “Exploration Activities”, “and “Exploration and Evaluation Expenditures”.

Risks and Uncertainties

The Company is engaged in mineral exploration and development activities which, by nature, are speculative. Due to the high risk nature of the Company’s business and the present stage of the Company’s various projects, an investment in the Company’s common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A and the Company’s Filing Statement under “Risk Factors”. Additional risks not currently known to the Company, or that the Company currently considers immaterial, may also adversely affect the Company’s business, result of operations, financial results, prospects and price of common shares.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

EXHIBIT "D"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF BATTERY FOR THE PERIOD FROM INCORPORATION TO DECEMBER 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The purpose of this Management's Discussion and Analysis ("**MD&A**") is to provide readers with management's overview of the past performance of, and future outlook for the Company. This MD&A also provides information to improve the reader's understanding of the Company's financial statements and related notes as well as important trends and risks affecting the Company's financial performance, and should therefore be read in conjunction with the Company's annual consolidated financial statements and notes for the period ended December 31, 2019 (the "**Financial Statements**").

The Annual Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (the "**IASB**") and interpretations of the IFRS Interpretations Committee.

All dollar amounts contained in this Annual MD&A are expressed in Canadian dollars, unless otherwise indicated.

Business Overview

The Company is a private mineral exploration company incorporated under the laws of British Columbia on November 26, 2019 to acquire the assets of Battery Minerals Resources Limited ("**Old Battery**"), an Australian corporation. Its head office is located at 744 West Hastings St., Suite 400, Vancouver, BC V6C 1A5, and its registered office is located at 550 Burrard St., Suite 2900, Vancouver, BC V6C 0A3.

The Company is a cobalt-focused multi-commodity explorer and developer of properties prospective for minerals required to meet the anticipated growth in the demand for the raw materials used in the lithium-ion battery and energy storage sector. Its principal business activity since incorporation has been the acquisition, consolidation and exploration of the Cobalt District Exploration Project in Ontario and Quebec, Canada, comprised of mineral claims and leases covering an aggregate of 238,294 hectares in Ontario and 1,813 hectares in Quebec.

The Company also controls secondary assets prospective for cobalt, lithium, and graphite in the United States and South Korea. The Company's United States cobalt assets include 434 mineral claims covering fourteen cobalt occurrences located in the historic Blackbird Mining District ~30 km west of the town of Salmon, Idaho, along with a number of other cobalt prospects in other states. The Company has two lithium exploration assets in the United States, the Panamint Valley lithium project in Inyo County, California, and the Amargosa prospect in Nye County, Nevada. The Panamint Valley and Amargosa tenements cover approximately 140 km2.

BMR also owns the Geuman and Taehwa flake graphite prospects in South Korea. The Geuman prospect was an operating graphite mine between 1986 and 1993.

To date, the Company has not generated any revenues from its operations and is considered to be in the exploration stage.

For a further discussion as to the business of the Company, please see "*General Development and Business of the Company*" and *"Risk Factors*".

Outlook

The Company's immediate plan is further exploring and assessing the potential for the development of its principal asset, the Cobalt District Exploration Project. The Company plans to advance and increase the geological knowledge and economic potential of the project through, among other things, additional surveying, sampling and drilling programs, resource delineation, metallurgical testing, and conducting pre-feasibility and feasibility studies where warranted to form a basis for a production decision. As part of its goal to become leading low-cost producer of high-quality battery metals, the Company will also pursue strategic acquisition opportunities in the battery metals mining and processing sector, particularly opportunities representing near-term cash flow.

The Company is planning a winter drill program underway at McAra, Gowganda Transition and Shinning Tree properties in the Cobalt District Exploration Project of 25 holes, totaling 4,321m.

Corporate Activities

Old Battery was placed in voluntary administration on November 11, 2019 by the Old Battery by the Old Battery Board of Directors. Administrators were appointed to manage and control the affairs of Old Battery and undertake a sale process of the assets. On December 2, 2019, the Company acquired the 100% of the outstanding shares of the subsidiaries of Old Battery (the "**Purchased Shares**") pursuant to a share sale agreement between Old Battery, the Company as purchaser and Weston Energy LLC ("**Weston**") as guarantor (the "**Share Sale Agreement**"). Weston (and its affiliates) was a significant shareholder and debtor of Old Battery and holds the majority of issued and outstanding shares of the Company and has directors in common with the Company.

The Company acquired 100% of the shares of Old Battery subsidiaries. These acquired subsidiaries hold the Company's interest in the Cobalt District Exploration Project and the Company's other mineral properties. As consideration for the assets of Old Battery Weston paid $1,442,944 and set off debt of $8,722,743 as a capital transaction toward the purchase price consideration on behalf of the Company.

Pursuant to the Share Sale Agreement, the Company agreed to pay certain of the Old Battery accounts payable, to be responsible for conduct of certain litigation, and to use reasonable efforts to procure the release of Old Battery in relation to certain agreements of Old Battery.

On December 17, 2019, the Company renegotiated the deadline for its first year expenditures under its option agreement with Transition Metals Corp.to September 2, 2020 by accelerating the date of its next cash payment of $100,000.

On December 23, 2019, the Company entered into the Amalgamation Agreement in respect of the Qualifying Transaction

During the period ended December 31, 2019, the Company issued (i) 1,000 common shares for consideration of $1,000 upon incorporation; and (ii) 67,400,000 to Weston and its affiliates in connection with the completion of the Company's acquisition of the Purchased Shares. The Company also completed a non-brokered private placement of 1,831,800 flow-through common shares at purchase of $0.095 for gross proceeds of $1,740,286, $200,000 of which was received in January 2020**.**

Review of Financial Results

The following table provides a summary of the financial results of the Company for the period ended December 31, 2019. Tabular amounts are in Canadian dollars, except share and per share amounts.

		Period Ended December 31, 2019[(1)]
General and administrative	$	205,447
Operating loss		(205,447)
Impairment of investment in mineral properties		(46,072)
Income (loss) before income taxes		(251,519)
Net loss for the year	$	(251,519)
Loss per share attributable to owners of the Company		
Net loss per share (basic and diluted)	$	0.00
Weighted average number of Ordinary Shares outstanding		68,918,843

Cash and cash equivalents	$	1,569,112
Total assets	$	24,212,588
Current liabilities	$	2,028,283

Notes:
(1) Net loss for the period represents $205,447 loss relating to corporate and general administrative costs.

Results of Operations

Cash and cash equivalents

At December 31, 2019, cash and cash equivalents totaled $1,569,112, including restricted cash of $1,100,000. The Company's cash and cash equivalents at December 31, 2019 includes $7,262 denominated in United States dollars, $15,662 denominated in Canadian dollars, $438 in Canadian dollars, and $5,464 denominated in Korean won.

Receivables

Receivables at December 31, 2019, relates to tax receivables relating to income tax credits in Canada. Included in the receivables balance is $228,820 in Harmonized Sales Taxes receivable from the Canadian Revenue Agency, $33,863 in Quebec Sales Taxes receivable from Revenue Quebec, $22,643 in Value Added Tax receivable from South Korea National Tax Service and $188,541 relating to Quebec refundable mining tax credit.

Prepaid expenses and other assets

At as December 31, 2019, prepaid expenses and other assets totaled $51,166.

Exploration Expenditures

Mining claims and deferred exploration costs represent costs pertaining to the Company's various cobalt, lithium and graphite projects.

As of December 31, 2019, the Company incurred $16,855,866 acquisition and exploration on the Company's various Cobalt properties. The costs consisted of $16,672,631 related to acquisition costs, claiming and staking, relating to the share purchase acquisition of Old Battery, $43,229 for Geophysics and Mapping, and $93,934 related to other exploration activities, including consulting, project management, field and travel expenses, and local Indigenous payments on the various cobalt properties. During the period, the Company recorded an impairment of $46,072.

As of December 31, 2019, the Company incurred $2,229,691 acquisition and exploration on the Company's lithium projects. The costs consisted of $2,226,675 relating to acquisition costs, claiming and staking, relating to the share purchase acquisition of Old Battery and $3,016 relating to other exploration activities including consulting, project management, and field and travel expenses.

As of December 31, 2019, the Company incurred $1,658,937 acquisition and exploration on the Company's graphite projects. The costs consisted of $1,638,550 relating to acquisition costs, claiming and staking, relating to the share purchase acquisition of Old Battery and $20,387 relating to other exploration activities including drilling, project management, and field and travel expenses.

Accounts payable and accrued liabilities

As of December 31, 2019, accounts payable and accrued liabilities totaled $1,295,719. The balance comprised of $948,571 in Canadian dollar accounts payable and $35,510 in United States dollar accounts payable, primarily related to the Cobalt and Lithium exploration expenditures. The balance of $311,638 related to the South Korean project exploration expenditures.

Exploration advances

As of December 31, 2019, exploration advances totaled $1,286,620. The balance comprised of $340,785 which was acquired from the purchase price acquisition of Old Battery and $945,835 of new additions from the period.

Flow-through premium liability

In December 2019, the Company issued 1,831,800 flow-through shares ("Flow-Through Shares") at a price of $0.95 per Flow-Through Share for total gross proceeds of $1,740,286 of which $200,000 was recorded as subscriptions receivable and received on January 17, 2020.

The subscription agreements for the Flow-Through Shares requires the Company's subsidiary, North American Cobalt Inc. to incur $1,740,286 of qualifying Canadian Exploration Expenses ("**CEE**") and renounce the CEE to the purchasers of the Flow-Through Shares by December 31, 2020. The Company attributed a flow-through premium liability of $549,564 and reduced share capital by the same amount.

Long-term deferred revenue

In May 2018, ESI advanced $10,000,000 to North American Cobalt Inc. (then a subsidiary of Old Battery) as an incentive to enter the ESI Agreement.

General and administrative expense

Total general and administrative expense for the period ended December 31, 2019, was $205,447. General and administrative expense includes management fees of $39,650, consulting fees of $1,755, professional fees $133,203 relating to legal and accounting, general and administration of $9,966, foreign exchange loss of $15,115, and depreciation of $912.

Liquidity, Capital Resources and Contractual Obligations

As at December 31, 2019, the Company held cash and cash equivalents of CAN$469,112. Cash and cash equivalents are primarily comprised of cash held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of three months or less. The funds are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations. Additionally, the Company has $1,100,000 of restricted cash held in escrow and released a flow-through expenditures are incurred, as more fully described below.

In relation to the issue of the Flow-Through Shares, the Company entered into an escrow agreement pursuant to which $1,100,000 of the proceeds from the issue of the Flow-Through Shares was deposited with a "flow-through agent (the "**Agent**"), to be released in two tranches of $550,000 each, upon the Company providing the Agent with evidence proof that CEE had been incurred and paid for in full. During the period ended March 31, 2020, the Company received $550,000 and the balance was release on February 28, 2020.

The Company currently has no source of operating cash flow and he Company's primary sources of capital resources are comprised of cash and cash equivalents. The Company will continuously monitor its capital structure and, based on changes in operations and economic conditions, may adjust the structure by issuing new shares or new debt, as necessary. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. While the Company has been successful in securing financing to date, there are no guarantees that it will be able to secure such financing in the future on terms acceptable to the Company, if at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration of the Company's properties and the possible loss of title to such properties. Significant reliance is placed on Weston, the Company's controlling shareholder, for providing ongoing financing to the Company. Failure of Weston to provide or participate in financing, or the inability of Weston to provide or participate in financing, would likely result in difficulty for the Company to attract separate third-party investment. Accordingly, there are material risks and uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. See "Risk Factors."

Off-Balance Sheet Arrangements

During the period ended December 31, 2019, the Company was not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, capital expenditures, liquidity or capital resources of the Company.

Proposed Transactions

There are no proposed transactions that have not been disclosed herein.

Financial Instruments and Risk Management

Financial Instruments

The Company's financial instruments consist of cash, restricted cash, receivables, and trade and other payables.

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value on a recurring basis, whether changes in fair value are recognized at fair value through profit or loss or fair value through other comprehensive income. The carrying value of the Company's financial assets set out in the below table represents the maximum credit risk exposure as at December 31, 2019:

		December 31, 2019,
Cash and equivalents	$	1,569,112
Accounts receivable		473,867
Total	**$**	**2,042,979**

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (or indirectly; and
- Level 3 Inputs that are not based on observable market data (.

The carrying amounts for c cash, restricted cash, receivables, and trade and other payables approximate fair values due to their short-term nature.

The Company is exposed to risks that arise from its use of financial instruments incuding currency, credit, interest rate, liquidity and commodity price. .

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to comply with its contractual obligations. The Company' s cash is held in significant financial instructs. As a result, the Company considers this risk to be remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity and debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and highly liquid short-term investments.

Currency Risk

The Company conducts exploration and evaluation activities in the United States, Canada and South Korea. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and foreign currencies. As at March 31, 2010 the Company had foreign currency liabilities of approximately $455,990. Each 10% change in the foreign currencies relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately $45,599.

The Company is exposed to currency risk on bank accounts and accounts payable that are denominated in a currency other than Canadian dollars, being United States Dollars (USD), Australian Dollars (AUD), and Korean Won (KRW). The Company is also exposed to currency risk on payables that are denominated in a currency other than Canadian dollars, being USD, CAD and Korean Won.

Commodity Price Risk

The ability of the Company to raise funds to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of cobalt, lithium and graphite. The Company monitors cobalt, lithium and graphite prices to determine the appropriate course of action to be taken.

Related Party Disclosures

Related parties of the Company include directors, officers of the Company, Weston and ESI. Pursuant to the ESI Agreement, ESI made a non-refundable payment to the Company in the amount of $10,000,000 (December 31, 2019: $10,000,000), which is repayable if the ESI Agreement is terminated upon the occurrence of certain prescribed and limited circumstances. See "Risk Factors – Risks Related to the ESI Agreement" and Corporate Activities.

Key Management Compensation

Key management includes members of the Board of Directors, the Executive Chairman, the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel, which include the amounts disclosed above, During the period ended December 31, 2019 were as follows:

		For the period ending December 31, 2019
Director fees	$	4,846
Management fees		39,650
Professional fees		20,000
Total	**$**	**64,496**

As of December 31, 2019, included in trade and other payables was $100,486 due to directors and officers of the Company.

Outstanding Share Data

As of the date of this MD&A, the Company has 96,018,485 outstanding shares.

Additional Disclosure for Venture Issuers

For the disclosure required under Section 5.3 of National Instrument 51-102 – Continuous Disclosure Obligations, please see "Exploration Activities", "and "Exploration and Evaluation Expenditures".

Risks and Uncertainties

The Company is engaged in mineral exploration and development activities which, by nature, are speculative. Due to the high-risk nature of the Company's business and the present stage of the Company's various projects, an investment in the Company's common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A and the Company's Filing Statement under "Risk Factors". Additional risks not currently known to the Company, or that the Company currently considers immaterial, may also adversely affect the Company's business, result of operations, financial results, prospects and price of common shares.

EXHIBIT "E1"
FINANCIAL STATEMENTS OF BATTERY MINERAL RESOURCES LIMITED FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

BATTERY MINERAL RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(Expressed in Australian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors and Shareholders of
Battery Mineral Resources Limited

Opinion

We have audited the accompanying consolidated financial statements of Battery Mineral Resources Limited (the "Company"), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that as at June 30, 2019, the Company estimates it will require additional funding to continue operations and has been placed under voluntary administration. As stated in Note 1, these material uncertainties may raise significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Telephone (604) 687-0947 Davidson-co.com

Key Audit Matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
1. Valuation and existence of exploration and evaluation assets. ➢ Refer to Note 8 and 22 of the consolidated financial statements.	• We assessed impairment indicators, including a subsequent disposal • We obtained evidence regarding the plans and intent for the properties. • We reviewed option agreements and vouched cash payments and share issuances to corroborate compliance and expenditure requirements. • We sent confirmation requests directly to optionees and/or optionors to ensure good standing of agreements. • We confirmed title, on a test basis, to ensure claims are in good standing.

Other Matters

The consolidated financial statements of Battery Mineral Resources Limited for the year ended June 30, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on November 21, 2018.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards of Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

May 25, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Australian Dollars)
As at

	Note		June 30, 2019		June 30, 2018
ASSETS					
Current					
Cash	4	$	**35,366**	$	6,583,680
Receivables	5		**460,496**		639,580
Prepaid expenses	6		**231,213**		1,201,451
Total current assets			**727,075**		8,424,711
Non-current assets					
Equipment	7		**172,965**		46,361
Exploration and evaluation assets	8, 15, 22		**19,892,751**		21,208,960
Total non-current assets			**20,065,716**		21,255,321
TOTAL ASSETS		$	**20,792,791**	$	29,680,032
LIABILITIES					
Current					
Accounts payable and accrued liabilities	9, 15	$	**4,001,409**	$	2,072,067
Exploration advance	10, 15		**-**		2,662,400
Bridge loan	12, 15		**3,361,611**		-
Total current liabilities			**7,363,020**		4,734,467
Deferred revenue	13, 15		**10,897,000**		-
TOTAL LIABILITIES			**18,260,020**		4,734,467
SHAREHOLDERS' EQUITY					
Share capital	14		**36,639,500**		33,886,807
Deficit			**(34,106,729)**		(8,941,242)
TOTAL SHAREHOLDERS' EQUITY			**2,532,771**		24,945,565
TOTAL LIABILITIES AND EQUITY		$	**20,792,791**	$	29,680,032

Nature of operations and going concern	1
Subsequent events	22

Approved on behalf of the Board:

/s/ Lazaros Nikeas   */s/ Stephen Dunmead*

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Australian Dollars)

	Note	Year ended June 30, 2019	2018
EXPENSES			
Accounting and audit	15	**$ 407,902**	$ 256,051
Consulting fees	15	**362,829**	374,205
Depreciation of equipment	7	**9,637**	14,323
Director fees	15	**406,779**	174,408
General and administration		**329,570**	416,176
Legal fees		**1,179,220**	553,225
Management salaries and fees	15	**644,399**	603,206
Marketing expenses		**196,819**	348,272
Rent		**129,920**	123,512
Share based compensation	14, 15	**33,823**	2,056,235
Travel		**612,054**	820,016
Loss from operations		**(4,312,952)**	(5,739,629)
Interest income		**27,307**	43,280
Impairment of investments in exploration and evaluation assets	8	**(5,818,459)**	(12,378)
Impairment of exploration and evaluation assets - subsequent disposition	8, 22	**(13,793,476)**	-
Foreign exchange losses		**(448,225)**	(151,939)
Financing cost on convertible notes	11	-	(657,604)
Financing cost on bridge loan	12, 15	**(613,730)**	-
Finders fee	13	**(307,620)**	-
Interest expense		**(3,952)**	-
Losses on settlements		-	(187,500)
Gain on forgiveness of debt		**105,620**	-
Loss and comprehensive loss for the year		**$ (25,165,487)**	$ **(6,705,770)**
Basic and diluted loss per common share		**$ (0.22)**	$ (0.07)
Weighted average number of common shares outstanding		**114,232,987**	94,191,977

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Australian Dollars)

	# of shares issued	Share capital	Deficit	Total
Balance at June 30, 2017	78,833,936	$ 12,382,955	$ (2,235,472)	$ 10,147,483
Shares issued for cash	23,352,342	15,400,567		15,400,567
Shares issued for exploration and evaluation assets	1,742,500	1,126,319		1,126,319
Shares issued for convertible note	4,566,150	2,968,000		2,968,000
Share based compensation	3,150,000	2,056,235		2,056,235
Shares issued in exchange for services	246,343	163,717		163,717
Shares issued for finders' fees	1,458,997	978,077		978,077
Share issue costs		(1,189,064)		(1,189,064)
Loss for the year			(6,705,770)	(6,705,770)
Balance at June 30, 2018	**113,350,268**	**33,886,806**	**(8,941,242)**	**24,945,564**
Shares issued for exploration advance	3,000,000	2,815,400		2,815,400
Shares issued for exploration and evaluation assets	47,500	33,432		33,432
Share issued for management fees	50,000	33,823		33,823
Share issue costs		(129,961)		(129,961)
Loss for the year			(25,165,487)	(25,165,487)
Balance at June 30, 2019	**116,447,768**	**$ 36,639,500**	**$ (34,106,729)**	**$ 2,532,771**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Australian Dollars)
For the years ended

	Year ended June 30, 2019	2018
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the year	**$ (25,165,487)**	$ (6,705,770)
Items not affecting cash:		
Depreciation	**9,637**	14,323
Share-based compensation	**33,823**	2,056,235
Shares issued in exchange for services	**-**	163,720
Write-off of exploration and evaluation assets	**5,818,459**	22,892
Write-off of exploration and evaluation assets related to purchase price allocation	**13,793,476**	
Settlement disposal	**-**	187,500
Financing cost on convertible debt	**-**	657,604
Financing cost on bridge loan accrued	**507,244**	-
Unrealized foreign exchange	**830,454**	-
Gain on forgiveness of debt	**(105,620)**	-
Changes in non-cash working capital items:		
Receivables	**390,250**	(322,606)
Advances and prepaid expenses	**1,008,087**	(78,961)
Trade and other payables	**(1,076,420)**	(89,890)
Net cash used in operating activities	**(3,956,097)**	(4,094,953)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Exploration and evaluation asset additions	**(15,521,165)**	(8,616,142)
Purchase of equipment	**(156,941)**	(52,892)
Net cash used in investing activities	**(15,678,106)**	(8,669,034)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Proceeds from issuance of shares	**-**	15,400,565
Share issue costs	**(129,962)**	(1,189,064)
Finder's fees on convertible debt	**-**	(489,606)
Shares issued for finders' fees	**-**	978,078
Cash received from convertible debt	**-**	2,800,000
Bridge loan	**2,832,900**	-
Deferred revenue	**10,231,000**	-
Net cash provided by financing activities	**12,933,938**	17,499,973
Foreign exchange impact on cash	**151,951**	
Increase / (Decrease) in cash during the year	**(6,548,314)**	4,735,986
Cash, beginning of year	**6,583,680**	1,847,694
Cash, end of year	**$ 35,366**	$ 6,583,680

CONSOLIDATED STATEMENTS OF CASH FLOWS (cont'd)
(Expressed in Australian Dollars)
For the years ended

	Year ended June 30, 2019	2018
Non-cash investing and financing activities:		
Conversion of convertible notes into ordinary issued shares	**$ -**	$ 2,968,000
Shares issued for exploration and evaluation assets	**-**	5,398,614
Amortization of equipment reclassified to E&E	**20,700**	-
Shares issues for E&E properties (Gowganda)	**33,432**	-
Shares issues for debt	**2,815,400**	-
E&E costs in accounts payable	**2,925,882**	-
Accrual of mining tax	**205,453**	-
Supplemental disclosure with respect to cash flows:		
Interest paid	**(3,952)**	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Battery Mineral Resources Limited (the "Company") was incorporated on June 14, 2016 under the laws of Australia and has limited liability. The Company's registered office and principal place of business is located at Level 36, 1 Farrer Place, Sydney NSW 2000, Australia.

The Company is an Australian company with resource interests including cobalt, lithium and graphite properties. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as exploration and evaluation properties represent net costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

The Company's principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in Canada, the United States and South Korea. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared on a going concern basis. The Company estimates it will require additional funding to continue operations and has been placed under voluntary administration. The continuing operations of the Company are dependent upon its ability to raise additional financing. These material uncertainties may raise significant doubt about the Company's ability to continue as a going concern.

While there can be no assurances that the Company will be able to raise additional financing in the future, or at favourable terms, if needed, management is of the opinion that additional financing will be available to continue its planned activities in the normal course of operations. If the Company is unable to raise the necessary capital and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations or obtain financing at unfavourable terms. Furthermore, failure to continue as a going concern would require the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

Subsequent to June 30, 2019, the Company was placed into voluntary administration, its subsidiaries were sold, and the Company is in the process of dissolution (Note 12 and 22).

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Financial Statements" and utilize accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Approval of the financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on May 25, 2020.

2. BASIS OF PREPARATION (cont'd…)

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in Australian Dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiary.

Basis of consolidation

These consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries as follows:

			Proportion of Ownership Interest and Voting Power Held Incorporation	
Name of Subsidiaries	**Principal Activity**	**Country of Incorporation**	**June 30, 2019** **%**	**June 30, 2018** **%**
North American Cobalt Inc. (formerly Battery Mineral Resources Limited)	Intermediate Holding Company	Canada	100	100
Battery Mineral Resources (Ontario), Inc.	Resource Exploration	Canada	100	100
North American Cobalt Inc.	Resource Exploration	USA	100	100
Battery Mineral Resources (Nevada), Inc.	Resource Exploration	USA	100	100
Battery Mineral Resources (California), Inc.	Resource Exploration	USA	100	100
Opirus Minerals Group Pty Ltd.	Intermediate Holding Company	Australia	100	100
Battery Mineral Resources Korea (formerly Won Kwang Mines Inc.)	Resource Exploration	South Korea	100	100

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation. Assets, liabilities, income and expenses of entities subject to consolidation are recorded from the date of acquisition to the date of disposal.

2. BASIS OF PREPARATION (cont'd…)

Significant estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates are made when applying accounting policies. The critical estimates that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

<u>Economic recoverability and probability of future economic benefits of exploration and evaluation assets</u>

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project. The Company used a subsequent transaction (Note 22) in determining the value of the exploration and evaluation assets.

<u>Deferred revenue</u>

Deferred revenue consists of $10,897,000 (C$10,000,000) received by the Company in consideration for future commitments to deliver ore extracted from the Company's exploration and evaluation assets. As deliveries are made, the Company will record a portion of the deferred revenue as sales, based on a proportionate share of deliveries made compared with the total estimated contractual commitment. The Company will earn into ownership in a mill and has determined there is no financing component.

Significant judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are, but are not limited to, as follows:

<u>Determination of functional currency</u>

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

3. SIGNIFICANT ACCOUNTING POLICIES

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized in operations on a straight-line basis over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are from three to five years commencing from the year the equipment available for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition and exploration of exploration and evaluation assets are capitalized on an individual prospect basis. Amounts received for the sale of exploration and evaluation assets and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, and the ability to obtain the necessary financing.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is recognized in profit or loss in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at the quoted market price on the day the securities are received.

Restoration and environmental obligations

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

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

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit or loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The Company has no restoration and environmental obligations for the years presented.

Impairment of assets

The carrying amount of the Company's assets (which includes exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of assets (cont'd…)

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase warrants, and stock options are classified as equity instruments.

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

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the issuance date, the balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Share-based compensation

The Company uses the fair value based method of accounting for stock options granted to employees and directors and for compensatory warrants. Under this method, the fair value of the stock options and compensatory warrants are determined using the Black-Scholes option pricing model. The fair value of stock options is recognized to expense over the vesting period, and the fair value of compensatory warrants is recognized as share issuance costs, with the offsetting credit to reserves. If the stock options or warrants are exercised, the proceeds are credited to share capital and the fair value of the options or warrants exercised are reclassified from reserves to share capital. If stock options expire unexercised, the value attributed to the options is transferred to deficit.

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Options and warrants were excluded from diluted loss per share as they proved to be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets which consist of cash and receivables are classified as amortized cost.

Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities which consist of accounts payable and accrued liabilities, and bridge loan are classified as amortized cost.

Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred tax

Deferred taxes are recognized in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company has not recognized any deferred tax assets for the years presented.

New accounting policies adopted

IFRS 9, Financial Instruments

Effective July 1, 2018, the Company retrospectively adopted IFRS 9. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. Prior periods were not restated and there was no material impact to the Company's consolidated financial statements as a result of transitioning to IFRS 9. IFRS 9 introduced a revised model for classification and measurement, and while this has resulted in financial instrument classification changes, there were no quantitative impacts from adoption. Cash has changed classification from FVTPL to amortized cost. The carrying value is equal to its fair value given the short-term nature of the asset, therefore, there is no change in the carrying value as a result of the change in classification. There are no transitional impacts regarding financial liabilities in regards to classification and measurement.

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets given the nature of the items and that receivables are substantially all current and there is a minimal level of default.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. There was no impact on the consolidated financial statements as a result of adopting this standard.

(Expressed in Australian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New and amended IFRS pronouncements

The following new standards, amendments to standards and interpretations applicable to the Company are not yet effective and have not been applied in preparing these consolidated financial statements.

IFRS 16, Leases

IFRS 16, "Leases" replaces IAS 17, "Leases". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Company has determined the impact of these standards are not expected to have a material effect on the financial statements.

As of June 30, 2019, the Company has not entered into any lease arrangement.

4. CASH

Cash is comprised as follows:

		June 30, 2019		June 30, 2018
Cash in Canadian financial institutions	$	**19,511**	$	5,906,697
Cash in Australian financial institutions		**15,855**		676,983
Total	$	**35,366**	$	6,583,680

5. RECEIVABLES

Receivables are comprised as follows:

		June 30, 2019		June 30, 2018
GST/HST receivable	$	**254,860**	$	605,945
VAT receivable		**183**		33,635
Refundable mining tax credit		**205,453**		-
Total	$	**460,496**	$	639,580

6. PREPAID EXPENSES

Prepaid expenses are comprised as follows:

		June 30, 2019		June 30, 2018
Prepaid expenses	$	**231,213**	$	1,201,451
Total	$	**231,213**	$	1,201,451

(Expressed in Australian Dollars)

7. EQUIPMENT

	Motor vehicles	Mining equipment	Computer equipment	Office equipment	Total
Cost					
At June 30, 2017	$ 11,221	$ -	$ 3,233	$ 39,376	$ 53,830
Additions	-	-	30,956	21,937	52,893
At June 30, 2018	11,221	-	34,189	61,313	106,723
Additions	21,758	69,866	34,864	30,453	156,941
At June 30, 2019	**$ 32,979**	**$ 69,866**	**$ 69,053**	**$ 91,766**	**$ 263,664**
Accumulated depreciation					
At June 30, 2017	(10,317)	-	-	(35,722)	(46,039)
Depreciation	-	-	(14,323)	-	(14,323)
At June 30, 2018	(10,317)	-	(14,323)	(35,722)	(60,362)
Depreciation	(961)	(13,959)	(9,637)	(5,780)	(30,337)
At June 30, 2019	**$ (11,278)**	**$ (13,959)**	**$ (23,960)**	**$ (41,502)**	**$ (90,699)**
Carrying amounts					
At June 30, 2018	$ 904	$ -	$ 19,866	$ 25,591	$ 46,361
At June 30, 2019	**$ 21,701**	**$ 55,907**	**$ 45,093**	**$ 50,264**	**$ 172,965**

As of June 30, 2019, $961 in motor vehicles depreciation expense and $5,780 in office equipment depreciation expense have been capitalised to the Geuman and Taehwa South Korean mineral exploration projects (Note 8). $13,959 of mining equipment depreciation expense has been capitalized to the McAra Canadian Cobalt Project (Note 8). The balance of $9,637 (2018 - $14,323) has been recorded as depreciation expense.

(Expressed in Australian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves inherent risks due to difficulties of determining the validity of certain mineral claims and leases as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated the titles to its exploration and evaluation assets and to the best of its knowledge, the titles are in good standing.

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended June 30, 2019:

	Canadian Cobalt Projects $	U.S. Cobalt Projects $	U.S. Lithium Projects $	South Korea Graphite Projects $	Total $
Balance at June 30, 2017	**4,771,866**	**280,026**	**1,884,327**	**1,569,984**	**8,506,203**
Additions	8,156,601	662,370	2,901,128	1,005,550	12,725,649
Impairment	(22,892)	-	-	-	(22,892)
Balance at June 30, 2018	**12,905,575**	**942,396**	**4,785,455**	**2,575,534**	**21,208,960**
Additions	10,905,854	3,764,553	2,002,343	1,622,976	18,295,726
Impairment	(4,555,347)	(1,263,112)	-	-	(5,818,459)
Impairment - Subsequent disposition (Note 22)	(3,288,596)	(2,536,559)	(5,087,889)	(2,880,432)	(13,793,476)
Balance at June 30, 2019	**15,967,486**	**907,278**	**1,699,909**	**1,318,078**	**19,892,751**

(Expressed in Australian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

Canadian Cobalt Projects

	McAra	Gowganda	Fabre	Shining Tree	Elk Lake	Wilder	White Reserve	Iron Mask	Other	Total
	$	$	$	$	$	$	$	$	$	$
Balance at June 30, 2017	2,169,242	369,703	165,946	95,705	511,551	312,164	281,103	401,586	464,866	4,771,866
Property acquisition and staking costs	525,415	976,256	119,575	29,397	322,718	168,027	46,107	251,319	287,603	2,726,417
Exploration expenses										
Assay	324,379	127	69	-	-	-	-	90,264	-	414,839
Consulting	549,133	143,866	65,654	48,586	74,415	32,663	51,386	65,346	229,508	1,260,557
Drilling	1,006,464	464	-	-	995	-	-	707,892	33,916	1,749,731
Environmental and permitting	16,843	22,971	6,621	-	-	134	-	6,384	10,995	63,948
Field office and other	195,596	17,118	20,734	10,378	16,742	8,970	12,578	24,729	48,091	354,936
Geological	108,660	18,648	23,959	12,608	139,824	12,608	11,834	418,885	257,725	1,004,751
GIS, mapping and surveying	17,822	7,491	7,491	7,491	8,225	7,491	7,491	12,518	43,837	119,857
Government and land payments	72	1,186	-	-	-	-	-	239	51	1,548
Ground truthing and trenching	430	-	250	-	-	-	-	30,741	26,059	57,480
Project management	355,419	-	7,258	-	19,793	-	-	-	1,692	384,162
Travel	1,531	1,531	1,531	1,531	1,531	1,531	1,531	1,531	6,127	18,375
Additions for the year	3,101,764	1,189,658	253,142	109,991	584,243	231,424	130,927	1,609,848	945,604	8,156,601
Impairment	-	-	-	-	-	-	-	-	(22,892)	(22,892)
Balance at June 30, 2018	**5,271,006**	**1,559,361**	**419,088**	**205,696**	**1,095,794**	**543,588**	**412,030**	**2,011,434**	**1,387,578**	**12,905,575**

(Expressed in Australian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Canadian Cobalt Projects

	McAra	Gowganda	Fabre	Shining Tree	Elk Lake	Wilder	White Reserve	Iron Mask	Other	Total
	$	$	$	$	$	$	$	$	$	$
Balance at June 30, 2018	5,271,006	1,559,361	419,088	205,696	1,095,794	543,588	412,030	2,011,434	1,387,578	12,905,575
Property acquisition and staking costs	22,022	274,357	106,595	5,668	118,778	159,421	54,174	219,997	92,842	1,053,854
Exploration expenses										
Assay	137,800	48,838	81,891	810	44,438	934	343	31,469	181	346,704
Consulting	370,802	286,956	133,615	130,744	87,083	86,971	84,866	139,453	360,268	1,680,758
Drilling	913,198	358,228	566,390	6,946	289,619	6,337	-	56,685	582,820	2,780,223
Environmental and permitting	(86,026)	248,532	2,334	334	334	334	334	1,554	13,140	180,870
Field office and other	216,520	210,452	54,649	83,941	57,658	34,466	32,662	65,432	135,695	891,475
Geological	516,728	48,107	431,810	527,673	527	133,021	59,072	52,338	12,601	1,781,877
GIS, mapping and surveying	151,314	181,071	53,065	394,699	65,159	170,054	27,644	97,658	202,278	1,342,942
Government and land payments	(53)	1,089	(205,453)	-	-	214	-	531	938	(202,734)
Ground truthing and trenching	24,221	18,037	-	-	1,003	-	-	24,015	-	67,276
Local Indigenous engagements	29,151	11,775	5,387	17,688	6,525	5,862	3,238	-	3,597	83,223
Project management	513,585	60,444	34,820	13,146	31,706	2,442	2,514	12,162	12,357	683,176
Travel	94,220	47,642	47,441	1,114	7,559	1,743	833	3,909	11,749	216,210
Additions for the year	2,903,482	1,795,528	1,312,544	1,182,763	710,389	601,799	265,680	705,203	1,428,466	10,905,854
Impairments	-	-	-	-	-	-	-	(2,716,637)	(1,838,710)	(4,555,347)
Impairment – Subsequent disposition (Note 22)	(1,381,319)	(566,907)	(327,327)	(234,621)	(305,208)	(193,547)	(93,223)	-	(186,444)	(3,288,596)
Balance at June 30, 2019	**6,793,169**	**2,787,982**	**1,404,305**	**1,153,838**	**1,500,975**	**951,840**	**584,487**	**-**	**790,890**	**15,967,486**

(Expressed in Australian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

McAra Project area, Ontario Canada

The Company acquired a 100% interest in the McAra project, located in Ontario, Canada for $623,424 (C$120,000 and $500,000) and 4,110,000 common shares valued at $871,861 (US$55,000 and $800,000). The property is subject to net smelter returns royalties ("NSR") ranging from 1% to 2% of which 1.5% can be acquired for C$750,000.

Gowganda Project area, Ontario Canada

The Company acquired a 100% interest in certain claims the Gowganda project area, located in Ontario, Canada for $1,356,788 (C$1,343,500) and 285,000 common shares valued at $223,972 (US$142,500). The property is subject to NSR's ranging from 1% to 3% of which 0.5% to 1% of the royalty can be acquired for C$250,000 to C$1,000,000.

Gowganda Transition-Claims, Ontario, Canada

On March 2, 2019, the Company entered into an option agreement to acquire a 60% interest in certain claims in the Gowganda project area located in Nicol, Haultain, Milner, Van Hise and Lawson townships through completing option payments, and exploration expenditures as follows:

	Payments	**Exploration expenditures**
By March 2, 2019:	$106,390 (C$100,000) (paid)	
By December 19, 2019:	$110,790 (C$100,000) (Note 22)	C$400,000
By September 2, 2020:	$nil	C$400,000
By March 2, 2021:	C$150,000 (unpaid)	C$1,000,000
By March 2, 2022:	C$250,000 (unpaid)	C$2,000,000

Of the total exploration expenditures, 25% of the work must be spent on gold exploration expenditures.

The Company can acquire an additional 20% interest in the property through completion of a feasibility study within three years of exercise of the above option.

The Company has the right to extend the period to four years for payment of C$250,000 in cash or shares (if the Company's stock is free trading).

The property is subject to a 2% NSR of which 1% of the royalty can be purchased for C$1,000,000.

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Fabre Project area, Quebec Canada

The Company acquired a 100% interest in the Fabre project area located in Quebec for payments of $318,358 (C$310,000), issuance of 30,000 common shares valued at $19,083 (US$15,000) and incurring exploration expenditures of C$450,000.

The property is subject to a 2% gross smelter returns royalties ("GSR") of which 1% can be acquired for C$1,000,000 and an additional 1% can be acquired for an additional C$1,500,000.

Shining Tree Project area, Ontario Canada

The Company acquired a 100% interest in the Shining Tree Project area, located in Ontario, Canada for $24,778 (C$25,000).

The property is subject to a 1% NSR of which 0.5% can be purchased for C$250,000.

Elk Lake Project area, Ontario Canada

The Company acquired a 100% interest in certain claims the Elk Lake project area, located in Ontario, Canada for $542,302 (C$535,000) and 85,000 common shares valued at $55,263 (US$42,500). The property is subject to NSR's ranging from 1% to 2% of which 0.5% to 1% of the royalty can be acquired for C$250,000 to C$1,000,000.

Elk Lake Project Area (Silverstrike property), Ontario, Canada

On November 15, 2016, the Company entered into a purchase option agreement, as amended on October 15, 2019, with Ashley Gold Mines Limited ("Ashley") to acquire a 100% interest in the Elk Lake (Silverstrike property), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By November 15, 2016: $20,124 (C$20,000) (paid)
- By November 15, 2017: $25,928 (C$25,000) (paid)
- By November 15, 2018: $31,626 (C$30,000) (paid)
- By October 18, 2019: $11,119 (C$10,000) (paid – subsequent to year end)
- By February 14, 2020: $24,728 (C$22,000) (Note 22)

The property is subject to a 1% NSR of which 0.5% can be purchased for C$1,000,000.

Elk Lake Project Area (Mapes-Johnson property), Ontario, Canada

On November 15, 2016, the Company entered into a purchase option agreement, as amended on October 15, 2019, with Ashley to acquire a 100% interest in the Elk Lake (Mapes-Johnson property), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By November 15, 2016: $15,093 (C$15,000) (paid)
- By November 15, 2017: $20,742 (C$20,000) (paid)
- By November 15, 2018: $21,084 (C$20,000) (paid)
- By October 18, 2019: $11,119 (C$10,000) (paid – subsequent to year end)
- By February 14, 2020: $12,364 (C$11,000) (Note 22)

The property is subject to a 1% NSR of which 0.5% can be purchased for C$1,000,000.

(Expressed in Australian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Elk Lake Project area, Ontario Canada (cont'd.)

Sunvest property claims

On February 1, 2017, the Company entered into a joint venture agreement with Sky Gold Corp (formerly Sunvest) to acquire 80% interest in certain claims in the Elk Lake project area through multiple stage investment tranches.

Date % earned	Payments	Exploration expenditures
By February 1, 2017:	$50,505 (C$50,000) (paid)	-
By February 1, 2018: 40%	$81,152 (C$80,000) (paid)	$101,440 (C$100,000) (incurred)
By February 1, 2019: 60%	$92,066 (C$87,500) (paid)	$210,436 (C$200,000) (incurred)
By February 1, 2020: 75%		$217,936 (C$200,000) (incurred)

The Company can earn an additional 5% from Sky Gold through issuance of 150,000 common shares or payment of C$45,000.

As of June 30, 2019, the Company has earned and maintains a 75% interest in the Sunvest Joint Venture related to the Elk Lake project.

The property is subject to a 2% NSR of which 1% can be purchased for C$500,000.

Wilder Project area, Ontario, Canada

Wilder Project area (Brady claims), Ontario, Canada

On January 13, 2017, the Company entered into a purchase option agreement to acquire a 100% interest in the Wilder claims, located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By August 31, 2017: $50,344 (C$50,000) (paid)
- By August 31, 2018: $47,867(C$40,000) (paid)
- By August 31, 2019: $50,302 (C$45,000) (not paid - in negotiations with optionor)

During the year ended June 30, 2018, the Company issued 100,000 shares valued at $64,155 (US$50,000) (2017 – 100,000 valued at $66,735 (US$50,000) pursuant to the option agreement.

The property is subject to a 1.5% NSR of which 0.5% can be purchased for C$1,500,000.

Starting March 1, 2020, the Company is required to make advanced minimum royalty payments of C$5,000 every six months. In addition, the Company agrees to pay C$250,000 on commencement of commercial production.

Wilder Project area (Kell claims), Ontario, Canada

On November 15, 2016, the Company entered into a purchase option agreement, as amended on October 15, 2019 with Ashley to acquire a 100% interest in the Wilder (Kell claims), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By November 15, 2016: $20,124 (C$20,000) (paid)
- By November 15, 2017: $31,114 (C$30,000) (paid)
- By November 15, 2018: $52,710 (C$50,000) (paid)
- By October 18, 2019: $11,119 (C$10,000) (paid – subsequent to year end)
- By February 14, 2020: $49,456 (C$44,000) (Note 22)

The property is subject to a 1% NSR of which 1% can be purchased for C$2,000,000.

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Wilder Project area, Ontario, Canada (cont'd.)

Wilder Project area (Thompson claims), Ontario, Canada

On November 15, 2016, the Company entered into a purchase option agreement, as amended on October 15, 2019, with Ashley to acquire a 100% interest in the Wilder (Thompson claims), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By November 16, 2016: $15,093 (C$15,000) (paid)
- By November 16, 2017: $20,743 (C$20,000) (paid)
- By November 16, 2018: $26,355 (C$25,000) (paid)
- By October 18, 2019: $11,119 (C$10,000) (paid – subsequent to year end)
- By February 14, 2020: $18,546 (C$16,500) (Note 22)

The property is subject to a 1% NSR of which 1% can be purchased for C$2,000,000.

White Reserve Project area (White Reserve claims), Ontario, Canada

On November 15, 2016, the Company entered into a purchase option agreement, as amended on October 15, 2019, with Ashley to acquire a 100% interest in the White Reserve claims, located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By November 16, 2016: $20,124 (C$20,000) (paid)
- By November 16, 2017: $31,114 (C$30,000) (paid)
- By November 16, 2018: $52,710 (C$50,000) (paid)
- By October 18, 2019: $11,119 (C$10,000) (paid – subsequent to year end)
- By February 14, 2020: C$44,000 (Note 22)

The property is subject to a 1% NSR of which 1% can be purchased for C$2,000,000.

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Iron Mask Project area, Ontario, Canada

Iron Mask area (Brady claims and leases), Ontario, Canada

On August 11, 2016, the Company entered into a purchase option agreement to acquire a 100% interest in the Brady Iron Mask claims and leases, located in Ontario. Pursuant to the agreement, the Company made payments of $62,150 (C$60,000), incurred expenditures of $137,481 (C$128,000), and issued 200,000 common shares valued at $130,890 (US$100,000).

Iron Mask area (Wallbridge claims and leases), Ontario, Canada

On October 15, 2017, the Company entered into a purchase option and sale agreement to acquire a 100% interest in the Wallbridge Iron Mask claims, located in Ontario. Pursuant to the agreement, the Company made payments of $262,444 (C$250,000) and incurred expenditures of $215,225 (C$200,000).

On September 10, 2019, the Company terminated the agreement.

During the year ended June 30, 2019, the Company decided to abandon the Iron Mask projects and recorded impairment of $2,716,636.

Other Projects, Ontario Canada

Other Projects are comprised of mineral claims located in the Province of Ontario.

During the year ended June 30, 2019, the Company impaired projects, valued at $1,838,710, which was grouped with in other projects.

(Expressed in Australian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

U.S. Cobalt Projects

	Bonanza	Quartzburg	Total
	$	$	$
Balance at June 30, 2017	280,026	-	280,026
Property acquisition and staking costs	230,560	56,961	287,521
Exploration expenses			
Consulting	52,090	95,988	148,078
Field office and other	103,260	20,234	123,494
Geological	2,671	-	2,671
GIS, mapping and surveying	30,196	20,443	50,639
Project management	49,967	-	49,967
Additions for the year	468,744	193,626	662,370
Balance at June 30, 2018	**748,770**	**193,626**	**942,396**

	Bonanza	Quartzburg	Total
	$	$	$
Balance at June 30, 2018	748,770	193,626	942,396
Property acquisition and staking costs	637,186	199,045	836,231
Exploration expenses			
Assay	168,660	66,658	235,318
Consulting	420,231	506,709	926,940
Environmental and permitting	315	-	315
Field office and other	556,008	110,569	666,577
Geological	316,591	76,597	393,188
GIS, mapping and surveying	135,511	89,578	225,089
Government and land payments	110,978	12,138	123,116
Ground truthing and trenching	95,226	68,205	163,431
Project management	150,045	-	150,045
Travel	34,129	10,174	44,303
Additions for the year	2,624,880	1,139,673	3,764,553
Impairments	(116,552)	(1,146,560)	(1,263,112)
Impairment – Subsequent disposition (Note 22)	(2,399,016)	(137,543)	(2,536,559)
Balance at June 30, 2019	**858,082**	**49,196**	**907,278**

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

U.S. Cobalt Projects

Bonanza Project, Idaho, USA

The Company acquired 100% interest in certain land tenure rights in the Bonanza Project in Idaho for $19,083 (US$15,000) and issuance of 50,000 shares valued at US$25,000.

The property is subject to a 0.5% NSR which can be purchased for US$1,000,000.

During the year ended June 30, 2019, the Company wrote off certain claims within the claims package and recorded an impairment of $116,552 representing the capitalized costs for these projects.

Quartzburg Projects, Oregon, USA and other

The Company holds a 100% interest in certain rights in the Quartzburg property in Oregon.

During the 2019 fiscal year, the Company decided not to renew certain claims and impaired $1,146,560 of the cost of these claims.

(Expressed in Australian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

U.S. Lithium Projects

	Panamint	Amargosa	Total
	$	$	$
Balance at June 30, 2017	1,521,556	362,771	1,884,327
Property acquisition and staking costs	882,928	985,575	1,868,503
Exploration expenses			
Assay	3,092	-	3,092
Consulting	341,233	452	341,685
Drilling	273,718	-	273,718
Field office and other	218,441	-	218,441
Geological	60,736	-	60,736
GIS, mapping and surveying	61,619	164	61,783
Government and land payments	31,063	-	31,063
Project management	42,107	-	42,107
Additions for the year	1,914,937	986,191	2,901,128
Balance at June 30, 2018	**3,436,493**	**1,348,962**	**4,785,455**

	Panamint	Amargosa	Total
	$	$	$
Balance at June 30, 2018	3,436,493	1,348,962	4,785,455
Property acquisition and staking costs	363,860	-	363,860
Exploration expenses			
Assay	2,064	805	2,869
Consulting	171,884	83,068	254,952
Drilling	303,921	-	303,921
Environmental and permitting	2,084	-	2,084
Field office and other	74,472	3,737	78,209
Geological	212,548	559	213,107
GIS, mapping and surveying	54,705	685	55,390
Government and land payments	588,860	36,887	625,747
Project management	84,844	-	84,844
Travel	17,360	-	17,360
Additions for the year	1,876,602	125,741	2,002,343
Impairment – Subsequent disposition (Note 22)	(4,070,955)	(1,016,934)	(5,087,889)
Balance at June 30, 2019	**1,242,140**	**457,769**	**1,699,909**

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

U.S. Lithium Projects

Amargosa Project area, Nevada, USA

The Company acquired a 100% interest in certain land tenure in the Amargosa Project in Nevada for cash payments of $660,037 (US$500,000) and issued 1,000,000 common shares valued at $660,037 (US$500,000) in fiscal 2018. One of the vendors is an officer of the Company.

The property is subject to a 5% GSR royalty of which 2.5% can be purchased for US$7,000,000.

2.5% of the 5% GSR is held by an officer of the Company.

Panamint Project area, California, USA

On April 30, 2017 and amended June 30, 2019, the Company entered into a purchase option agreement to acquire a 100% interest in certain claims and leases in the Panamint property. Pursuant to the agreement, the Company made payments of $791,479 (US$500,000), and is required to make annual work expenditure requirements of US$100,000 beginning November 1, 2019 until November 1, 2036 (November 1, 2019 payment made).

The Company has annual work expenditure requirements of US$100,000 until November 1, 2036.

The property is subject to a 2.5% NSR of which 1.25% can be purchased for US$5,000,000.

(Expressed in Australian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

South Korea Graphite Projects

	Geuman & Taehwa	Total
	$	$
Balance at June 30, 2017	1,569,984	1,569,984
Property acquisition and staking costs	-	-
Exploration expenses		
Assay	37,715	37,715
Consulting	194,295	194,295
Drilling	421,720	421,720
Environmental and permitting	3,500	3,500
Field office and other	72,140	72,140
Geological	4,640	4,640
GIS, mapping and surveying	3,308	3,308
Project management	257,669	257,669
Travel	10,563	10,563
Additions for the year	1,005,550	1,005,550
Balance at June 30, 2018	**2,575,534**	**2,575,534**

	Geuman & Taehwa	Total
	$	$
Balance at June 30, 2018	2,575,534	2,575,534
Property acquisition and staking costs	25,747	25,747
Exploration expenses		
Assay	113,571	113,571
Consulting	122,319	122,319
Drilling	673,054	673,054
Field office and other	180,301	180,301
Geological	11,020	11,020
GIS, mapping and surveying	12,475	12,475
Ground truthing and trenching	13,825	13,825
Project management	440,996	440,996
Travel	29,668	29,668
Additions for the year	1,622,976	1,622,976
Impairment – Subsequent disposition (Note 22)	(2,880,432)	(2,880,432)
Balance at June 30, 2019	**1,318,078**	**1,318,078**

(Expressed in Australian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Geuman and Taehwa Projects, South Korea

On 11 January 2017, the Company acquired a 100% interest in two exploration stage graphite projects from an ASX listed company Hexagon Resources Limited, through the purchase of 100% of its South Korea subsidiary, Opirus Minerals Pty Ltd, whose subsidiary, Won Kwang Mines Inc. owns various mining and exploration rights in the Geuman and Taehwa regions of South Korea. The Geuman and Taehwa projects are past producing mines.

The consideration provided for the acquisition was $1,000,000 cash and 2,000,000 shares valued at $320,000 such that the fair value of the total consideration provided is $1,320,000.

Consideration		
Cash	$	1,000,000
Common shares		320,000
Total		**1,320,000**

Net assets acquired		
Cash		12,000
Other assets		13,000
Equipment		11,000
Accounts payable		(11,000)
Exploration and evaluation assets		1,278,000
Total net assets acquired	**$**	**1,320,000**

(Expressed in Australian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Note		June 30, 2019		June 30, 2018
Trade payables		$	**3,314,164**	$	1,728,390
Withholding taxes			**32,633**		67,320
Accrued liabilities			**352,127**		59,758
Due to related parties	15		**302,485**		216,599
Total		**$**	**4,001,409**	$	2,072,067

10. EXPLORATION ADVANCES

		June 30, 2019		June 30, 2018
Opening	**$**	**2,662,400**	$	**-**
Additions		**-**		**2,662,400**
Foreign exchange		**153,000**		**-**
Settled with shares		**(2,815,400)**		**-**
Total	**$**	**-**	$	**2,662,400**

As of June 30, 2018, the Company had a contingent obligation (Exploration advance) to issue 1,000,000 common shares at USD $2.00 to Weston Energy II, LLC, part of the "Weston Group" (hereafter defined in Note 15) who is related to the Company by virtue of common ownership, in respect of $2,662,400 (US$2,000,000) of funding received in May 2018 from Weston Energy II LLC as a contribution by Weston to the lithium drilling program in Panamint Valley, California, USA in fiscal year 2018 and 2019. The shares would become issuable to Weston Energy II LLC if the result of the completed drilling program is deemed successful by the parties and the Company chooses to pursue a joint venture with a third party for further exploration and development activity in Panamint Valley.

On March 19, 2019, as a result of non-completion of the drilling program, the agreement was terminated by both parties and the Company agreed to issue Weston 3,000,000 common shares as payment in full for the exploration advances (Note 14).

11. CONVERTIBLE DEBT

		June 30, 2019		June 30, 2018
Issue of 29,680 convertible notes	**$**	-	$	2,968,000
Advisors' fees issued as convertible notes		-		(168,000)
Advisors' fees issued as shares		-		(489,604)
Net proceeds		-		2,310,396
Amortisation of transaction costs		-		657,604
Amount classified as equity upon conversion		-		(2,968,000)
Carrying amount of liability	**$**	-	$	-

(Expressed in Australian Dollars)

11. CONVERTIBLE DEBT (cont'd…)

On September 25, 2017, the Company issued $2,968,000 of unsecured convertible notes in a financing transaction. Each note had a conversion feature at US$0.65 per share for a period of 12 months and did not bear any interest. Due to its short-term nature, no value was attributed to the conversion feature. The Company received $2,800,000 in cash and $168,000 was paid as advisors' fees. The Company also issued 769,697 ordinary shares as additional advisors' fees valued at $489,604. The transaction costs were offset against the face value of the notes and were being amortised over the 12-month term of the notes. The notes were converted into 4,566,150 common shares on 15 May 2018. Accordingly, as at June 30, 2018, the Company expensed all the $657,604 of the transaction costs as financing costs relating to the convertible notes and reclassified $2,968,000 to share capital (Note 14).

12. BRIDGE LOAN

Bridge Loan		**June 30, 2019**		**June 30, 2018**
Additions	$	**2,832,900**	$	-
Financing fees		**425,690**		-
Interest expense		**81,554**		-
Unrealized foreign exchange		**21,467**		-
Total	**$**	**3,361,611**	$	**-**

Finance cost on Bridge Loan		**June 30, 2019**		**June 30, 2018**
Financing fees	$	**425,690**	$	-
Interest expense		**81,554**		-
Legal fees		**106,486**		-
Total	**$**	**613,730**	$	**-**

On March 18, 2019, the Company entered into a $1,408,900 (USD $1,000,000) Bridge Loan with Weston Energy LLC, part of the Weston Group (hereafter defined in Note 15). The Bridge Loan accrues interest at 12% per annum and has a $140,890 (USD $100,000) finance fee that was due on April 24, 2019. On April 24, 2019, Weston increased and extended the Bridge Loan by $1,424,000 (US$1,000,000), which included an additional $284,800 (US$200,000) financing fee and was due payable as of July 24, 2019. As of June 30, 2019, the Company has recorded $3,361,611, (US$2,380,795) relating to the Bridge Loan of which $2,832,900 (USD $2,000,000) relates to the principal portion of the Bridge Loan, $425,690 (USD $300,000) in accrued financing fees, $81,554 (USD $57,205) in accrued interest expense and $21,467 in unrealized foreign exchange loss. The Company incurred legal fees of $106,486 in relation to the Bridge Loan.

The Company has pledged 100% of the equity of the wholly owned subsidiaries, North American Cobalt Inc. (Canada), and North American Cobalt, Inc. (USA) as collateral for the Bridge Loan, until the time the Bridge Loan has been paid back in full or restructured as agreed upon by both parties.

Subsequent to June 30, 2019, the Bridge Loan was amended and further increased and extended prior to the Company being placed in voluntary administration (Note 22).

(Expressed in Australian Dollars)

13. DEFERRED REVENUE

		June 30, 2019		June 30, 2018
Additions	$	**10,231,000**	$	-
Unrealized foreign exchange		**666,000**		-
Total	$	**10,897,000**	$	-

On 22 May 2018 the Company entered into an early stage Process Facility and Cobalt Supply Agreement (the "Agreement") with ESI Energy Services Inc. ("ESI") and part of the “Weston Group” (hereafter defined in Note 15). If the project proceeds, ESI would finance, build, own and operate a cobalt processing facility that would be supplied by feedstock material mined by the Company from its cobalt properties in Ontario.

On 16 July 2018, the Company received a $10,897,000 (CAD $10,000,000) payment from ESI as an incentive to enter into the Agreement. The liability is repayable if the Company does not use commercially reasonable efforts to advance the development of its Ontario cobalt mineral properties.

Once the process facility has achieved commercial production, the Company shall provide ESI the lesser of a) the amount of metals extracted and b) not less than 2,250 metric tonnes of contained cobalt.

The Company would earn an initial 35% interest in the processing facility and related assets once sufficient quantities of feedstock material have been delivered such that ESI achieves a one-time return of capital expenditures incurred to design and construct the processing facility. The Company would earn a further 40% interest once ESI achieves a two-times return of capital expenditures (approximates ESI’s investment in the mill) incurred to design and construct the processing facility. If the Company earns a cumulative 75% interest, the Company and ESI would establish a joint venture to assume responsibility for purchasing feedstock material from the Company, operating the processing facility and marketing cobalt concentrate.

The Company would have a right of first refusal to purchase ESI's interest if ESI wishes to sell to a third party and an option to purchase ESI's remaining 25% interest after the joint venture is formed. The Agreement contains various default and termination events. Certain events, such as ESI’s failure to raise required financing, commence design and procurement activities or advance construction by determined dates, would entitle the Company to terminate the Agreement and receive a $20,000,000 fee.

The Company recorded a finders fee of $307,620 which was paid pursuant to the advance.

14. SHARE CAPITAL

a) Authorized share capital

The Company has authorized share capital of unlimited common shares without par value.

b) Issued share capital

During the year ended June 30, 2018, the Company:

i. issued 3,352,342 common shares for cash proceeds of $2,156,567 (USD $1,676,171);

ii. issued Weston Energy LLC 10,000,000 common shares for cash proceeds of $6,532,500 (USD $5,000,000).

iii. issued Weston Cobalt Inc. 10,000,000 common for proceeds of $6,711,500 (USD $5,000,000).

14. SHARE CAPITAL (cont'd…)

b) Issued share capital (cont'd…)

iv. issued 3,150,000 common shares valued at $2,056,235 as share based compensation (Note 15).

v. issued 246,343 common shares valued at $163,717 for consulting services;

vi. issued 4,566,150 common shares valued at $2,968,000 on conversion of convertible debt (Note 11);

vii. issued 1,000,000 common shares valued at $650,000 for the acquisition of the Amargosa property (Note 8);

viii. issued 30,000 common shares valued at $19,083 for the acquisition of the Fabre property (Note 8);

ix. issued 312,500 common shares valued at $200,811 for the acquisition of the Gowganda property (Note 8);

x. issued 200,000 common shares valued at $128,310 for the acquisition of the Iron Mask property (Note 8);

xi. issued 100,000 common shares valued at $63,960 for the acquisition of Panamint property (Note 8);

xii. issued 100,000 common shares valued at $64,155 for the acquisition of various Other Canadian Cobalt properties (Note 8);

xiii. issued 1,458,997 common shares valued at $978,077 for finders fees.

During the year ended June 30, 2019, the Company:

i. issued 50,000 common shares valued at $33,823 as share based compensation (Note 15);

ii. issued 3,000,000 common shares valued at $2,815,400 to Weston Energy LLC in exchange for a $2,662,400 (USD $2,000,000) exploration advance (Note 10);

i. issued 47,500 common shares valued at $33,432 for the acquisition of the Gowganda property acquisition (Note 8).

Stock options
As of June 30, 2019, and 2018, no stock options were issued or outstanding.

Warrants
As of June 30, 2019, and 2018, no warrants were issued or outstanding.

(Expressed in Australian Dollars)

15. RELATED PARTY TRANSACTIONS

- Compensation of key management personnel

Key management includes members of the Board of Directors, the Executive Chairman, the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel, which include the amounts disclosed above, during the year ended June 30, 2019 and 2018 were as follows:

		Year ended June 30,	
	Note	2019	2018
Accounting fees		**$ 115,126**	$ 45,844
Consulting fees for management services		**678,221**	560,495
Director fees		**406,779**	143,424
Exploration and evaluation		**485,058**	385,426
Share-based compensation	14	**33,823**	2,056,235
Total		**$ 1,719,007**	$ 3,191,424

As at June 30, 2019, included in account payable was $302,485 (2018 - $216,599) due to directors and officers of the Company.

As of June 30, 2019, the Company has a commitment of $10,897,000 to ESI, part of the Weston Group which is considered to be a related party by virtue of significant ownership and senior management as directors with the Company (Note 13). The Weston Group includes commonly controlled entities and consists of Weston Energy LLC, Weston Energy II LLC, Weston Cobalt and ESI.

See notes 10, 12, 13, 14, and 22 for transactions with the Weston Group.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, accounts payable, accrued liabilities, exploration advance, and bridge loan. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, and commodity price.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Currency risk

The Company conducts exploration and evaluation activities in the United States, Canada, and South Korea. As such, it is subject to risk due to fluctuations in the exchange rates for the Australian and foreign currencies. As at June 30, 2019, the Company had a foreign currency net monetary asset position of approximately $35,366. Each 10% change in the foreign currencies relative to the Australian dollar will result in a foreign exchange gain/loss of approximately $350.

The Company is exposed to currency risk on bank accounts that are denominated in a currency other than Australian dollars, being United States Dollars (USD), Canadian Dollars (CAD), and Korean won (KRW). The Company is also exposed to currency risk on payables that are denominated in a currency other than Australian dollars, being USD, CAD and Korean Won (KRW).

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in significant financial institutions and the Company considers this risk to be remote.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and highly liquid short-term investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning, and approval of significant expenditures and commitments. The Company is exposed to liquidity risk, and was placed into voluntary administration subsequent to June 30, 2019 (Note 22).

Commodity price risk

The ability of the Company to raise funds to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of cobalt, lithium, and graphite. The Company monitors cobalt, lithium, and graphite prices to determine the appropriate course of action to be taken.

(Expressed in Australian Dollars)

17. COMMITMENTS

Operating Lease Commitments	**June 30, 2019**	June 30, 2018
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments		
Not later than 12 months	**-**	94,600
Between 12 months and 5 years	**-**	-
Total	**-**	94,600

18. SEGMENTED INFORMATION

The Company operates in one segment being the acquisition and exploration of exploration and evaluation assets. Geographic information on capital assets is as follows:

	Australia	**Canada**	**USA**	**South Korea**	**Total**
	$	**$**	**$**	**$**	**$**
CAPITAL ASSETS					
As at June 30, 2019:					
Exploration and evaluation	-	15,967,486	2,607,187	1,318,078	19,892,751
Equipment	18,492	82,509	-	71,964	172,965
Total	18,492	16,049,995	2,607,187	1,390,042	20,065,716
As at June 30, 2018:					
Exploration and evaluation	-	12,905,575	5,727,851	2,575,534	21,208,960
Equipment	15,831	4,035	-	26,495	46,361
Total	15,831	12,909,610	5,727,851	2,602,029	21,255,321

(Expressed in Australian Dollars)

19. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions other than those disclosed in Note 12 and 22.

There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the years ended June 30, 2019 and 2018.

20. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	Year ended June 30,	
	2019	2018
Loss for the year	**$ (25,165,487)**	$ (6,705,770)
Expected income tax recovery at Australian tax rate of 27.5%	**(6,921,000)**	(1,844,000)
Change in statutory, foreign tax, foreign exchange rates and other	**739,000**	(39,000)
Permanent differences	**1,245,000**	1,686,000
Share issue costs	**(86,000)**	-
Adjustment to prior years provision versus statutory tax returns	**(1,175,000)**	-
Change in unrecognized deductible temporary differences	**6,198,000**	197,000
Total	**$ -**	$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	June 30, 2019	**June 30, 2018**
Deferred tax assets (liabilities)	**$**	$
Exploration and evaluation assets	**4,295,000**	-
Property and equipment	**10,000**	-
Share issue costs	**162,000**	-
Non-capital losses available for future period	**1,909,000**	178,000
	6,376,000	178,000
Unrecognized deferred tax assets	**(6,376,000)**	(178,000)
Net deferred tax assets	**$ -**	$ -

(Expressed in Australian Dollars)

20. INCOME TAXES (cont'd.)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	June 30, 2019	Expiry date range	June 30, 2019	Expiry date range
Temporary differences				
Exploration and evaluation assets	$ 18,003,000	No expiry date	$ -	No expiry date
Equipment	36,000	No expiry date	-	No expiry date
Share issue costs	602,000	2040 to 2043	-	2040 to 2043
Non-capital losses available for future periods	9,359,000	2022 onwards	809,000	2022 onwards
Non-capital loss summary				
Australia	183,000	No expiry date	$ -	
Canada	5,421,000	2036 to 2039	-	
Korea	3,536,000	2022 to 2028	809,000	2022 to 2028
USA	219,000	No expiry date	-	

21. CONTINGENT LIABILITIES

In respect of a number of exploration and evaluation tenements acquired, the Company is obligated to pay to the vendors an NSR (Note 8) of between 1% to 5% depending on the agreement and will commence upon extraction of minerals for sale.

In addition, a US company has continued legal proceedings against the Company in respect of certain claims staked in Idaho, USA. The Company is defending this action and the Company considers the actions to be without merit.

Pursuant to the ESI Agreement, the deferred revenue of $10,897,000 is repayable by the Company to ESI in certain circumstances (Note 13).

(Expressed in Australian Dollars)

22. SUBSEQUENT EVENTS

Subsequent to June 30, 2019, the Company received an increase and extension on the Bridge Loan (Note 12) by an additional US$3,500,000, with an additional financing fee of US$500,000. As of October 31, 2019, The Bridge loan totaled $9,663,730 (USD $6,565,315), which includes cumulative principal, financing fees and accrued interest.

On November 11, 2019, the Company's Board of Directors pursuant to section 436A of the Corporations Act in New South Wales, placed the Company into voluntary administration and a Voluntary Administrator was appointed for the Company and took control of its assets, liabilities and operations.

On December 2, 2019, the Company received release from the Bridge Loan (Note 12).

On December 2, 2019, the Company's Voluntary Administrator completed a Share Sale Agreement, whereby the Weston Group acquired 100% of the shares of all of the subsidiaries formerly held by the Company for a total consideration of $11,261,537. The Weston Group transferred all shares of the subsidiaries to a newly formed Canadian entity named Battery Mineral Resources Corp. ("New Battery"). The Weston Group paid $1,597,807 and applied its Bridge loan of $9,663,730 as a capital transaction toward the purchase price consideration on behalf of New Battery and was issued 67,400,000 common shares which approximated a 75% ownership in New Battery. The New Battery acquisition was allocated as follows:

Purchase Price		**$**
Amounts paid by or applied by Weston Group on behalf of the Company		11,261,537
Total consideration		**11,261,537**
Net assets acquired:		
Exploration and evaluation assets (as at June 30, 2019)	Note 8	19,892,751
Exploration and evaluation additions from July 1, 2019 to Dec 2, 2019		2,517,758
Total exploration and evaluation assets at Dec 2, 2019		22,410,509
Taxes receivable		443,911
Exploration deposits		423,097
Equipment		143,170
Accounts payable		(1,033,149)
Deferred revenue		(11,126,000)
Total net assets acquired		**11,261,537**

The subsidiaries acquired by New Battery held all of the exploration and evaluation assets of the Company. The value attributable to those exploration and evaluation assets acquired was considered to be an impairment indicator resulting in a write down of $13,793,476.

Subsequent to June 30, 2019, substantially all property option payments were made by New Battery (Note 8).

EXHIBIT "E2"
FINANCIAL STATEMENTS OF BATTERY MINERAL RESOURCES LIMITED FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

BATTERY MINERAL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

A.B.N. 79 612 991 116

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

BATTERY MINERAL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

CONTENTS

BATTERY MINERAL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2018

The directors present their report together with the financial report of Battery Mineral Resources Limited ("the Company") for the period from July 1, 2017 until June 30, 2018 ("the full year" or "the period") and the independent auditor's report thereon.

The names of directors who held office during or since the end of the full year are:

Name	Appointed to the Board
Gary Lewis	14 June 2016
George Young	28 May 2018 (previously appointed 24 August 2016 and resigned 15 March 2018)
Ian Pringle	6 September 2016
Lazaros Nikeas	1 January 2018
George Pirie	23 May 2018
Stephen Dunmead	8 June 2018
James Hughes	8 June 2018

DETAILS OF THE ABOVE DIRECTORS:

Gary Lewis, BCOM, MBT, Executive Chairman

Founding Director with 30 years in capital markets and business and strategy development. Invested and/or operated resource projects or assets over the past ten years valued at more than US$350M, including the acquisition and ultimate sell-down or listing of high-value, multi-commodity resource projects in Australia, UK, SE Asia, Central Asia and the Americas.

Ian Pringle, Ph.D., BSc (Hons) Geology, Non-Executive Director

Senior mining executive with outstanding track record of successful mineral resource evaluation, discovery, project development and operations. As Managing Director of several Australian listed resource companies has gained considerable experience and high technical capability particularly in international cobalt, base and precious metals projects.

George Young, BS, JD, Non-Executive Director

35 years acquiring, financing and developing mines in North and South America, as a metallurgical engineer and as a lawyer. Instrumental in over US$600M in financing for both major and junior mining companies and in over US$9 billion in financing for the utilities industry. Co-founder of MAG Silver Corp. and International Royalty Corp.

Lazaros Nikeas, Director

Partner of Weston Energy LLC, a Yorktown Partners LLC portfolio company. Mr. Nikeas was previously a Partner of Traxys Capital Partners, a resource investment firm backed by the Carlyle Group. Mr. Nikeas has over 15 years of strategy and capital markets advisory experience for resource, chemicals, and industrial companies, with over US$25 billion of M&A transactions completed.

George Pirie, Non-Executive Director

Canadian-based international mining executive with over 35 years of experience in project development, mine building, asset optimisation, and operations. Mr Pirie was previously Chief Financial Officer for Placer Dome North America and Placer Dome Canada, President and Chief Executive Officer of Placer Dome Canada, Executive Vice President of Placer Dome Inc., President and Chief Executive Officer of Breakwater Resources Ltd., Northern Star Mining Corp. and San Gold Corp., and Director of Timmins Economic Development Corp.

DETAILS OF THE ABOVE DIRECTORS (CONTINUED):

Stephen Dunmead, Non-Executive Director

Industrial consultant and former senior global business executive with over 30 years of leadership experience in the advanced materials and specialty chemicals industries. Previously Chief Operating Officer at SWM International, Mr. Dunmead also spent 15 years at OM Group with significant leadership responsibilities. Mr. Dunmead has extensive experience in cobalt projects, including acting as Chairman of the Cobalt Development Institute (now the Cobalt Institute) for seven years.

James Hughes, Non-Executive Director

Chief Executive Officer and Managing Director of Prisma Energy Capital, a private entity focused on investments in energy storage and the former Chief Executive Officer and a director of First Solar, Inc. Mr. Hughes also served as Chief Executive Officer and director of AEI Services LLC, President and Chief Operating Officer of Prisma Energy International and in various capacities with Enron Corporation.

COMPANY SECRETARY

Gary Lewis, appointed 14 June 2016

Justin Clyne, appointed 1 September 2016 and resigned 31 October 2017.

Mr. Justin Bradley Clyne, M.Laws, LLB, Grad Dip ACG, ACIS, LLM (UNSW), AGIA, was Company Secretary of Battery Mineral Resources from 1 September 2016 until 31 October 2017. Mr. Clyne has over 15 years of experience in the legal profession acting for a number of the country's largest corporations, initially in the areas of corporate and construction law before developing an interest in mining investment and research.

DETAILS OF BOARD MEETINGS HELD DURING THE FINANCIAL YEAR AND EACH DIRECTOR'S ATTENDANCE ARE AS FOLLOWS:

	Board	
Director	**Eligible**	**Attended**
Gary Lewis	12	12
Ian Pringle	12	12
George Young	12	12
Lazaros Nikeas	6	6
George Pirie	1	1
Stephen Dunmead	1	1
James Hughes	1	1

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

The Company is an Australian public company, founded in June 2016 and is focused on the exploration and development of minerals critical to the lithium-ion battery market and energy storage sector. The Company's principal business activities since incorporation have been the acquisition and consolidation of underexplored cobalt-prospective properties in a 200-km long zone located between the prolific Abitibi gold and base-metal belt and the Sudbury nickel-copper-platinum-paladium mining district in Ontario, Canada referred to as the "Ontario Cobalt Belt", as well as the advancement of exploration activities across its portfolio of other cobalt, lithium and graphite assets. The Company believes it currently holds the largest number of unpatented mining claims in Ontario across all types of minerals. In August 2016, the Company made its first acquisition of two graphite deposits in South Korea, and since September 2016, the Company has acquired several cobalt assets through staking and acquisition, including high-grade deposits in the Ontario and Idaho Cobalt Belts, and lithium assets in Nevada and California. In May 2018, ESI Energy Services Inc. ("ESI") and BMR entered into an early stage process facility and cobalt supply agreement under which ESI agreed to make a $10 million payment to the Company and provide up to $90 million of capital to build a cobalt processing facility for material mined from the Cobalt District Exploration Project with the intention of achieving commercial mining operations.

LOSS AFTER TAX

The consolidated loss after tax for the period was $6,705,770 (2017: $2,235,472).

DIVIDEND

The Directors do not recommend the payment of a dividend.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

Financing

During the period, 34,382,999 ordinary shares were issued at USD 50 cents and 133,333 ordinary shares were issued at USD 75 cents to raise a total of $15.4m gross in cash and $7.3m issued as non-cash share based payments.

The total funds raised were used during the period to fund the acquisition of cobalt, lithium and graphite exploration permits, working capital and the costs of the prospectus offer.

Changes in controlled entities

Refer to details set out in Note 18 to the accompanying financial statements.

OPTIONS

During the period, 29,680 convertible notes of $100 each, totaling $2.968 million were issued pursuant to a Deed executed on 25 September 2017. The convertible notes were all converted on 15 May 2018 for 4,566,150 shares of the Company at an issue price $0.65 per share.

No other options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

Other than as set out above, no shares were issued during or since the end of the period as a result of the exercise of an option over unissued shares or interests.

EVENTS SUBSEQUENT TO BALANCE DATE

On 22 May 2018 the Company entered into an early stage Process Facility and Cobalt Supply Agreement (the "Agreement") with ESI Energy Services Inc. ("ESI"). If the project proceeds, ESI would finance, build and operate a cobalt processing facility that would be supplied by feedstock material mined by the Company from its cobalt properties in Ontario.

The Company would earn an initial 35% interest in the processing facility and related assets once sufficient quantities of feedstock material have been delivered such that ESI achieves a one-time return of capital. The Company would earn a further 40% interest once ESI achieves a two-times return of capital. If the Company earns a cumulative 75% interest, the Company and ESI would establish a joint venture to assume responsibility for purchasing feedstock material from the Company, operating the process facility and marketing cobalt concentrate.

The Company would have a right of first refusal to purchase ESI's interest if ESI wishes to sell to a third party and an option to purchase ESI's remaining 25% interest after the joint venture is formed. The Agreement contains various default and termination events. Certain events (failure to raise required financing, commence design and procurement activities or advance construction by determined dates) would entitle the Company to terminate the Agreement and receive a CAD 20 million fee.

Subsequent to year end, the Company received a CAD$10 million payment from ESI for the right to participate in the project on 16 July 2018 and is non-refundable unless the Company does not use commercially reasonable efforts to advance the development of its Ontario cobalt mineral properties.

On 19 June, 2018, the Company lodged a Preliminary Prospectus with the Ontario Securities Commission ("OSC") for the purposes of an Initial Public Offering ("IPO") on the Toronto Stock Exchange ("TSX"). Subsequent to year end, the Company is working with the Ontario, Canada regulatory authorities to finalise the TSX listing process.

On 9 August 2018, after considering a report commissioned from an independent compensation consultant and data from other pertinent sources, the Board approved a Compensation Matrix which sets out compensation levels and benefits and short term and long term incentive compensation for Directors, other key management personnel and other executives. The Compensation Matrix sets out the future issue of a total of 4,130,000 LTIP securities (shares and options) to those personnel at the IPO share price and with specific vesting time periods of up to 3 years. The Board also approved a Long Term Incentive Plan ("LTIP") document. Both the Compensation Matrix and LTIP shall apply to the first year of the Company's listing on TSX.

The Company has not yet produced any revenues from its resource interests and further funds will be required to fund existing levels of overhead, planned exploration expenditures and property payments over the course of the next twelve months. Accordingly, it is common that resource companies in the exploration phase are required to raise funds to meet these ongoing activities. The company intends issuing an IPO to finance these planned activities in the first quarter of calendar 2019. Additionally, a major shareholder has undertaken to provide financial support should necessary funds be delayed.

Other than as set out above, no other events occurred subsequent to balance date up to the date of this report that might affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company is planning on listing on the TSX and advancing its exploration projects - details of which are set at the Preliminary Prospectus filed in Canada. Other than the matters set out in that document, likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

ENVIRONMENTAL REGULATION

The consolidated group’s operations are subject to significant environmental regulations under the laws of Australia, Canada, USA, and South Korea. During the reporting period the consolidated group did not fail to meet its obligations pursuant to any environmental legislation or regulations.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.
The company was not a party to any such proceedings during the year.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Lead Auditor's Independence Declaration is set out on page 6.

Signed in accordance with a resolution of the Board of Directors.

Gary Lewis

Executive Chairman

Sydney, 21 November 2018

Nexia Australia

To the Board of Directors of Battery Mineral Resources Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the audit of the financial statements of Battery Mineral Resources Limited and subsidiaries for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Date: 21 November 2018

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BATTERY MINERAL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

Reported in AUD

	Note	2018 $	Period 14 June 2016 to 30 June 2017 $
Revenue		-	-
Expenses			
Accounting fees		256,051	97,918
Consulting fees		374,205	259,319
Depreciation of equipment		14,323	-
General and administration		416,177	298,843
Legal fees		553,225	565,635
Management fees		2,833,848	381,115
Marketing expenses		348,272	99,293
Rent		123,512	23,703
Travel expenses		820,016	461,899
Loss from operations		(5,739,629)	(2,187,725)
Interest income		43,280	11,733
Gains (losses) on settlements		(187,500)	-
Net impairment of investments in mineral property		(12,378)	-
Foreign exchange gains and (losses)		(151,939)	(59,481)
Finance cost on convertible notes		(657,604)	-
Loss before income tax		(6,705,770)	(2,235,473)
Income tax expense	12	-	-
Net loss for the year		(6,705,770)	(2,235,473)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to owners of the parent company		(6,705,770)	(2,235,473)
Basic and diluted loss per ordinary share		(0.07)	(0.06)
Basic and diluted weighted average number of ordinary shares outstanding		94,191,977	37,408,108

The accompanying notes form part of the financial statements

BATTERY MINERAL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

Reported in AUD

	Note	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents		6,583,680	1,847,694
Receivables	4	639,580	316,974
Other assets	5	1,201,451	20,967
Total current assets		8,424,711	2,185,635
Non-current assets			
Investment	6	-	187,500
Equipment		46,361	7,790
Exploration and evaluation	7	21,208,960	8,506,204
Total non-current assets		21,255,321	8,701,494
TOTAL ASSETS		29,680,032	10,887,129
LIABILITIES			
Current liabilities			
Trade and other payables	8	4,734,467	739,646
Total current liabilities		4,734,467	739,646
TOTAL LIABILITIES		4,734,467	739,646
NET ASSETS		24,945,565	10,147,483
EQUITY			
Share capital	10	33,886,807	12,382,956
Accumulated losses		(8,941,242)	(2,235,473)
TOTAL EQUITY		24,945,565	10,147,483
TOTAL LIABILITIES AND EQUITY		29,680,032	10,887,129

The accompanying notes form part of the financial statements

BATTERY MINERAL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2018

Reported in AUD

2017	Number of shares	Issued Capital $	Accumulated Losses $	Total $
Balance at June 14, 2016	-	-	-	-
Share capital issues	78,833,936	12,743,250	-	12,743,250
Share issue costs	-	(360,294)	-	(360,294)
Total comprehensive loss	-	-	(2,235,473)	(2,235,473)
Balance at June 30, 2017	78,833,936	12,382,956	(2,235,473)	10,147,483

2018	Number of shares	Issued Capital $	Accumulated Losses $	Total $
Balance at June 30, 2017	78,833,936	12,382,956	(2,235,473)	10,147,483
Share capital issues	34,516,332	22,692,915	-	22,692,915
Share issue costs	-	(1,189,064)	-	(1,189,064)
Total comprehensive loss	-	-	(6,705,770)	(6,705,770)
Equity as at 30 June 2018	113,350,268	33,886,807	(8,941,243)	24,945,564

The accompanying notes form part of the financial statements

BATTERY MINERAL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

Reported in AUD

	2018 $	Period 14 June 2016 to 30 June 2017 $
Cash flows from (used in) operating activities		
Interest received	43,280	11,733
Taxes paid but refundable	(293,627)	(316,974)
Payments to suppliers and employees	(4,018,887)	(2,193,828)
Net cash flows from (used in) operating activities	(4,269,234)	(2,499,069)
Cash flows from (used in) investing activities		
Investment in shares of non-related company	-	(187,500)
Payments for equipment	(52,893)	(7,790)
Payments for resource interests	(8,416,219)	(6,133,966)
Net cash flows from (used in) investing activities	(8,469,112)	(6,329,256)
Cash flows from (used in) financing activities		
Proceeds from shares issued	12,600,567	11,029,060
Proceeds from convertible notes	2,800,000	-
Proceeds from deferred exploration expenditure reimbursement	2,662,400	-
Payments of share issue costs	(436,696)	(293,560)
Net cash flows from (used in) financing activities	17,626,271	10,735,500
Effect of exchange rate changes on cash and cash equivalents	(151,939)	(59,481)
Net cash increase (decrease) in cash and cash equivalents	4,735,986	1,847,694
Cash and cash equivalents at beginning of period	1,847,694	-
Cash and cash equivalents at end of period	6,583,680	1,847,694

The accompanying notes form part of the financial statements

1 NATURE OF OPERATIONS AND GOING CONCERN

The financial report covers Battery Mineral Resources Limited And Its Controlled Entities (the "group"). Battery Mineral Resources Limited (the “Company”) was incorporated on 14 June 2016 under the laws of Australia and has limited liability.

These financial statements were approved and authorised for issue by the Board of Directors on 21 November 2018.

The Company is an unlisted public Australian company with a portfolio of cobalt, lithium and graphite projects positioned to supply growing market demand for raw materials critical to the rechargeable and energy storage sectors. The company continues to build its project portfolio. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as exploration and evaluation properties represent net costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

These financial statements have been prepared on a going concern basis. For the year ended June 30, 2018, the Company has incurred a net loss after tax of $6,705,770 (2017: $2,235,473) and net cash used in operating activities of $4,269,234 (2017: $2,499,069). The Company has not yet produced any revenues from its resource interests and further funds will be required to fund existing levels of overhead, planned exploration expenditures and property payments over the course of the next twelve months. Accordingly, it is common that resource companies in the exploration phase are required to raise funds to meet these ongoing activities. The company intends issuing an IPO to finance these planned activities in the first quarter of calendar 2019. Additionally, a major shareholder has undertaken to provide financial support should necessary funds be delayed.

The Company's registered office and principal place of business is located at Level 36, 1 Farrer Place, Sydney NSW 2000, Australia.

2 STATEMENT OF COMPLIANCE

The general purpose financial statements have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards (‘AASBs’) adopted by the Australian Accounting Standards Board (‘AASB’). The financial statements also comply with International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board (IASB). The Group is a for-profit entity for financial reporting purposes.

3 PRESENTATION OF FINANCIAL STATEMENTS

a. Basis of Preparation

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

b. New, revised or amending accounting standards and interpretations adopted

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period. The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current period. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in, its financial statements. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

c. Significant accounting estimates and judgements

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

Sources of estimation uncertainty

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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:

i) The recoverability of the carrying value of resource interests from economically recoverable reserves.

ii) The nil provision for income taxes for the period.

Critical accounting judgments

i) The carrying value and recoverability of the Company's resource interests included in the statements of the financial position; and

ii) The determination of categories of financial assets, financial liabilities, and equity instruments which have been identified based on accounting policies for financial instruments and which involves assessments made by management as to the appropriate category to apply.

iii) Significant judgment was required by management to determine the correct classification and disclosure of the funds received from Weston Energy II LLC ("Weston") for the purpose of financing lithium exploration activity. Refer to note 14 for more details. Management's understanding of the terms and conditions of the funding agreement is that there is no financial liability to be recognised. Management have therefore concluded that until such time as the agreed exploration and evaluation activities are carried out the Weston funds shall be recognised as a current liability and classified as deferred reimbursed exploration expenditure.

3 PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

d. Significant accounting policies

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Battery Mineral Resources Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Battery Mineral Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign Currency Translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

On consolidation, the assets and liabilities of foreign operations are translated into Australian Dollars at the rate of exchange prevailing at the reporting date and their Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

Operating Segments

Operating segments are presented using the ‘management approach’, where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (‘CODM’), who have been identified as the Board of Directors. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

3 PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

d. Significant accounting policies (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

3 PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

d. Significant accounting policies (Continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

3 PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

d. Significant accounting policies (Continued)

Impairment of financial assets

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the period in which the decision is made.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

3 PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

d. Significant accounting policies (Continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Refer also to Note 13.

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3 PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

d. Significant accounting policies (Continued)

Share-based payments

Equity-settled share-based compensation benefits are provided to key management personnel and some other employees. Equity-settled transactions are awards of shares that are provided to employees in exchange for the rendering of services.

Equity-settled share-based payments are also provided to certain suppliers in exchange for the acquisition of certain mineral exploration rights or rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date of the goods, services, assets and liabilities transacted. Alternatively, fair value is measured at the estimated market price of the entity's shares, adjusted to take into account the terms and conditions upon which the shares were granted. The estimated market price is determined with reference to the share price of shares issued to unrelated parties on an arm's length basis.

The cost of equity-settled transactions for employees are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Goods and services tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies, if disclosed, are net of the amount of GST recoverable from, or payable to, the tax authority.

4 RECEIVABLES

	2018 $	2017 $
Current		
Taxes receivable	639,580	316,974
Total	639,580	316,974

5 OTHER ASSETS

	2018 $	2017 $
Current		
Prepayments	1,201,451	20,967
Total	1,201,451	20,967

6 INVESTMENTS

	2018 $	2017 $
Non-current		
Available-for-sale shares in a private company	-	187,500
Total	-	187,500

The Company settled a dispute with its former Chief Operating Officer. In settling the deed, the above investment was disposed of for no consideration.

7 EXPLORATION AND EVALUATION

	Cobalt Project $	Lithium Project $	Graphite Project $	Other $	Total $
Balance at June 14, 2016	-	-	-	-	-
Additions	5,029,002	1,884,327	1,569,983	22,892	8,506,204
Impairment	-	-	-	-	-
Balance at June 30, 2017	5,029,002	1,884,327	1,569,983	22,892	8,506,204
Additions	8,818,970	2,901,128	1,005,550	-	12,725,648
Impairment	-	-	-	(22,892)	(22,892)
Balance at June 30, 2018	13,847,972	4,785,455	2,575,533	-	21,208,960

8 TRADE AND OTHER PAYABLES

	2018	2017
	$	$
Current		
Accounts payable and accrued liabilities	2,072,067	739,646
Deferred reimbursed exploration expenditure	2,662,400	-
Total	4,734,467	739,646

i) The average credit provided on payables is 30 days. No interest applies to payables.

ii) The Deferred reimbursed exploration expenditure received relates to funding received for the Panamint Valley drilling activities. Refer to note 14 for more detail.

9 FINANCIAL LIABILITIES

	2018	2017
	$	$
Issue of 29,680 convertible notes	2,968,000	-
Advisors' fees issued as convertible notes	(168,000)	-
Advisors' fees issued as shares	(489,604)	-
Net proceeds	2,310,396	-
Amortisation of transaction costs	657,604	-
Amount classified as equity upon conversion	(2,968,000)	-
Carrying amount of liability at June 30, 2018	-	-

On September 25, 2017, the Company issued a $2.968 million unsecured convertible notes financing transaction. Each note was valued at $100 and had a convertible feature up to 12 months. The Company received $2.8 million in cash and $168,000 was paid as advisors' fees. The Company also issued 769,697 ordinary shares as additional advisors' fees. The total transaction costs related to the notes totals $657,604. The transaction costs were off-set against the face value of the notes and were being amortised to the profit and loss account over the 12 month term of the notes. The notes were converted early to ordinary shares on 15 May 2018 at an issue price of $0.65 per share for each note per revised conversion terms agreed to by the noteholders. Accordingly, as at 30 June, 2018 the Company has expensed all the $657,604 of the transaction costs as financing costs in the profit and loss account relating to the convertible notes and has reclassified the net proceeds of $2.8m as share capital.

10 ISSUED CAPITAL

The details for the ordinary share issuances from date of incorporation on 14 June 2016 through to the period ended June 30, 2018 are as follows:

Ordinary Shares	Number	$
Balance at beginning of period	-	-
Issue of 1 share at $1.00	1	1
Issue of 18,475,000 shares at $0.01 per share	18,475,000	184,750
Issue of 7,250,000 shares at $0.05 per share	7,250,000	362,500
Issue of 11,150,000 shares at $0.10 per share	11,150,000	1,115,000
Issue of 23,212,500 shares at $0.16 per share	23,212,500	3,714,000
Issue of 10,056,435 shares at $0.20 per share	10,056,435	2,011,287
Issue of 1,175,000 shares at $0.30 per share	1,175,000	352,500
Issue of 7,515,000 shares at USD $0.50 per share	7,515,000	5,003,212
Less: Share issue costs	-	(360,295)
Balance at 30 June 2017	78,833,936	12,382,955
Issue of 34,382,999 shares at USD $0.50 per share	34,382,999	22,562,916
Issue of 133,333 shares at USD $0.75 per share	133,333	130,000
Less: Share issue costs	-	(1,189,064)
Balance at June 30, 2018	113,350,268	33,886,807

Ordinary shareholders participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to 1 vote.

11 RELATED PARTY TRANSACTIONS

Related parties include directors and key management personnel.

Transactions with directors and related entities are as follows:

(a) Consulting fees of $422,821 (2017 - $223,363) were paid to ACT2 Pty Ltd, an entity related to Director, Mr. Gary Lewis in respect of management services provided by Mr. Gary Lewis.

(b) Consulting fees of $188,659 (2017 - $80,069) were paid to Ian J Pringle & Associates Pty Ltd, an entity related to Director, Mr. Ian Pringle, for geology consulting services provided.

(c) Consulting fees of $137,674 (2017 - $66,840) were paid to Numis Consulting Inc., an entity related to Chief Financial Officer ("CFO"), Mr. Jack Cartmel, for management services provided.

(d) Consulting fees of $196,767 (2017 - $131,843) were paid to StoneBridge Analytics, LLC, an entity related to Chief Commercial Officer ("CCO"), Dr. Henry J. Sandri, for management services provided.

(e) Consulting fees of $104,578 (2017 - $72,898) were paid to Mr. George Young, Director, for director services provided.

(f) Consulting fees of $38,846 (2017 - $NIL) were paid to New Canaan Capital Advisors LLC, an entity related to Director, Mr. Lazaros Nikeas, for director services provided.

(g) On 15 November 2017, the Company issued 2,650,000 ordinary shares at a nominal issue price of USD $0.50 with a total issue value of $1,725,945 (USD $1.325m). The shares were issued to the executives and management of the Company for nil cash consideration. The cost of the issued shares was recognised as share based payments expense in the profit and loss account. The share issues included 1 million shares issued to ACT2 Pty Ltd, an entity related to a Director, Mr. Gary Lewis; 350,000 shares issued to Squingle Squilliions Pty Ltd, an entity related to a Director, Mr. Ian Pringle; 75,000 shares issued to the CFO, Mr. Jack Cartmel; 200,000 shares issued to the CCO, Dr. Henry J. Sandri; and 150,000 shares issued to a Director, Mr. George Young.

(h) On 4 April 2018, the Company issued bonus sign-on shares to two new Directors, being 250,000 shares issued to Mr. Lazaros Nikeas and 50,000 shares issue to Mr. George Pirie at a nominal issue price of USD $0.50 with a total issue value of $195,000 (USD $150,000).

(i) On 15 June 2018, the Company issued bonus sign-on shares to two new Directors, being 100,000 shares each issued to Mr. Stephen Dunmead and Mr. James Hughes at a nominal issue price of USD $0.50 with a total issue value of $135,290 (USD $100,000).

(j) In May 2018 Weston Energy LLC, a director-related entity of Lazaros Nikeas, provided $2,662,400 (USD 2m) to finance a lithium drilling program in Panamint Valley, California USA. Refer to Notes 8 and 14 for further details of this transaction.

12 INCOME TAX

	2018 $	2017 $
(a) Income tax expense		
Income tax expense for the year comprises:		
Current tax	-	-
Deferred tax	-	-
Reconciliation of income tax (benefit) expense:		
Loss from operations before tax	(6,705,770)	(2,235,472)
Tax (benefit) at Australian tax rate of 27.5%	(1,844,087)	(614,755)
Tax effect of non-deductible items	1,686,102	572,044
Effect of difference in tax rate	(39,496)	(10,678)
Effect of tax losses not recognised	197,481	53,389
Income tax expense	-	-
(b) Deferred tax liability comprises:		
Exploration expenditure – at 22%	566,617	350,433
Offset against tax losses recognised	(566,617)	(350,433)
(d) Tax Losses		
Unused tax losses for which no benefit has been recognised as a deferred tax asset	808,881	979,477
Tax effect		
Potential Income Tax Benefit – at 22%	177,954	215,484

Deferred Tax Assets not brought to account

The income tax return for fiscal year 2018 has not been lodged as at the date of this report. The benefit of these temporary differences and tax losses will only be obtained if:

I The consolidated entity derives future assessable income of a nature and of an amount sufficient enough to enable the benefit from the deductions for the losses to be realized.

II The consolidated entity continues to comply with the conditions for deductibility imposed by the tax legislation; and

III No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

13 FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payables.

- **Treasury Risk Management**

The Board meets on a regular basis to review financial risk exposure and to evaluate treasury management strategies in the context of current economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Company to meet its financial targets while minimising potential adverse effects on financial performance.

- **Financial Risk Exposure and Management**

The main risks the company is exposed to through its financial instruments are interest rate risk, foreign exchange risk, and liquidity risk. Credit risk is minimal as bank balances or receivables are with financially sound entities.

The totals for each category of financial instruments, measured in accordance with AASB139 as detailed in the accounting policies to these financial statements, are as follows:

13 FINANCIAL INSTRUMENTS (CONTINUED)

2018	Note	Weighted average interest Rate	Floating interest rate $	Non-interest bearing $	Total $
Financial Assets					
Cash and cash equivalents		1.90%	5,817,727	765,953	6,583,680
Receivables	4	n/a	-	639,580	639,580
Total financial assets			5,817,727	1,405,533	7,223,260
Financial Liabilities					
Trade and other payables	8	n/a	-	4,734,467	4,734,467
Total financial liabilities			-	4,734,467	4,734,467
Net financial assets			5,817,727	(3,328,934)	2,488,793

2017	Note	Weighted average interest Rate	Floating interest rate $	Non-interest bearing $	Total $
Financial Assets					
Cash and cash equivalents		1.40%	213,954	1,633,740	1,847,694
Receivables	4	n/a	-	316,974	316,974
Available-for-sale financial assets	6	n/a	-	187,500	187,500
Total financial assets			213,954	2,138,214	2,352,168
Financial Liabilities					
Trade and other payables	8	n/a	-	739,646	739,646
Total financial liabilities			-	739,646	739,646
Net financial assets			213,954	1,398,568	1,612,522

13 FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Sensitivity Analysis

Interest rate risk arises on financial assets with variable rates - primarily bank balances.

At June 30, 2018, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

Changes in profit and equity	$
Increase in interest rate by 1%	6,584
Decrease in interest rate by 1%	(6,584)

Currency risk

The Group is exposed to currency risk on bank accounts held by the Company that are denominated in a currency other than Australian dollars, being United States Dollars (USD) and Canadian Dollars (CAD). The Group is also exposed to currency risk on payables that are denominated in a currency other than Australian dollars, being USD, CAD and Korean Won (KRW), the latter being the functional currencies of the Group's subsidiary entities. During the year ended June 30, 2018, approximately 68% of the Group's purchases were in foreign currencies, being 23% in USD, 69% in CAD and 8% in KRW.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows, raising capital via share placements or other financing instruments when cash reserves need replenishing and matching the maturity profiles of financial assets and liabilities.

A sensitivity analysis based on the trade payables as at June 30, 2018 with currencies other than Australian dollars is provided:

	Amount $	Exchange rate June 30, 2018	AUD Equivalent $	10% Unfavourable Movement $
USD	$ 441,154	$ 1.352900	$ 596,837	$ 656,521
CAD	1,060,286	1.027400	1,089,338	1,198,272
KRW	11,930,353	0.001215	14,495	15,945
Total	-	-	1,700,670	1,870,738
Reduction in earnings	$ -	$ -	$ -	$ 170,068

The Group did not hedge any of its foreign currency exposure at June 30, 2018.

13 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair Value Measurement

One of the Group's financial assets was measured at fair value on a recurring basis at the end of each reporting period until it was disposed on 31 March, 2018. The financial asset, being an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument, was recognised at fair value and there were no transaction costs. The following table and footnotes gives information about how the fair value of this financial asset was determined, in particular the valuation technique and inputs used.

Financial asset / liability	At	Fair value	Fair value hierarchy [1]	Valuation technique [2]	Significant unobservable inputs
Private equity investment – 18.75% shareholding in North West Nickel Pty Ltd	30 June 2017	187,500	Level 2	Market	-
Private equity investment – 18.75% shareholding in North West Nickel Pty Ltd	30 June 2018	-			-

[1] Fair Value Hierarchy

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that is an input that is significant to the measurement can be categorised into as follows:

Level 1: Measurements based on quoted prices in active markets for identical assets that the entity can access at the measurement date.

Level 2: Measurements based on inputs other than the quoted prices included in Level 1, but that are observable for the asset, either directly or indirectly.

Level 3: Measurements based on unobservable inputs for the asset or liability.

The Group's management considers that the inputs used for the fair value measurement are Level 2 inputs. There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period.

[2] Valuation techniques

AASB 13 requires the valuation technique used to be consistent with one of the following valuation approaches:

Market approach: techniques that use prices and other information generated by market transactions for identical or similar assets.
Income approach: techniques that convert future cashflows or income and expenses into a single discounted present value;
Cost approach: techniques that reflect the current replacement cost of an asset at its current service capacity.

The Group's management has adopted the market approach to measure the fair value of its available-for-sale investment in private company shares.

Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities approximate their fair values, given the short time frames to maturity.

14 COMMITMENTS

The Company executed an agreement during the prior period to pay USD$4 million to an unrelated party for a 20 year cancelable lease of the Panamint Valley project in California. Annual lease payments of USD$0.2 million and work commitments of USD $0.3 million are required. The lease is cancelable at any time by the Company, provided lease and work commitment payments are up to date. The Company has a purchase option under the lease to acquire the exploration rights for USD$4 million less cumulative lease payments made.

At balance date, the Company has obligations to spend a minimum of $15.1 million (2017: $14.5 million) on exploration in a substantial number of acquired exploration and evaluation tenements. These obligations may be varied from time to time in accordance with the tenement terms.

Property Commitment Summary	2019 $	2020 $	2021 $	2022 $	2023 $	Total
Property Work Commitments	2,584,280	2,130,170	2,438,390	270,580	270,580	7,694,000
Property Payment Commitments	1,375,040	743,180	527,430	270,580	270,580	3,186,810
Advance Minimum Royalties	20,550	46,230	56,510	56,510	56,510	236,310
Other Property Payments	875,540	840,030	891,400	685,920	685,920	3,978,810
Total property commitment	4,855,410	3,759,610	3,913,730	1,283,590	1,283,590	15,095,930

The Company has a contingent obligation to issue 1 million ordinary shares at USD $2.00 per share to Weston Energy, LLC in respect of $2,662,400 (USD$2 million) of funding received in May 2018 from Weston as a contribution by Weston to the lithium drilling program in Panamint Valley, California, USA in fiscal year 2018 and 2019. The shares will become issuable to Weston if the result of the completed drilling program is deemed successful by the parties and the Company chooses to pursue a joint venture with a third party for further exploration and development activity in Panamint Valley.

Operating Lease Commitments	2018 $	2017 $
Non-cancelable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
Not later than 12 months	94,600	113,520
Between 12 months and 5 years	-	94,600
Total	94,600	208,120

15 OPERATING SEGMENTS

The Company is organized into three operating segments, being the exploration and evaluation of early stage cobalt, lithium and graphite resources. This is based on the internal reports that are reviewed and used by the Board of Directors, who are identified as the Chief Operating Decision Makers ("CODM") in assessing performance and in determining the allocation of resources.

The following table presents loss information and certain asset and liability information regarding operating segments for the period ended June 30, 2017 and June 30, 2018.

	Cobalt $	Lithium $	Graphite / Other $	Corporate $	Total $
As at June 30, 2017					
Loss before taxes	-	-	-	(2,235,473)	(2,235,473)
Segment assets	5,029,002	1,884,327	1,592,875	-	8,506,204
Segment liabilities	382,079	320,944	28,744	7,879	739,646
As at June 30, 2018					
Loss before taxes	-	-	-	(6,705,770)	(6,705,770)
Segment assets	13,847,972	4,785,455	2,575,533	-	21,208,960
Segment liabilities	1,089,338	596,837	14,495	3,033,797	4,734,467
CAPITAL EXPENDITURE					
Exploration and evaluation	5,029,002	1,884,327	1,592,875	-	8,506,204
Equipment	-	-	4,557	3,233	7,790
Investment in shares	-	-	-	187,500	187,500
As at June 30, 2017	5,029,002	1,884,327	1,597,432	190,733	8,701,494
Exploration and evaluation	8,818,970	2,901,128	982,658	-	12,702,756
Equipment	-	-	21,937	16,634	38,571
Investment in shares	-	-	-	(187,500)	(187,500)
As at June 30, 2018	13,847,972	4,785,455	2,602,027	19,867	21,255,321

16 DIVIDENDS

No dividends have been declared or paid during the current period.

17 CASH FLOW INFORMATION

Reconciliation of Cash Flows from Operations with Loss from ordinary activities after Income Tax	**2018 $**	**2017 $**
Loss after income tax	(6,705,770)	(2,235,472)
Add: non-cash items		
Depreciation	14,323	-
Director fees	167,790	-
Finance costs	657,604	-
Foreign exchange loss	151,939	59,481
Impairment of exploration and evaluation asset	22,892	-
Management fees	1,725,945	-
Settlement disposals	187,500	-
Total non-cash items	2,927,993	59,481
Change in assets and liabilities:		
(Increase) in receivables	(322,606)	(316,974)
(Increase) in prepayments	(78,961)	(20,967)
(Decrease)/Increase in payables	(89,890)	14,863
Net cashflows used in operating activities	(4,269,234)	(2,499,069)

	2018 $	**2017 $**
Non-cash investing and financing activities		
Conversion of convertible notes into ordinary issued shares	2,968,000	-
Ordinary shares issued under share based payments arrangements for acquisition of assets (refer to Note 23)	5,398,614	1,664,440
Total non-cash investing and financing activities	8,366,614	1,664,440

Changes in liabilities arising from financing activities	**Convertible notes $**	**Deferred reimbursed exploration expenditure $**	**Total $**
Balance at 30 June 2017	-	-	-
Net cash from/(used in) financing activities	2,800,000	2,662,400	5,462,400
Other changes	(2,800,000)	-	(2,800,000)
Balance at 30 June 2018	-	2,662,400	2,662,400

18 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Parent Entity

Battery Mineral Resources Limited is an Australian unlisted public company.

Name of Controlled Entities	Principal Activity	Country of Incorporation	Proportion of Ownership Interest and Voting Power Held	
			June 30, 2018	June 30, 2017
			%	%
Battery Mineral Resources Limited	Intermediate Holding Company	Canada	100	-
Battery Mineral Resources (Ontario), Inc.	Resource Exploration	Canada	100	-
North American Cobalt Inc.	Resource Exploration	USA	100	100
Battery Mineral Resources (Nevada), Inc.	Resource Exploration	USA	100	-
Battery Mineral Resources (California), Inc.	Resource Exploration	USA	100	-
Opirus Minerals Group Pty Ltd	Intermediate Holding Company	Australia	100	100
Won Kwang Mines Inc.	Resource Exploration	South Korea	100	100

Subsidiary companies were incorporated in the year for nominal consideration. All subsidiaries have share capital consisting solely of ordinary shares held directly by the group. All subsidiary financial statements used in the preparation of the consolidated financial statements use the same reporting date and accounting policies. There are no signification restrictions over the group's ability to access the assets or settle the liabilities of group entities.

19 PARENT ENTITY DISCLOSURE

	2018 $	2017 $
Financial Position		
Assets		
Current assets	8,135,672	2,185,635
Non-current assets	21,529,865	8,701,494
Total Assets	29,665,537	10,887,129
Liabilities		
Current liabilities	4,719,972	739,646
Total Liabilities	4,719,972	739,646
Equity		
Issued capital	33,886,807	12,382,956
Accumulated losses	(8,941,242)	(2,235,473)
Total Equity	24,945,565	10,147,483
Financial Performance		
Loss for the year	(6,705,770)	(2,235,473)
Other comprehensive income	-	-
Total comprehensive loss for the year	(6,705,770)	(2,235,473)

20 REMUNERATION OF AUDITORS

	2018 $	2017 $
Remuneration of auditor and related or affiliated entities		
Audit and review of financial reports:		
Australia statutory auditor	62,000	20,000
Canada statutory auditor	15,000	-
Total audit and review of financial reports	77,000	20,000
Other services:		
Share registry	78,000	18,508
Other	57,700	17,015
Total other services	135,700	35,523
Total audit and other services	212,700	55,523

21 CONTINGENT LIABILITIES

In respect of a number of exploration and evaluation tenements acquired, the Company is obligated to pay to the vendors a net smelting royalty ("NSR") of between 1-3% depending on the agreement. The NSR will commence upon extraction of minerals for sale.

In addition, a US company has continued legal proceedings against the Company in respect of 111 disputed claims staked in Idaho, USA. The Company is defending this action and the Directors expect the Company will be successful.

Other than as disclosed above, there are no contingent liabilities of the Company known to the Directors at the date of signing of this financial report.

22 EVENTS SUBSEQUENT TO BALANCE DATE

On 22 May 2018 the Company entered into an early stage Process Facility and Cobalt Supply Agreement (the "Agreement") with ESI Energy Services Inc. ("ESI"). If the project proceeds, ESI would finance, build and operate a cobalt processing facility that would be supplied by feedstock material mined by the Company from its cobalt properties in Ontario.

The Company would earn an initial 35% interest in the processing facility and related assets once sufficient quantities of feedstock material have been delivered such that ESI achieves a one-time return of capital. The Company would earn a further 40% interest once ESI achieves a two-times return of capital. If the Company earns a cumulative 75% interest, the Company and ESI would establish a joint venture to assume responsibility for purchasing feedstock material from the Company, operating the process facility and marketing cobalt concentrate.

The Company would have a right of first refusal to purchase ESI's interest if ESI wishes to sell to a third party and an option to purchase ESI's remaining 25% interest after the joint venture is formed. The Agreement contains various default and termination events. Certain events (failure to raise required financing, commence design and procurement activities or advance construction by determined dates) would entitle the Company to terminate the Agreement and receive a CAD 20 million fee.

Subsequent to year end, the Company received a CAD 10 million payment from ESI for the right to participate in the project on 16 July 2018 and is non-refundable unless the Company does not use commercially reasonable efforts to advance the development of its Ontario cobalt mineral properties.

On 19 June, 2018, the Company lodged a Preliminary Prospectus with the Ontario Securities Commission ("OSC") for the purposes of an Initial Public Offering ("IPO") on the Toronto Stock Exchange ("TSX"). Subsequent to year end, the Company is working with the Ontario, Canada regulatory authorities to finalise the TSX listing process.

On 9 August 2018, after considering a report commissioned from an independent compensation consultant and data from other pertinent sources, the Board approved a Compensation Matrix which sets out compensation levels and benefits and short term and long term incentive compensation for Directors, other key management personnel and other executives. The Compensation Matrix sets out the future issue of a total of 4,130,000 LTIP securities (shares and options) to those personnel at the IPO share price and with specific vesting time periods of up to 3 years. The Board also approved a Long Term Incentive Plan ("LTIP") document. Both the Compensation Matrix and LTIP shall apply to the first year of the Company's listing on TSX.

Other than as set out above, no other events occurred subsequent to balance date up to the date of this report that might affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

23 SHARE BASED PAYMENT

During the year, the following shares were issued under share-based payment arrangements:

	2018 $	2017 $
Share remuneration issued to key management personnel and other employees	1,725,945	49,750
Share remuneration issued to directors	167,790	-
Share based payments issued to suppliers as payment for acquisition of mineral exploration rights and services received	5,398,614	1,664,440
Total share based payments	7,292,349	1,714,190

24 KEY MANAGEMENT PERSONNEL ("KMP") DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2018 $	2017 $
Short-term employee benefits	1,095,526	575,013
Post-employment benefits	18,050	-
Long-term benefits	-	-
Share-based payments	1,725,945	49,750
Total compensation	2,839,521	624,763

Short term employee benefits

These amounts include fees and benefits paid to non-executive directors as well as salary, paid leave benefits, fringe benefits and cash bonuses awarded to the executive Chairman, executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's costs of providing for superannuation contributions under the Australian Government's superannuation guarantee scheme or similar retirement benefits contributions mandated in foreign jurisdictions.

Other long term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share based payment expense

These amounts represent the expense related to the participation of specified executives in equity-settled benefit schemes as measured by the fair value of the shares granted on grant date.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED JUNE 30, 2018

In the opinion of the Directors of Battery Mineral Resources Limited:

(a) the financial statements and notes set out on pages 7 to 34, are in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial period ended on that date; and

ii) complying with Accounting Standards which as stated in accounting policy note 2 to the financial statements constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

(b) there are reasonable grounds to believe that the company and consolidated entity will be able to pay their debts as and when they become due and payable.

Signed at Sydney this 21st day of November 2018 in accordance with a resolution of the Board of Directors:

Gary Lewis

Executive Chairman

Nexia Australia

Independent Auditor's Report to the Members of Battery Mineral Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Battery Mineral Resources Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Battery Mineral Resources Limited Group as at 30 June 2018 and its financial performance and its cash flows for the financial period then ended in accordance with Australian Accounting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Independent Auditor's report to the Members of Battery Mineral Resources Limited (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
Future funding and going concern ***Refer to note 1 (Nature of Operations and Going Concern)*** As set out in the note, the 30 June 2018 the financial statements have been prepared on a going concern basis. The Company and the Group require further funds to meet existing levels of overheads, planned exploration expenditures and property payments in the next 12 months. The Company intends undertaking an IPO to fund planned activities, and a major shareholder has undertaken to provide financial support should necessary funds be delayed. This is a key audit matter as the availability of funding impacts the basis of preparation of the financial report, including the carrying value of assets and liabilities.	Our procedures included, amongst others: • We obtained the cash flow forecast prepared by management for the period to 30 November 2019, and checked the mathematical accuracy of the forecast. • We obtained evidence as to the reliability and completeness of management's assumptions in the forecast by comparing them to our understanding of the Group's future plans and operating conditions. • We obtained management's sensitivity analyses on the above forecast and obtained an understanding of the assumptions therein, and compared them to our understanding of the Group's future plans and operating conditions. • We obtained evidence as to the Company's plans for an IPO. • We obtained evidence as to the financial support undertaking provided by a major shareholder.

Independent Auditor's report to the Members of Battery Mineral Resources Limited (continued)

Carrying Value of Exploration and Evaluation Assets ***Refer to note 7 (Exploration and Evaluation Assets)*** As at 30 June 2018 the carrying value of exploration and evaluation assets is $21,208,960. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 3d. This is a key audit matter as this is a significant asset of the Group, and due to the fact that significant judgement is applied in determining whether the capitalized exploration and evaluation assets meet the recognition criteria set out in Australian Accounting Standard AASB 6 and International Accounting Standard IFRS 6.	Our procedures included, amongst others: • We obtained evidence as to whether the rights to tenure of the areas of interest remained current at balance date. • We obtained evidence of the future intention for the areas of interest, including reviewing future budgeted expenditure and related work programs. • We obtained an understanding of the status of ongoing exploration programs, for the areas of interest. • We obtained evidence as to the assumptions made by management in the determination of the recoverable value of the asset.
Share based payment transactions ***Refer to note 23 (Share Based Payments)*** During the year ended 30 June 2018 the Company completed a number of share based payment transactions to the value of $7,292,349 to settle acquisition of assets and services. The Group's accounting policy in respect of share based payments is outlined in Note 3d. This is a key audit matter due to the size and nature of the transactions as well as the significant level of judgement applied in determining the recognition and measurement of the transactions in accordance with Australian Accounting Standard AASB 2 and International Accounting Standard IFRS 2.	Our procedures included, amongst others: • We obtained evidence as to the terms and conditions of the share based payment transactions. • We obtained evidence as to the estimates and judgments made by management in determination of the value of the transactions and the value of the equity instruments issued. • We obtained evidence as to the judgements made by management in the recognition of the transactions.

Independent Auditor's report to the Members of Battery Mineral Resources Limited (continued)

Commitments	Our procedures included, amongst others:
Refer to note 14 (Commitments) As at 30 June 2018 the Group has commitments relating to exploration projects, including commercial arrangements for exploration work, and expenditure commitments in the next 5 years of $15,095,930. This is a key audit matter due to the size and nature of the transactions as well as the significant level of judgement applied in determining the recognition and measurement of the transactions in accordance with Australian Accounting Standard AASB 101 and International Accounting Standard IAS 1.	• We obtained evidence as to the terms and conditions of the various commitment arrangements. • We obtained evidence as to the judgements made by management in the recognition and measurement of the commitments.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. As set out in Note 2 in the financial report the financial statements also comply with International Financials Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report to the Members of Battery Mineral Resources Limited (continued)

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

Independent Auditor's report to the Members of Battery Mineral Resources Limited (continued)

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Nigel Bamford

N D Bamford
Director

Level 28, 10 Eagle Street
Brisbane, QLD, 4000

Date: 21 November 2018

EXHIBIT "F1"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF BATTERY MINERAL RESOURCES LIMITED FOR THE YEAR ENDED JUNE 30, 2019 AND 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

General

The purpose of this Management’s Discussion and Analysis (“**MD&A**”) is to provide readers with management’s overview of the past performance of, and future outlook for, Battery Mineral Resources Limited (“**Battery Limited**”). This MD&A also provides information to improve the reader's understanding of the Company's financial statements and related notes as well as important trends and risks affecting the Company’s financial performance, and should therefore be read in conjunction with the Company’s annual consolidated financial statements and notes for the years ended June 30, 2019 and 2018 (the “**Financial Statements**”).

The Annual Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee.

All dollar amounts contained in this Annual MD&A are expressed in Australian dollars and tabular amounts are expressed in thousands of Australian dollars, unless otherwise indicated.

Business Overview

The Company was incorporated on June 14, 2016 under the laws of Australia and is primarily engaged in the exploration, evaluation, and development of minerals critical to the rechargeable battery market and energy storage sector. Battery Limited has assembled a diversified portfolio of cobalt, lithium, and graphite projects in stable geo-political jurisdictions, designed to supply growing market demand and deliver maximum leverage to the sector. Upon successful delineation of mineral resources, Battery Limited intends to develop these projects and secure long-term strategic alliances with supply chain partners, battery manufacturers and other end users.

Battery Limited has acquired extensive landholdings of cobalt in Canada, controlling a total of 6,330 claims in Ontario (for 237,636 hectares) and 31 claims in Quebec (for 1,813 hectares). Battery Limited’s assets also include 9 leases for 659 hectares. registered in Ontario Battery Limited controls a significant land position of prospective ground that hosts several past producing Cobalt-silver mines and numerous cobalt and silver occurrences within the Cobalt Embayment District of Northeastern Ontario and Northwestern Quebec, Canada.

Battery Limited also has cobalt and lithium holdings in the USA, controlling approximately 1,248 mineral claims prospective for cobalt covering 96 km2 across multiple States in the western United States, and two lithium brine exploration targets in Nevada and California, holding more than 2,100 placer claims, covering more than 180 km2. In addition, Battery Limited owns a flake graphite project in South Korea.

Subsequent to year end, Battery Limited’s Board of Directors, pursuant to section 436A of the *Corporations Act* (Australia), placed Battery Limited into voluntary administration and a voluntary administrator was appointed for Battery Limited. On December 2, 2019, Battery Limited’s voluntary administrator completed a share sale agreement between Battery Mineral Resources Corporation ("**New Battery**"), a corporation incorporate under the laws of British Columbia, as purchaser and Weston LLC ("**Weston**") as guarantor, pursuant to which New Battery acquired 100% of the shares of all of the subsidiaries formerly held by Battery Limited for a total consideration of $11,261,537, which was satisfied by a cash payment of $1,597,807 and set off of the Bridge Loan (as defined below) of $9,663,730.

Corporate Activity

ESI Agreement

During the year ended June 30, 2019, Battery Limited entered into the ESI Agreement and received a $10,897,000 (CAD $10,000,000) non-refundable payment from ESI as an incentive to enter into a Process Facility and Cobalt Supply Agreement which is repayable if the ESI Agreement is terminated upon the occurrence of certain prescribed and limited circumstances. See "Risk Factors – Risks Related to the ESI Agreement" and "Related Party Transactions".

Bridge Loan

During the year ended June 30, 2019, Battery Limited entered into a $1,408,900 (USD $1,000,000) bridge loan with Weston (the "**Bridge Loan**"). The Bridge Loan accrues interest at 12% per annum and has a$140,890 (USD $100,000) finance fee that was due on April 24, 2019. On April 24, 2019, Weston increased and extended the Bridge Loan by $1,424,000 (US$1,000,000), which included an additional $284,800 (US$200,000) financing fee and was due payable as of July 24, 2019. As of June 30, 2019, Battery Limited has recorded $3,361,611, (US$2,380,795) relating to the Bridge Loan of which $2,832,900 (USD $2,000,000) relates to the principal portion of the Bridge Loan, $425,690 (USD $300,000) in accrued financing fees, $81,554 (USD $57,205) in accrued interest expense and $21,467 in unrealized foreign exchange loss. Battery Limited incurred legal fees of $106,486 in relation to the Bridge Loan.

Battery Limited pledged 100% of the equity of the wholly owned subsidiaries, North American Cobalt Inc. (Canada), and North American Cobalt, Inc. (USA) as collateral for the Bridge Loan, until such time as the Bridge Loan is paid back in full or restructured as agreed upon by both parties.

Subsequent to June 30, 2019, Battery Limited received an increase and extension on the Bridge Loan by an additional US$3,500,000, with an additional financing fee of US$500,000. As of October 31, 2019, The Bridge loan totaled $9,663,730 (USD $6,565,315), which includes cumulative principal, financing fees and accrued interest.

Acquisition of the Geuman and Taehwa Graphite Project

There were no revenue, profit or loss amounts of Opirus since the acquisition date included in the consolidated statement of comprehensive income for the reporting period as Opirus derived no revenue and all expenditures incurred have been capitalised in the Geuman and Taehwa Graphite Project. For the same reason, the revenue and profit or loss of the combined entity for the current reporting period would be unchanged if the acquisition date had been the beginning of the reporting period.

Gowganda Property Acquisition

On March 2nd, 2019 (the "**Effective Date**"), Battery Limited entered into a joint venture agreement with Transition Metals Corp. in respect of the Gowganda gold and cobalt property. Under the joint venture agreement, Battery Limited has the right to earn and buy up to 60% interest in the property by making option payments of:

- CAD$100,000 within ten (10) Business Days of the execution of the Agreement (paid);
- CAD$100,000 on or before December 19, 2019 (paid by New Battery);
- CAD$150,000 on or before the 2nd anniversary of the Effective Date; and
- CAD$250,000 on or before the 3rd anniversary of the Effective Date.

Battery Limited further committed to the following work expenditures on the properties:

- CAD$400,000 on or before September 2nd, 2020, of which no less than 25% must be gold expenditures;
- CAD$1,000,000 on or before the 2nd anniversary of the Effective Date, of which no less than 25% must be gold expenditures; and
- CAD$2,000,000 on or before the 3rd anniversary of the Effective Date, of which no less than 25% must be gold expenditures.

Battery Limited has the right to acquire an additional 20% interest in the property through completion of a feasibility study within three years of exercising the option to acquire a 60% interest.

Additionally, Transition Metals Corp. retains a 2% NSR; subject to the right of Battery Limited to repurchase 1% for CAD$1,000,000.

Exploration Activities

Cobalt District Exploration Project

McAra Property

The McAra property is located in Dufferin, Leckie, Leith, Leonard, North Williams and Ray Townships in Northeastern Ontario, Canada, is about 100 km north of Sudbury and 30 km southeast of Shining Tree Village.. McAra comprises of 1,232 cell claims and 1 mining lease covering 49,887 ha (499 km^2) in one contiguous block.

In August 2018, a 3D Distributed Array Induced Polarization survey (1.95 sq. km / 14.9 line-km) was undertaken centred over the cobalt zone at McAra. This survey was designed to test the extent of the known mineralization and to perform a reconnaissance of the potential mineralization within the underlying geology. The survey highlighted and defined the mineralized zone that had been previously explored. The survey also indicated a possible continuation northward of the mineralized system beyond the dike that was previously thought to truncate it. The survey also indicated the existence of two similar anomalies paralleling and flanking the main mineralized zone.

In September 2018, the 3D Distributed Array Induced Polarization survey crew completed a 19.6 line-km / 1.96 sq. km survey over the Kite Lake Airborne EM target located about 5km northwest of the Cobalt Zone on the McAra propertyt. The 3D IP survey highlighted and defined a strong chargeability high that is coincident with a resistivity low in the center of the survey area

In October 2018, five days were spent at the Cobalt Zone on the McAra Project stripping, washing, and sampling the historical McAra trench. The increased surface exposure allowed for additional sampling and geological interpretation.

In mid-November 2018, Dr. E. Lebrun of SRK Consulting conducted a brief site visit to the Cobalt Zone on the McAra Property exposure to evaluate the structural geological controls on cobalt mineralization, to support exploration targeting and future drill program planning. SRK's visit also included the targeted logging of selected intervals from 8 diamond drill holes in and out of cobalt-rich zones. These drill holes were selected based on their intersection with the main cobalt vein, the southeastern cobalt zone, or other relevant structural features (e.g. inferred faulted contacts).

A winter geophysical program commenced in December 2018 and was concluded in April 2019. Three 3D Distributed Array Induced Polarization surveys were completed targeting the SK2-EM (1.62 sq. km / 13.95 line-km), SK4-EM (1.68 sq. km / 13.86 line-km) and McAra South (1.68 sq. km / 14.15 line-km) Targets. The SK2 survey was designed to investigate a part of the project area for mineralized systems based on an airborne EM target. This survey highlighted three narrow, short, and linear chargeability, and low resistivity anomalies. The SK4 survey was designed to better resolve the airborne EM high conductive target and successfully delineated the low resistivity signature known as SK4.

A winter diamond drilling program at the Cobalt Zone – McAra Property commenced on January 13 and concluded on February 27, 2019. A total of 21 holes totaling 4,398m of infill and extensional drilling was completed. A total of 2,376 samples were submitted for multi-element geochemical analysis. This drilling targeted extensions of the mineralization to the west and south as well as to test several strong IP Chargeability anomalies situated southwest, southeast, and east of the Main Zone. The 2019 drilling failed to add significant extensions to known mineralization. but succeeded in acquiring structural data from oriented core that will better define the geometry of the known cobalt resource for potential future development.

SRK has been engaged to complete detailed structural geology study for the Cobalt Zone - McAra Property. A desk-top compilation of current and historical exploration data for the McAra Block is in progress as part of a property-wide targeting exercise. Winter drilling is planned to test the Kite Lake and SK2-EM Targets.

Gowganda Property

The Gowganda Property located in Chown, Corkill, Haultain, Knight, Lawson, Milner, Nicol, and Van Hise Townships of Northeastern Ontario, is about 125 km northeast of Sudbury and 35 km west of the town of Elk Lake. The property hosts 3 past producing cobalt-silver mines and numerous cobalt occurrences hosted within favourable targeted geology. The Gowganda tenement area comprises 1,509 cell claims and 4 mining leases covering 49,896.3ha (499km^2) of mining claims and mining leases in three main blocks and several scattered claims.

In August 2018, Battery Limited commissioned HydroProc Consultants to evaluate the potential to recover cobalt from the tailings, based on production records and a selection of historical work. HydroProc concluded that the tailings do not contain concentrations of cobalt in recoverable quantities (approximately 0.01% to 0.02% cobalt);

In September 2018, Battery Limited drilled 103 holes of Rotasonic drilling, for a total of 788.8 metres.. The drilling was conducted on a 50-metre × 50-metre grid with 25-metre × 25-metre infill sites. All holes were drilled vertically from surface to the base of the tailings, often finishing in the underlying original organic lake sediment layer.

Between October and early November 2018, mechanical stripping of the Capitol Mine Kilpatrick Vein area followed by washing and channel sampling was conducted focusing on the area southeast of Capitol Shaft that had been rehabilitated.. A total of 27 channel samples were taken in 7 separate channels, with each sample measuring approximately 0.5m. Six of the channels were to test the vein for mineralization, as well as for potential disseminated mineralization in the host sediments surrounding the vein. In addition, one 0.5m channel sample was taken to help determine if it could provide a vector to mineralization. Five grab samples were also collected.

In December 2018, a 3D Distributed Array Induced Polarization survey (1.80 sq. km / 14.8 line-km was undertaken centred over the Kilpatrick Vein Target. The survey highlighted multiple features.

In March 2019, a diamond drill program (15 drill holes / 960m) was conducted to determine the depth and lateral continuity of the north-south-trending Kilpatrick Vein system exposed at surface. The drilling spanned approximately 200m of strike length. Most holes were drilled towards the east to depths between 200m and 250m. A total of 494 samples were submitted for multi-element geochemical analysis. Two holes, GKP001 and GKP010, intercepted thin yet strongly mineralized cobalt veins (cobalt >1%). Holes GKP002, GKP013, and GKP014 intercepted zones of anomalous cobalt grades (> 200 ppm cobalt).

SRK was engaged to review the structural controls on the Transition JV Gold Target as part of the preparation for a winter drill program. A comprehensive re-logging of the historic holes drilled on the Transition Gold Target will be completed prior to winter drill hole planning. Prospecting geological mapping and rock sampling is planned for the Transition JV Gold Target, Cobalt Nugget and Big Four Targets. Drilling is planned to follow-up the Kilpatrick Vein Zone and the Transition Metals JV Gold Target.

Shining Tree

The Shining Tree property situated in Leonard and Tyrrell Townships of Northeastern Ontario, about 112 km north of Sudbury and 23 km west-southwest of Gowganda Village. The Shining Tree property was identified from historical cobalt occurrences and favourable host rock geology. Shining Tree comprises of 143 cell claims covering 5,272ha (52.7km^2) in one contiguous block.

From July 2 to August 17, 2018, Battery Limited geologists prospected some of the known mineral occurrences, AMIS features, electromagnetic anomalies, and geological areas of interest. This work located cobalt occurrences, ground truth geophysical features, and verified the regional geological maps.

In the winter of 2019 three 3D Distributed Array Induced Polarization surveys were completed over the eastern portion of the Shining Tree Block. Areological mapping, prospecting and rock sampling is planned to ground truth the 3D-IP anomalies in the East Shining Tree Area and 2020 winter drill program is planned.

Fabre Property

The Fabre Property located in Témiscamingue Township in Northwestern Quebec, Canada, is about 150 km northeast of Sudbury, Ontario, 30 km southeast of Cobalt Ontario and centred around Fabre Village. The Fabre property comprises of 31 unpatented mining claims covering 1,813 ha (18.1 km^2) in one semi-contiguous block all acquired through (1) purchase option agreement.

In July 2019, a 3D Distributed Array Induced Polarization survey was conducted at Fabre East (2.51 sq. km / 12.15 line-km).In the winter of 2019 Diamond drilling (28 holes/ 3,754m) was undertaken at the Fabre East Target and Fabre West Target. At Fabre East, a total of 10 drill holes (837 metres) from nine locations. The drilling was designed to test immediate extensions of old workings and adjacent vertical & strike extent of mineralization. This well-defined target area is underlain by an east-west striking contact zone between Archean mafic metavolcanics and metasedimentary rocks and the younger, often massive, Nipissing diabase sill. None of the 2019 Fabre East drill holes yielded any significant cobalt or silver assays. No further exploration work is planned at Fabre East.

At Fabre West, a total of 18 drill holes (2,917m) on 13 drill pads were completed in the winter of 2019. Drilling spanned a strike length of approximately 600m; most of the holes were drilled towards the southeast.

Fabre West drilling returned anomalous cobalt, copper, and zinc values over narrow widths. The best intersection was in hole FAW19004; 3.23m at 2,490ppm Ag & 1,511ppm Co hosted in brecciated mafic rocks, close to the unconformity. Other significant intercepts included; FAW19001: 21.12m at 137ppm Ag; FAW19002: 10.78m at 10.11ppm Ag; FAW19007: 2.4m at 34.09ppm Ag; FAW19010: 2.0m at 25.13 from 11.0m & 0.5m at 334ppm Co from 88.0m as well as 0.5m at 334ppm from 88.0m;FAW19011: 4m at 191.21ppm Ag from 4.0m and 1.51m at 432ppm Co.

A follow-up detailed 3D Distributed Array Induced Polarization survey is planned to cover the areas south and west of the 2019 Fabre West drilling to better define two parallel southwest- northeast striking chargeability anomalies detected in the 2018 3D-IP survey. Follow-up drilling is dependent on the results of the 3D-IP survey.

Elk Lake Property

The Elk Lake property located in Barber, Farr, James, Mickle, Smyth, Truax, Tudhope and Willet Townships in Northeastern Ontario, is about 135 km north-northeast of Sudbury, 35 km east of Gowganda and centred on the town of Elk Lake. Elk Lake comprises 1,221 cell claims covering 41,804ha (418.0 km^2) of contiguous mining claims, apart from one small claim block.

In the spring - summer of 2018, several large forest fires resulted in significant regional travel restrictions. Battery Limited's field crews were repositioned to Elk Lake and conducted a series of mapping, prospecting, and sampling traverses.. A total of 73 geological mapping, sampling and prospecting traverses were completed for 311.2 line-km and 49 samples were collected and submitted for geochemical analysis. As a follow-up to the airborne geophysical surveys, several grid- based ground Magnetics; and a more focused 2D Induced Polarization Roy Target (16.9 line-km) survey were also completed.

In November – December 2018, a 14 hole / 2,353.0m Diamond drill program was completed on the Roy JV Property located in the northwestern corner of the Elk Lake Block. The drilling focused on the 3 historic workings: the Roy, the Little Otisse, and the Sterling as well as several High Chargeability 2D-IP responses. A total of 1,011 drill core samples were collected and submitted for multi- element geochemical analysis. Three weakly anomalous cobalt intercepts were reported and three significant structures were confirmed. No follow-up drilling is planned.

White Lake Property

The White Lake property located in Browning, Dufferin, Leask, Stull, and Unwin Townships of Northeastern Ontario, is about 85 km north of Sudbury and about 30 km east southeast of Morin Village. The White Lake property was identified from historical cobalt occurrences and targeted bedrock geology. The White Lake property comprises of 538 cell claims covering 21,533 hectares (215.3 km^2) in one contiguous block. The property is composed of staked claims and claims acquired through three (3) purchase agreements.

A total of 14 geological mapping, sampling and prospecting traverses were completed for 79.8 line-km and 13 samples were collected and submitted for geochemical analysis. No ground geophysical surveys have been conducted to date.

White Reserve Property

The White Reserve property located in Banks, Barber, Speight, Van Nostrand and Whitson Townships of Northeastern Ontario, Canada, is about 120 km northeast of Sudbury and 30 km south of the town of Elk Lake. T. White Reserve comprises of 619 cell claims covering 25,952ha (117.6 km^2) in one contiguous block.

A total of 8 geological mapping, sampling and prospecting traverses were completed for 27.8 line-km and 10 samples were collected and submitted for geochemical analysis. Five days were spent prospecting locating and sampling historical workings at the White Reserve Mine, the Darby, the Lynch and the Taylor Showing; and ground-truthing features outlined by the LiDAR survey.

A winter 3D Distributed Array Induced Polarization survey centred over the White Reserve Mine workings is planned.

Wilder Property

The Wilder property located in Brewster, Charters, Corkill, Donovan, Leith and Ray Townships of Northeastern Ontario, Canada, is about 100 km north of Sudbury and 40 km southwest of the town of Elk Lake. The Wilder Property comprises of 1,068 cell claims and 4 mineral leases covering 49,931.91ha (439.3 km^2) in a contiguous block.

A total of 6 geological mapping, sampling and prospecting traverses were completed for 32.0 line-km and 15 samples were collected and submitted for geochemical analysis.

In October 2018, two 3D Distributed Array Induced Polarization (3D IP) surveys were undertaken focused over the Wilder and Thompson workings. A total of 20.2 line-km of grid was surveyed. The Wilder 3D IP survey highlighted multiple features including a shallow chargeable anomaly with low resistivity consistent with the silver mineralization of the region. A deeper north-south chargeability and low resistivity trend also emerged in the data.

Iron Mask Property

The Iron Mask property located in Ermatinger, Hart and Moncrieff Townships of Northeastern Ontario, is about 50 km northwest of Sudbury and 6 km west of the village of Cartier. Iron Mask comprises 911 cell claims and 3 mining leases covering 20,157.2ha (201.6km2) of contiguous mining claims and mining leases.

In the spring of 2018, Battery Limited completed a 6,268m (25 drill hole) Diamond Core Drill Program. The drilling targeted the known cobalt workings at Cobalt Shaft and Magnetite Shaft. No significant cobalt mineralization was reported from any of the drill core sampling.

In mid-2018, five trenches were excavated at Iron Mask - North. From the northeast. Detailed mapping and sampling of the trenches was completed in August 2018. Sixty-one, one-meter to two-meter channel samples were cut and collected from the trenches and sent for geochemical analysis.

In August 2018, a 5-day 3D Distributed Array Induced Polarization (3D-IP) survey was completed centred over the Cobalt Shaft Target at Iron Mask North. A total of 5.95 line-km of grid was surveyed. The objective of the 3D IP survey was to detail the subsurface chargeability and resistivity in 3 dimensions.

In September 2018, a limited program of geological mapping, sampling, and prospecting was undertaken at Iron Mask South – Cobra Target.

Lastly, a total of 6 diamond drill-holes were drill between March 12 and Match 22, 2019, totaling 553m

The drilling assays yielded no significant cobalt values with a peak vale of 162.5ppm Co. No further work is planned.

Island 27 Property

The Island 27 Property located in Burt, Flavelle and Holmes Townships of Northeastern Ontario, is about 100 km north of Sudbury and 24 km west of Kirkland Lake, Ontario. The Island 27 property comprises of 233 cell claims covering 5,028.7ha ($50.3km^2$) in one block (with two internal holes) and three individual peripheral claims and is in a single option and joint venture agreement.

In the Spring of 2008, diamond drilling (4 holes / 489m) conducted by Golden Valley Mines Ltd. tested four priority 2D IP anomalies. All drill holes intersected significant sulphide mineralization that could explain the causative source of the induce polarization (IP) anomaly. A twelve (12) hole / 2,119.5m Diamond drill program was also completed on the property.

Following completion of the diamond drill hole database, 3D modeling and a proposed follow-up drill program, a structural geological review was undertaken on the historical and 2018 drill core.

On May 8, 2019, Battery Limited formally terminated its interest in the Island 27 Property.

Yarrow Property

The Yarrow Property located in Yarrow Township of Northeastern Ontario, Canada, is about 235 kilometres north-northwest of Sudbury and 10 km south-southwest of the town of Matachewan. Yarrow comprises of 27 cell claims covering1,018.1ha ($10.2km^2$) in a contiguous block of cell claims. In the year ended June 30, 2019, no field work was undertaken and none is planned.

United States Cobalt Activities

The Battery Limited holds unpatented load and placer claims in Idaho, Washington, Montana, and has staked new claims in Oregon and Colorado during this period. All claims were staked or acquired based on historic cobalt occurrences or favorable geology. During this period, Battery Limited conducted ground-based induced-polarization geophysical surveys, aerial magnetics and radiometric surveys were performed. Field crews performed a widespread soil sampling campaign, and detailed channel sampling.

New work by Battery Limited included the staking of lode claims in central Oregon and central Colorado based on historical cobalt occurrences. Gridded soils were collected at all the new project sites and assayed for copper and cobalt, and rock samples were collected from select locations. Several lines of ground-based induced polarization geophysics were performed at select targets in Colorado and Idaho; helicopter-based magnetics and radiometric were performed on two targets in Idaho.

The Battery Limited continues to evaluate other potential cobalt targets in the United States, and will pursue staking, acquisition, or other arrangements as appropriate.

Lithium

At the Panamint Valley lithium brine target, located in Inyo County, California, Battery Limited conducted 21000-line meters of MT survey in 4 E-W lines at Panamint Valley from June 28th to July 15th. The results were extremely positive and showed very low resistivity brine to a depth of 2,500 to 5,000 feet under virtually the entire area surveyed.

The Battery Limited continued drilling the lithium target at Panamint Valley however drilling conditions were difficult. Additional drill holes are planned to the center portion (+7 kilometres north) and northern portion (+15 kilometres north) of the current drill holes. The staked and leased area associated with the Panamint Valley lithium brine target covers more than 140 km^2.

At the Amargosa Valley lithium brine target, located in Nye County, Nevada, Battery Limited conducted a 11800 line-m MT survey. The results showed a very large deep low resistivity signature in the southwest part of the valley which has been interpreted a potential geothermal system.

The Battery Limited continues to evaluate other potential lithium targets, and will pursue staking, acquisition, or other arrangements as appropriate.

Graphite

During this period, Battery Limited conducted an EM geophysical survey to estimate the extension of graphite mineralization to the very Northeast and Southwest of the Geuman property. The EM geophysical survey covered 12.46 kilometres in total length along the Northern and Sothern creeks.

Additionally, Battery Limited completed the second phase of a 37 drill hole program in the Geuman graphite property in South Korea in April.. The two-phase drilling program totaled 37 drill holes for 3,173.3 metres, with drill holes ranging from 40 m to 144 m, and at an average depth of 85 m..

No work was conducted on the Taehwa property during this period.

Results of Operations

The following table provides a summary of the financial results of Battery Limited for the year ended June 30, 2019 and 2018. Tabular amounts are in Australian dollars, except share and per share amounts.

		Year Ended				
		June 30, 2019[3]		**June 30, 2018[2]**		**June 30, 2017[1]**
General and administrative	**$**	**4,312,952**	$	5,739,629	$	2,187,724
Operating loss		**(4,312,952)**		(5,739,629)		(2,187,724)
Interest income		**27,307**		43,280		11,733
Impairment of mineral properties related to voluntary administration [3]		**(13,793,476)**		(187,500)		-
Impairment of investment in mineral properties		**(5,818,459)**		(12,378)		-
Foreign exchange		**(448,225)**		(151,939)		(59,481)
Finance cost on bridge loan		**(613,730)**		-		-
Finders fee advance		**(307,620)**		-		-
Interest expense		**(3,952)**				
Finance cost on convertible notes		-		(657,604)		-
Gain on forgiveness of debt		**105,620**		-		-
Income (loss) before income taxes		**(25,165,487)**		(6,705,770)		(2,235,472)
Deferred income tax recovery		-		-		-
Net loss for the year	**$**	**(25,165,487)**	$	(6,705,770)	$	(2,235,472)
Loss per share attributable to owners of the Company						
Net loss per share (basic and diluted)	**$**	**(0.22)**	$	(0.07)	$	(0.06)
Weighted average number of Ordinary Shares outstanding		**114,232,987**		94,191,977		37,408,108
Cash and cash equivalents	**$**	**35,366**	$	6,583,680	$	1,847,694
Total assets	**$**	**20,792,791**	$	29,680,032	$	10,887,129
Current liabilities	**$**	**7,363,020**	$	4,734,467	$	739,646

Notes:

(1) Net loss for the year represents $2.1 million loss relating to corporate and general administrative costs.
(2) Net loss for the year represents $5.7 million loss relating to corporate and general administrative costs.
(3) Net loss for the year represents $4.3 million loss relating to corporate and general administrative costs

Cash and cash equivalents

At June 30, 2019, cash and cash equivalents totaled $35,366 (2018 - $6,583,680). The Battery Limited's cash and cash equivalents at June 30, 2019 includes $166 (2018 - $5,817,726) denominated in United States dollars, $19,345 (2018 - $88,969) denominated in Canadian dollars, $15,855 (2018 - $676,985) in Australian dollars. Cash and cash equivalents decreased by $6.5 million during the year ended June 30, 2019. . The Company's cash flows from operating, investing, and financing activities during year are summarized as follows: cash flows from financing activities of $12.9 million offset by: cash used in investing activities of $15.7 million; and cash used in operating activities of $3.9 million.

Receivables

Receivables at June 30, 2019 relates to tax receivables relating to income tax credits in both Canada and Australia. Included in the receivables balance is a $53,840 (2018 - $205,906) GST receivable from the Australian Tax Office, A$201,020 (2018 - $433,674) HST receivable from the Canadian Revenue Agency, a $183 VAT receivable from South Korea National Tax Service, and a $205,453 Quebec refundable mining tax credit.

Prepaid expenses

At as June 30, 2019, prepaid expenses and other assets totaled $231,213 (2018 - $1,201,451). Prepaid expenses relate to contract deposits on Battery Limited's Canadian exploration assets.

Exploration Expenditures

Mining claims and deferred exploration costs represent costs pertaining to Battery Limited's various cobalt, lithium and graphite projects.

As of June 30, 2019, Battery Limited incurred $28,518,378 (2018 - $13,847,972) acquisition and exploration on Battery Limited's various cobalt properties. The expenditures consisted of $ 10,898,311 (2018 - $4,163,498) related to acquisition costs, claiming and staking, $4,921,014 (2018 - $1,646,172) for Geophysics and Mapping, $4,529,954 (2018 - $2,164,570) for drilling and $8,169,099 (2018 - $5,873,732) related to other exploration activities, including assaying, environmental, and government land payments on the various cobalt properties. The Battery Limited impaired $11,643,614 of the exploration and evaluation assets for the year ending June 30, 2019, of which, $5,825,155 is due to the voluntary administration process.

As of June 30, 2019, Battery Limited incurred $6,787,798 (2018 - $4,785,455) acquisition and exploration on Battery Limited's lithium projects. The expenditures consisted of $4,116,690 (2018 - $3,276,473) relating to acquisition costs, claiming, and staking, $391,016 (2018 - $122,518) for geophysics and mapping, $577,639 (2018 - $276,810) for drilling and $1,702,453 (2018 - $1,232,172) relating to other exploration activities. Battery Limited impaired $5,087,889 of the exploration and evaluation assets for the year ending June 30, 2019 due to the voluntary administration process.

As of June 30, 2019, Battery Limited has incurred total expenditures of $4,198,510 (2018 - $2,575,533) in acquisition and exploration related costs on Battery Limited's South Korean graphite projects. The expenditures consisted of $1,595,731 (2018- $1,569,984) relating to acquisition costs, claiming, and staking, $31,443 (2018 - $7,948) for geophysics and mapping, $1,094,774 (2018 - $421,720) for drilling and $1,476,561 (2018 - $575,881) relating to other exploration activities. Battery Limited impaired $2,880,432 of the exploration and evaluation assets for the year ending June 30, 2019 due to the voluntary administration process.

Accounts payable and accrued liabilities

As of June 30, 2019, accounts payable and accrued liabilities totaled $4,001,409 (2018 - $2,072,067). The balance comprised of $2,493,788 (2018 - $1,092,254) in Canadian dollar accounts payable and $786,930 (2018 - $596,837) in United States dollar accounts payable, primarily related to the cobalt and lithium exploration expenditures. The balance of $720,691 (2018 - $382,974) related to Australian corporate overhead and the South Korean project exploration expenditures.

Deferred Revenue

		June 30, 2019		June 30, 2018
Additions	**$**	**10,231,000**	$	-
Unrealized foreign exchange		**666,000**		-
Total	**$**	**10,897,000**	$	-

O On 16 July 2018, the Company received the $10,897,000 (CAD $10,000,000) payment from ESI as an incentive to enter into the Agreement. The Company recorded a finders fee of $307,620 which was paid pursuant to the advance.

Exploration advances

As of June 30, 2018, Battery Limited had a contingent obligation to issue 1,000,000 ordinary shares at USD $2.00 to Weston Energy II, LLC, an affiliate of Weston, in respect of $2,662,400 (US$2 million) of funding received in May 2019 from Weston as a contribution by Weston to the lithium drilling program in Panamint Valley, California, USA in fiscal year 2018 and 2019.

On March 19, 2019, the agreement was terminated by both parties and Battery Limited agreed to issue Weston Energy II, LLC 3,000,000 ordinary shares in exchange for the $2,662,400 (US$2 million) received in the prior the year for the lithium drilling program in Panamint Valley, as the drill program was never completed

General and administrative expenses

Total general and administrative expense for the year ended June 30, 2019 was $4,312,953. General and administrative expenses includes management fees of $644,399, consulting fees of $362,829, share based compensation $33,823, marketing expense of $196,819, professional fees $1,179,220 relating to legal and accounting of $407,902, corporate head office rent of $129,920, travel and meeting expenses of $612,054, general and administration of $329,570, and depreciation of $9,637.

Other items

Other items for the year ended June 30, 2019 was $1,267,906. Other items included $3,952 of interest expense, $613,730 for financing cost of the exploration advance from Weston relating to the Bridge Loan, $307,620 for financing cost of the long-term exploration advances, $105,620 of gain on forgiveness of legal expenses, and foreign exchange loss of $448,224.

As of June 30, 2019, Battery, Battery Limited impaired $13,793,476 of exploration and evaluation assets, $5,825,155 related to Cobalt properties, $5,087,889 related to lithium properties, and $2,880,432 related to South Korean properties.

Summary of Quarterly Results

The following table presents selected financial information for each of the most recent eight quarters. Tabular amounts are in thousands of Australian dollars, except share and per share amounts.

Selected Financial Information		2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Net loss for the period	$	(22,183)	(736)	(1,083)	(1,163)	(2,315)	(1,110)	(2,600)	(680)
Net loss attributed to owners of the Company	$	(22,183)	(736)	(1,083)	(1,163)	(2,315)	(1,110)	(2,600)	(680)
Loss per share attributable to owners of the Company (basic and diluted)	$	(0.19)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.03)	(0.01)
Weighted Average number of Ordinary Shares outstanding		114,699,782	114,185,669	113,200,268	113,200,268	94,191,977	88,127,172	84,000,207	78,833,936

Q4 Results

Subsequent to June 30, 2019, the subsidiaries of the Company were acquired by Battery Mineral Resources Corp, a Canadian Private Company, with common directors and shareholders. The value attributable to those exploration and evaluation assets acquired was considered to be an impairment indicator resulting in a write down of $13,793,476 as of June 30, 2019.

Liquidity and Capital Resources

As at June 30, 2019, Battery Limited held cash and cash equivalents of $35,366. Cash and cash equivalents are primarily comprised of cash held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of three months or less.

Battery Limited currently has no source of operating cash flow and Battery Limited's primary sources of capital resources are comprised of cash and cash equivalents. Battery Limited will continuously monitor its capital structure and, based on changes in operations and economic conditions, may adjust the structure by issuing new shares or new debt, as necessary. The ability of Battery Limited to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. While Battery Limited has been successful in securing financing to date, there are no guarantees that it will be able to secure such financing in the future on terms acceptable to Battery Limited, if at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration of Battery Limited's properties and the possible loss of title to such properties. Significant reliance is placed on Weston, Battery Limited's controlling shareholder, for providing ongoing financing to Battery Limited. Failure of Weston to provide or participate in financing, or the inability of Weston to provide or participate in financing, would likely result in difficulty for Battery Limited to attract separate third-party investment. Accordingly, there are material risks and uncertainties that may cast significant doubt about Battery Limited's ability to continue as a going concern. See "*Risk Factors*."

Battery Limited is not subject to any externally imposed capital requirements.

Off-Balance Sheet Arrangements

During the three months ended June 30, 2019, Battery Limited was not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, capital expenditures, liquidity or capital resources of Battery Limited.

Proposed Transactions

There are no proposed transactions that have not been disclosed herein.

Financial Instruments and Risk Management

Battery Limited's financial instruments consist of cash, receivables, accounts payablle, accrued liabilities, exploration advance and the Bridge Loan.

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value on a recurring basis, whether changes in fair value are recognized at fair value through profit or loss or fair value through other comprehensive income.

The carrying value of the financial assets set out in the below table represents the maximum credit risk exposure as at June 30, 2019:

		December 31, 2019,
Cash and equivalents	$	35,366
Accounts receivable		460,496
Total	**$**	**495,862**

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 or indirectly (i.e., derived from prices); and
- Level 3 Inputs for the asset or liability that are not based on observable market data.

The carrying amounts of Battery Limited's financial instruments approximates fair values due to their short-term nature.

Battery Limited is exposed to the following risks arising from financial instruments credit risk, liquidity risk; interest rate risk, currency risk and commodity price risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

Liquidity Risk

Liquidity risk is the risk that Battery Limited will not be able to meet its obligations as they come due. Battery Limited's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity and debt issuances. Battery Limited manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments. Battery Limited is exposed to liquidity risk, and was placed into voluntary administration subsequent to June 30, 2019.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Battery Limited is exposed to limited interest rate risk as it only holds cash and highly liquid short-term investments.

Currency Risk

Battery Limited conducts exploration and evaluation activities in the United States, Canada and South Korea. As such, it is subject to risk due to fluctuations in the exchange rates for the Australian and foreign currencies. As at June 30, 2019, Battery Limited had a foreign currency net monetary asset position of approximately $35,366. Each 10% change in the foreign currencies relative to the Australian dollar will result in a foreign exchange gain/loss of approximately $350.

Battery Limited is exposed to currency risk on bank accounts and accounts payable that are denominated in a currency other than Australian dollars, being United States Dollars (USD), Australian Dollars (AUD), and Korean Won (KRW). Battery Limited is also exposed to currency risk on payables that are denominated in a currency other than Australian dollars, being USD, CAD and Korean Won.

Commodity Price Risk

The ability of Battery Limited to raise funds to explore and develop its exploration and evaluation assets and the future profitability of Battery Limited are directly related to the price of cobalt, lithium and graphite. Battery Limited monitors cobalt, lithium and graphite prices to determine the appropriate course of action to be taken.

Related Party Transactions

Related parties of Battery Limited include directors, officers of the Company, Weston and ESI. Pursuant to the ESI Agreement ESI made a non-refundable payment to Battery Limited in the amount of $10,897,000, which is repayable if the ESI Agreement is terminated upon the occurrence of certain prescribed and limited circumstances. See "Risk Factors – Risks Related to the ESI Agreement" and “Corporate Activity”.

As at June 30, 2019, included in account payables was $302,485 (2018 - $216,599) due to directors and officers of Battery Limited.

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and includes members of the Board of Directors, the Executive Chairman, the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel, which include the amounts disclosed above, during the year ended June 30, 2019 and 2018 were as follows:

	Year ended June 30,			
		2019		**2018**
Accounting fees	**$**	**115,126**	$	45,844
Consulting fees for management services		**678,221**		560,495
Director fees		**406,779**		143,424
Exploration and evaluation		**485,058**		385,426
Share-based compensation		**33,823**		2,056,235
Total	**$**	**1,719,007**	$	3,191,424

Adoption of New and Amended IFRS Pronouncements

Battery Limited has adopted the following amendments to IFRS:

IFRS 16, "Leases" replaces IAS 17, "Leases". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Battery Limited has determined the impact of these standards are not expected to have a material effect on the financial statements. As of June 30, 2019, Battery Limited has not entered into any lease arrangement.

Accounting Standard, Amendments and Interpretations Issued but Not Yet Applied.

Battery Limited has not applied the following amendments to standards that have been issued but are not yet effective:

IFRS 9, Financial Instruments

Effective July 1, 2018, Battery Limited retrospectively adopted IFRS 9. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. Prior periods were not restated and there was no material impact to Battery Limited's consolidated financial statements as a result of transitioning to IFRS 9. IFRS 9 introduced a revised model for classification and measurement, and while this has resulted in financial instrument classification changes, there were no quantitative impacts from adoption. Cash has changed classification from FVTPL to amortized cost. The carrying value is equal to its fair value given the short-term nature of the asset, therefore, there is no change in the carrying value as a result of the change in classification. There are no transitional impacts regarding financial liabilities in regards to classification and measurement.

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of Battery Limited's financial assets given the nature of the items and that receivables are substantially all current and there is a minimal level of default.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. There was no impact on the consolidated financial statements as a result of adopting this standard.

Outstanding Share Data

Battery Limited is authorized to issue an unlimited number of common shares without par value. As at June 30, 2019, 116,447,768 ordinary shares were outstanding. Battery Limited has no securities outstanding which are convertible into, or exercisable or exchangeable for, voting or equity securities of Battery Limited.

Additional Disclosure for Venture Issuers

For the disclosure required under Section 5.3 of National Instrument 51-102 – Continuous Disclosure Obligations, please see "Exploration Activities", "and "Exploration and Evaluation Expenditures".

Risks and Uncertainties

Battery Limited is engaged in mineral exploration and development activities which, by nature, are speculative. Due to the high-risk nature of Battery Limited's business and the present stage of Battery Limited's various projects, an investment in Battery Limited's common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A and Battery Limited's Filing Statement under "Risk Factors". Additional risks not currently known to Battery Limited, or that Battery Limited currently considers immaterial, may also adversely affect Battery Limited's business, result of operations, financial results, prospects and price of common shares.

EXHIBIT "F2"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF BATTERY MINERAL RESOURCES LIMITED FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

General

The purpose of this Management’s Discussion and Analysis (“**MD&A**”) is to provide readers with management’s overview of the past performance of, and future outlook for, Battery Mineral Resource Limited (“**Battery Limited**”). This MD&A also provides information to improve the reader's understanding of Battery Limited's financial statements and related notes as well as important trends and risks affecting Battery Limited’s financial performance, and should therefore be read in conjunction with Battery Limited’s annual consolidated financial statements and notes for the years ended June 30, 2018 and 2017 (the “**Financial Statements**”).

The Financial Statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

All dollar amounts contained in this Annual MD&A are expressed in Australian dollars and tabular amounts are expressed in thousands of Australian dollars, unless otherwise indicated.

Business Overview

Battery Limited was incorporated on June 14, 2016 under the laws of Australia and is primarily engaged in the exploration, evaluation and development of minerals critical to the rechargeable battery market and energy storage sector. Battery Limited has assembled a diversified portfolio of cobalt, lithium and graphite projects in stable geo-political jurisdictions, designed to supply growing market demand and deliver maximum leverage to the sector. Upon successful delineation of mineral resources, Battery Limited intends to develop these projects and secure long-term strategic alliances with supply chain partners, battery manufacturers and other end users.

Battery Limited has acquired extensive landholdings of cobalt in Canada, controlling a total of 6,330 Ontario claims (for 237,636 hectares) and 31 Quebec claims (for 1,813 hectares). Battery Limited assets also include 9 leases for 659 hectares. registered in Ontario. Battery Limited controls a significant land position of prospective ground that hosts a number of past producing Cobalt-silver mines and numerous cobalt and silver occurrences within the Cobalt Embayment District of Northeastern Ontario and Northwestern Quebec, Canada.

Battery Limited also has cobalt and lithium holdings in the USA, controlling approximately 358 mineral claims prospective for cobalt covering 27 km^2 across multiple States in the western United States, and two lithium brine exploration targets in Nevada and California, holding more than 2,100 placer claims, covering more than 180 km^2. In addition, Battery Limited owns a flake graphite project in South Korea, the world’s third largest battery market.

Corporate Activity

Financings

During the year ended June 30, 2018, completed financings of an aggregate of 34,516,332 ordinary shares at prices ranging from $0.50 per share to $0.75 per share and aggregate gross proceeds of AUS$22.7 million. The net proceeds were used during the periods to fund the acquisition of cobalt, lithium and graphite exploration permits, working capital.

Property Acquisitions

On October 15, 2017, Battery Limited entered into a purchase option agreement pursuant to which it acquired an option to acquire a 100% right, title and interest in nineteen unpatented mining claims (the "**Iron Mask Claims**") , located in Ermatinger and Hart Townships from Wallbridge Mining Company Limited (“**Wallbridge**”), and Lonmin Canada Inc (“**Lonmin**”), a wholly owned subsidiary of Lonmin Plc., for consideration consisting of: . an aggregate of C$700,000), payable over the ensuing four years and annual exploration expenditures of C$50,000 . During the option period and at any time prior to the publication of a feasibility study with respect to any deposit on the tenements, Wallbridge / Lonmin have the right to a "claw-back" of any portion of the tenements containing a nickel + copper + platinum group metals deposit by payment to Battery Limited of a sum equal to 300% of the gross expenditures spent on the claims subject to the claw-back right.

The Iron Mask Claims are subject to underlying royalties:

On November 1, 2017, Battery Limited acquired a 100% right, title and interest thirty-two unpatented mining claims comprising the Elk Lake claim block and two unpatented mining claims comprising the Yarrow claim block, from Lake Shore Gold Corp., a 100% subsidiary of Tahoe Resources Inc. for consideration consisting of C$75,000 cash and 75,000 ordinary shares issuable upon Battery Limited's ordinary shares being listed on a globally recognized stock exchange for in the claims. Each of the Elk Lake claim block and the Yarrow claim block are subject to a separate underlying 2% NSR on all metals produced from the properties, subject to a right to repurchase half of such royalty (a 1.0% NSR royalty interest) for one million Canadian dollars ($1,000,000) at any time.

On January 11, 2017, Battery Limited acquired the Geuman and Taehwa Graphite Project from an ASX listed company, Hexagon Resources Limited, through the purchase of 100% of its South Korean subsidiary, Opirus Minerals Pty Ltd. ("**Opirus**"), whose subsidiary, Won Kwang Mines Inc.("**Opirus Subco** ") owns various mining and exploration rights in the Geuman and Taehwa regions of South Korea. The acquisition is being accounted for using the business acquisition method.

The consideration provided for the acquisition was $1,000,000 in cash and 2,000,000 ordinary shares of Battery Limited issued at fair value of 16 cents.

Under IFRS, the prescribed approach where equity is one of the forms of consideration, which is being exchanged, is to measure the fair value of the consideration with reference to the fair value of the net assets being acquired, unless that fair value cannot be estimated reliably. In that event, the net assets acquired are measured by reference to the fair value of equity instruments granted as consideration at acquisition date. Battery Limited has determined it is unable to estimate reliably the fair value of the identifiable net assets acquired however the fair value of the total consideration provided is $1.32 million. Therefore, the fair value of the net assets acquired is also measured at that amount.

The determination of fair values of identifiable assets and liabilities of Opirus and Opirus Subco at the date of acquisition is as follows:

	Fair value recognised on acquisition
	AUS$
Assets	
Cash and cash equivalents	29,000
Other assets	13,000
Exploration and evaluation	1,278,000
Property, plant and equipment	11,000
Total assets	1,331,000
Liabilities	
Accounts payable and accrued liabilities	11,000
Total liabilities	11,000
Total identifiable net assets at fair value	1,320,000
Purchase consideration transferred	1,320,000
Net cash acquired/(expended) with the subsidiary	29,000
Cash paid	(1,000,000)
Net cash expended	(971,000)

There were no revenue, profit or loss amounts of Opirus since the acquisition date included in the consolidated statement of comprehensive income for the reporting period as Opirus derived no revenue and all expenditures incurred have been capitalized in the Geuman and Taehwa Graphite Project. For the same reason the revenue and profit or loss of the combined entity for the current reporting period would be unchanged if the acquisition date had been the beginning of the reporting period.

On January 15, 2018, Battery Limited acquired a 100% right, title and interest in 4 mining leases, located in Haultain Township, from Lake Shore Gold Corp., a 100% subsidiary of Tahoe Resources Inc., for consideration consisting of C$675,000 cash and 175,000 ordinary shares upon Battery Limited's shares being listed on a globally recognized stock exchange). Battery Limited also agreed to undertake the eventual rehabilitation of the property, currently estimated at C$1,158,500.

Exploration Activities

McAra Property

The McAra Property is located in Dufferin, Leckie, Leith, Leonard, North Williams and Ray Townships in Northeastern Ontario, Canada, is about 100 km north of Sudbury and 30 km southeast of Shining Tree Village.. McAra comprises of 1,232 cell claims and 1 mining lease covering 49,887 ha (499 km^2) in one contiguous block.

During 2018, 78 geological mapping, sampling and prospecting traverses were completed for 474.8 line-km and 33 samples were collected and submitted for geochemical analysis.

From September 2017 – April 2018 the Cobalt Zone at McAra was the focus of diamond drill testing that included 35 drill holes for a total of 6,088.3m and resulted in 7490 assay samples. The drilling resulted in a number of significant cobalt intercepts.

Additional 3D IP surveys are planned for the Kite Lake, SK2-EM, SK4-EM and McAra South Targets. Follow-up winter drilling is planned at the Cobalt Zone -McAra Property.

Gowganda Property

The Gowganda property is located in Chown, Corkill, Haultain, Knight, Lawson, Milner, Nicol, and Van Hise Townships of Northeastern Ontario, is about 125 km northeast of Sudbury and 35 km west of the town of Elk Lake. The property hosts 3 past producing cobalt-silver mines and numerous cobalt occurrences hosted within favourable targeted geology. The Gowganda tenement area comprises 1,509 cell claims and 4 mining leases covering 49,896.3ha (499km^2) of mining claims and mining leases in three main blocks and a few scattered claims.

Exploration on the Gowganda property to date has comprised two phases of Airborne Magnetics & Radiometrics surveys (417.3 sq. km / 4,599 line-km) and LiDAR Digital Topography (2018) survey (174.15 sq. km). A total of 96 geological mapping, sampling and prospecting traverses were completed for 380.41 line-km and 45 samples were collected and submitted for geochemical analysis. As a follow-up to the property-wide airborne geophysical surveys a series of grid-based Ground Magnetics surveys were completed..

A rotasonic drilling program is planned over parts of the Gowganda and outcrop stripping, excavator trenching, detailed geological mapping channel sampling and winder drilling is planned for the Kilpatrick Zone.

Shining Tree

The Shining Tree property is located in Leonard and Tyrrell Townships of Northeastern Ontario, is about 112 km north of Sudbury and 23 km west-southwest of Gowganda Village.. The Shining Tree property comprises of 143 cell claims covering 5,272ha (52.7km^2) in one contiguous block. The Property was acquired through claim staking and one (1) purchase agreement.

Exploration on the Shining Tree Property to date comprised of an Airborne Magnetics & Radiometrics 2016 survey (58.0sq. km / 651 line-km) and LiDAR Digital Topography (2018) survey (25.5 sq. km). Geological mapping sampling and prospecting work is planned for later in 2018.

Fabre Property

The Fabre property situated in Témiscamingue Township in Northwestern Quebec, Canada, about 150 km northeast of Sudbury, Ontario, 30 km southeast of Cobalt Ontario and centred around Fabre. Village. The Fabre property comprises of 31 unpatented mining claims covering 1,813 ha (18.1 km^2) in one semi-contiguous block.

During the spring of 2018, Battery Limited undertook a prospecting, rock sampling and mapping program to investigate the previous historical work completed on the property and to locate the major features such as the shafts and trenches.

Exploration on the Fabre property to date comprised of an Airborne Magnetics & Radiometrics in 2016 (72.0sq. km / 792 line-km) and a LiDAR Digital Topography survey in 2018 (18.1 sq. km). A total of 18 geological mapping, sampling and prospecting traverses were completed for 56.0 line-km and a more focussed 3D Induced Polarization Fabre West (0.83 sq.km / 6.6 line-km) survey were completed.

A 3D IP survey is planned for the Fabre West Target and winter drilling of selected targets at Fabre East and Fabre West is planned.

Elk Lake Property

The Elk Lake property situated in Barber, Farr, James, Mickle, Smyth, Truax, Tudhope and Willet Townships in Northeastern Ontario, is about 135 km north-northeast of Sudbury, 35 km east of Gowganda and centred on the town of Elk Lake. The Elk Lake property comprises 1,221 cell claims covering 41,804ha (418.0 km^2) of contiguous mining claims, apart from one small claim block.

Exploration on the Elk Lake to date comprised of a two-phase Airborne Magnetics & Radiometrics survey (273.3 sq. km / 792 line-km) and LiDAR Digital Topography (2018) survey (119.1 sq. km). A total of 73 geological mapping, sampling and prospecting traverses were completed for 311.2 line-km and 49 samples were collected and submitted for geochemical analysis. As a follow-up to the airborne geophysical surveys, several grid- based ground Magnetics; Elk Lake North (3.1 line- km); Elk Lake South (2.9 line-km) & Mickle Twp. (12.2line-km) and a more focussed 2D Induced Polarization Roy Target (16.9 line-km) survey were completed. Drilling is planned at the Roy Target later in 2018.

A limited program of geological mapping, sampling and prospecting is planned for the Elk Lake property and . a desk-top compilation of current and historical exploration data for the Elk Lake Block is planned as part of a property-wide targeting exercise.

White Lake Property

The White Lake Property located in Browning, Dufferin, Leask, Stull and Unwin Townships of Northeastern Ontario, is about 85 km north of Sudbury and about 30 km east southeast of Morin Village. The White Lake Property comprises of 538 cell claims covering 21,533 hectares (215.3 km^2) in one contiguous block. The Property is composed of staked claims and claims acquired through three (3) purchase agreements.

No ground geophysical surveys have been conducted to date. Field activities were limited due to property access restrictions related to forest fires.

Exploration on the White Lake to date comprised of a two-phase Airborne Magnetics & Radiometrics 2016-2018 survey (139.5 sq. km / 1,616 line-km) and LiDAR Digital Topography (2018) survey (119.1 sq. km). A total of 14 geological mapping, sampling and prospecting traverses were completed for 79.8 line-km and 13 samples were collected and submitted for geochemical analysis.

A desk-top compilation of current and historical exploration data for the Gowganda Block is planned as part of a property-wide targeting exercise.

White Reserve

The White Reserve property is situated in Banks, Barber, Speight, Van Nostrand and Whitson Townships of Northeastern Ontario, Canada, is about 120 km northeast of Sudbury and 30 km south of the town of Elk LakeWhite Reserve comprises of 619 cell claims covering 25,952ha (117.6 km^2) in one contiguous block and is composed of staked claims in one contiguous block.

Exploration on the White Reserve to date comprised of a two-phase Airborne Magnetics & Radiometrics 2016-2018 survey (198.4 sq. km / 2,197 line-km) and LiDAR Digital Topography (2018) survey (202.36 sq. km). No geological mapping, sampling and prospecting traverses were completed due to Forest Fire access restrictions. During the spring and summer moths fires ravaged much of the White Reserve Block. Earlier in the year a Ground Magnetics survey was completed in Van Nostrand Township (198.4 sq. km / 2,197 line-km).

A limited geological mapping, rock sampling and prospecting effort is planned on the White Lake Mine workings area,

Wilder Property

The Wilder Property located in Brewster, Charters, Corkill, Donovan, Leith and Ray Townships of Northeastern Ontario, Canada, is about 100 km north of Sudbury and 40 km southwest of the town of Elk Lake. The Wilder Property comprises of 1,068 cell claims and 4 mineral leases covering 49,931.91ha (439.3 km^2) in a contiguous block consisting of mining claims and mining leases as well as staked claims.

Exploration on the Wilder Property to date comprised of an Airborne Magnetics & Radiometrics 2016 survey (391.2 sq. km / 3,219 line-km) and LiDAR Digital Topography (2018) survey (140.0 sq. km). A total of 6 geological mapping, sampling and prospecting traverses were completed for 32.0 line-km and 15 samples were collected and submitted for geochemical analysis. Detailed 3D IP surveys are planned for later in 2018.

Iron Mask Property

The Iron Mask property is located in Ermatinger, Hart and Moncrieff Townships of Northeastern Ontario, is about 50 km northwest of Sudbury and 6 km west of the village of Cartier.. Iron Mask comprises 911 cell claims and 3 mining leases covering 20,157.2ha (201.6km2) of contiguous mining claims and mining leases.

Exploration on the Iron Mask Property to date comprised of two phases of Airborne Magnetics & Radiometrics 2016 – 2018 survey (342.2 sq. km / 3,957 line-km) and LiDAR Digital Topography (2018) survey (158.1 sq. km. Geological mapping was conducted from July 13 to July 19, 2017.

In November 2017, two hundred and twelve "B" Horizon soil samples were collected and submitted for multi-element geochemical analysis.

Ground geophysical surveys focussed on historical Showings at Iron Mask North - Magnetite Shaft and Cobalt Shaft and Iron Mask South – Cobra. These grid-based surveys included; Ground Magnetics Iron Mask North (34.25 line-km) & Iron Mask – South (46.8 line-km) and Iron Mask – North HLEM Max-Min survey (25.35 line-km) as well as Induced Polarization 2D-IP; Iron Mask North (29.95 line-km) & Iron Mask South (41.8 line-km).

In the spring of 2018, Battery Limited completed a 6,268m (25 drillhole) Diamond Core Drill Program.

No significant Cobalt mineralization was reported from any of the drillcore sampling and no anomalous concentration of Cobalt was detected by the XRF scanning of the drillcore.

A program of outcrop trenching/stripping, detailed mapping and sampling is planned at Iron Mask North and drilling is planned for Iron Mask South.

Island 27 Property

The Island 27 Property is in Burt, Flavelle and Holmes Townships of Northeastern Ontario, about 100 km north of Sudbury and 24 km west of Kirkland Lake, Ontario. Island 27comprises of 233 cell claims covering 5,028.7ha (50.3km^2) in one block (with two internal holes) and three individual peripheral claims.

In the Spring of 2008, Diamond drilling (4 holes /489m) tested four priority 2D IP anomalies. All drillholes intersected significant sulphide mineralization

Yarrow Property

The Yarrow Property is in Yarrow Township of Northeastern Ontario, Canada, about 235 kilometres north-northwest of Sudbury and 10 km south-southwest of the town of Matachewan. Yarrow comprises of 27 cell claims covering1,018.1ha (10.2km^2) in a contiguous block of cell claims.

Exploration at Yarrow to date comprised of an Airborne Magnetics & Radiometrics 2016-2018 survey (35.0 sq. km / 398 line-km) and LiDAR Digital Topography (2018) survey (10.9 sq. km)No field work is planned at Yarrow.

United States Cobalt Activities

Battery Limited identified new opportunities, expanded claim packages within the Idaho Cobalt Belt, and acquired new projects (staked lode claims) in northern Idaho, eastern Washington and Montana for historical cobalt occurrences and targeted geology. Rock samples and gridded soils were collected at project sites, new claims were staked for historical cobalt occurrences and targeted geology.

Several claim sites In the Idaho Cobalt Belt were revisited and Battery Limited performed a gridded soil sampling survey over the core target area at Bonanza, which delineated a 2 kilometer-long copper-cobalt trend.

Battery Limited continues to evaluate other potential cobalt targets in the United States, and will pursue staking, acquisition or other arrangements as appropriate.

Lithium

At the Panamint Valley lithium brine project in Inyo County California, an additional 449 placer claims were located to bring the total to 2,160 claims.

An additional 190 gravity stations were acquired at the north end of the claim block and confirmed the presence of the sediment filled basin to the north.

An additional 35 brine samples from shallow auger holes were collected in Panamint Valley. Some of these were resamples at previously sampled locations. The resamples showed nearly identical results to the original samples including a high of 120mg/L. Approximately 20 additional rock chip samples were taken at the surface.

Battery Limited drilled hole RC-1 in the southern end of the claim block to a depth of 944 ft. Drilling conditions were difficult. Brine samples from the hole ran 10mg/L from 100-200 feet, 20mg/L from 200-700 feet and 30 mg/L from 700-842 feet, the deepest that could be sampled.

Battery Limited continues to evaluate other potential lithium targets, and will pursue staking, acquisition or other arrangements as appropriate.

Graphite

Battery Limited undertook mapping in Zone G (north area) of Geuman property in which identified outcropping graphite that had not been previously found by earlier companies. Additionally, surface channel sampling in Zone C also identified high grade graphite.

In early April a two phase 12, 460m (200m spaced dipole-dipole) IP and SP survey was completed. The initial phase of the survey comprised two NW-SE striking creek traverse sections totaling 7,420m. A follow-up phase of NW-SE striking infill sections(5,040m) were completed.

During 2018, a two phase 37 hole diamond drill program was initiated at the Geuman Project comprises of relatively shallow holes ranging from 40m to a maximum of 144.7m. The first phase (15 drillholes/ 1,471.4m) completed by early June. This drilling was focused on the Target B & E areas and consisted of a series of infill drillholes to better define the known mineralised zones. This infill drilling was concentrated on a 200m wide gap within the link zone between the northern parts of Targets B and E as well as the hill to the west of the Target B drillholes where recent mapping confirmed there is virtually no outcrop but it appears that the graphite caps the hills as a folded but overall shallow dipping body.

The second phase of the drilling targeted several zones identified by recent mapping and channel sampling as well as a number of zones highlighted by the IP survey results. This is scheduled to be drilled in 2019.

Additional drilling and an associated metallurgical test work program for both Taehwa and Geuman material is planned. No work was undertaken on Taehwa property during this period.

Review of Financial Results

The following table provides a summary of the financial results of Battery Limited for the year ended June 30, 2018 and the period from incorporation on June 14, 2016 to June 30, 2017. Tabular amounts are in thousands of Australian dollars, except share and per share amounts.

		Year Ended 30-Jun-18		Period Ended June 30, 2017(1)
General and administrative	AUS$	5,739		2,187
Operating loss		**(5,739)**		**(2,187)**
Interest income		43		12
Loss on settlement		(187)		-
Impairment		(12)		-
Foreign exchange		(151)		(59)
Finance cost on convertible notes		(657)		-
Income (loss) before income taxes		**(6,705)**		**(2,235)**
Deferred income tax recovery		-		-
Net loss for the year	**AUS$**	**(6,705)** (2)	**AUS$**	**(2,235)**
Net loss attributable:				
Owners of the Company		**(6,705)**		**(2,235)**
Non-controlling interests		-		-
	AUS$	**(6,705)**	**AUS$**	**(2,235)**
Loss per share attributable to owners of the Company				
Net loss per share (basic and diluted)	**AUS$**	**(0.07)**	**AUS$**	**(0.08)**
Weighted average number of Ordinary Shares outstanding		**94,191,977**		**25,202,245**
Cash and cash equivalents	**AUS$**	**6,583**	**AUS$**	**1,847**
Total assets	**AUS$**	**29,680**	**AUS$**	**10,887**
Current liabilities	**AUS$**	**4,734**	**AUS$**	**739**

Notes:

(1) Period ended June 30, 2017 covers June 14, 2016, Battery Limited's date of inception, to June 30, 2017.

(2) Net loss for the year represents AUS $6.7 million loss relating to corporate and general administrative costs.

Results of Operations

Cash and cash equivalents

At June 30, 2018, cash and cash equivalents totaled $6,583,680 (2017 - $1,847,694). Battery Limited's cash and cash equivalents at June 30, 2018 includes $5,817,726 (2017 - $1,576,061) denominated in United States dollars, $88,969 (2017 - $56,937) denominated in Canadian dollars, $676,982 (2017 - $213,954) in Australian dollars. Cash and cash equivalents increased by AUS$4.7 million during the year ended June 30, 2018. Battery Limited's cash flows from operating, investing and financing activities during year are summarized as follows: cash flows from financing activities of AUS$17.6 million; offset by:cash used in investing activities of AUS$8.4 million; and cash used in operating activities of AUS$4.3 million.

Receivables

Receivables at June 30, 2018 relates to tax receivables relating to income tax credits in both Canada and Australia. Included in the receivables balance is $205,905 (2017 - $94,035) in a GST receivable from the Australian Tax Office and $433,674 (2017 - $218,282) in HST from the Canadian Revenue Agency.

Prepaid expenses and other assets

At as June 30, 2018 prepaid expenses and other assets totaled $1,201,451 (2017 - $20,967). Prepaid expenses relate to contract deposits on Battery Limited's Canadian exploration assets.

Exploration Expenditures

Mining claims and deferred exploration costs represent costs pertaining to Battery Limited's various cobalt, lithium and graphite projects.

As of June 30, 2018, Battery Limited incurred $13,847,972 (2017 - $5,029,002) acquisition and exploration on Battery Limited's various Cobalt properties. The expenditures consisted of $4,163,498 (2017 - $2,822,124) related to acquisition costs, claiming and staking, $1,646,172 (2017 - $468,254) for Geophysics and Mapping, $2,164,570 (2017 - $Nil) for drilling and $5,873,732 (2017 - $1,738,623) related to other exploration activities, including assaying, environmental, and government land payments on the various cobalt properties.

As of June 30, 2018, Battery Limited incurred $4,785,455 (2017 - $1,884,327) acquisition and exploration on Battery Limited's Lithium Projects. The expenditures consisted of $3,276,473 (2017 - $801,339) relating to acquisition costs, claiming and staking, $276,810 (2017 - $Nil) for drilling and $1,232,172 (2017 - $476,356) relating to other exploration activities.

As of June 30, 2018, Battery Limited has incurred total expenditures of $2,575,533 (2017 - $1,569,983) in acquisition and exploration related costs on Battery Limited's South Korean Graphite Projects.

Accounts payable and accrued liabilities

As of June 30, 2018, accounts payable and accrued liabilities totaled $2,072,065 (2017 - $739,646). The balance comprised of $1,092,254 (2017 - $382,079) in Canadian dollar accounts payable and $596,837 (2017 - $320,994) in United States dollar accounts payable, primarily related to the Cobalt and Lithium exploration expenditures. The balance of $382,974 (2017 - $36,623) related to Australian corporate overhead and the South Korean project exploration expenditures.

Exploration advance

As of June 30, 2018, Battery Limited had a contingent obligation (to issue 1,000,000 ordinary shares at USD $2.00 to Weston Energy II, LLC ("**Weston**"), a company with common directors, in respect of $2,662,400 (US$2 million) of funding received in May 2018 from Weston as a contribution by Weston to the lithium drilling program in Panamint Valley, California, USA in fiscal year 2018 and 2019.

Interest income

During the year ended June 30, 2018, Battery Limited earned $43,280 in interest income from its interest-bearing cash accounts.

General and administrative expense

Total general and administrative expense for the year ended June 30, 2018 was $5,739,629. General and administrative expense includes management fees of $603,205, consulting fees of $374,205, share based compensation 2,056,235, marketing expense of $348,272, professional fees $553,225 relating to legal and accounting of $256,205, corporate head office rent of $123,512, travel and meeting expenses of $820,016, general and administration of $416,177, and depreciation of $14,323.

Other items

Other items for the year ended June 30 was $373,401. Other items included loss on settlement of $187,500, relating to a deed settlement with Battery Limited's former Chief Operating Officer, $657,604 for financing cost of the exploration advance convertible loan, impairment of $12,378 relating to the deregistration one of Battery Limited dormant subsidiaries and foreign exchange loss of $151,939.

Summary of Quarterly Results

The following table presents selected financial information for each of the most recent eight quarters. Tabular amounts are in thousands of Australian dollars, except share and per share amounts.

Selected Financial Information		2018	2018	2018	2018	2017	2017	2017	2017
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net loss for the period	A$	(2,315)	(1,110)	(2,600)	(680)	(899)	(620)	(497)	(219)
Net loss attributed to owners of the Company	A$	(2,315)	(1,110)	(2,600)	(680)	(899)	(620)	(497)	(219)
Loss per share attributable to owners of the Company (basic and diluted)	A$	(0.02)	(0.01)	(0.03)	(0.01)	(0.00)	(0.02)	(0.08)	(219)
Weighted Average number of Ordinary Shares outstanding		94,191,977	88,127,172	84,000,207	78,833,936	37,408,108	25,202,245	6,363,563	1

Liquidity and Capital Resources

As at June 30, 2018, Battery Limited held cash and cash equivalents of AUS$6.5 million. Cash and cash equivalents are primarily comprised of cash held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of three months or less.

As at June 30, 2018, Battery Limited's contractual obligations and commitments are summarized as follows:

2018	AUS$	94
2019		-
Total Commitments	**AUS$**	**94**

As at June 30, 2018, Battery Limited has committed to spend a minimum of $15.1 million on a substantial number of acquired exploration and evaluation tenements.

Battery Limited currently has no source of operating cash flow and he Battery Limited's primary sources of capital resources are comprised of cash and cash equivalents. Battery Limited will continuously monitor its capital structure and, based on changes in operations and economic conditions, may adjust the structure by issuing new shares or new debt, as necessary. The ability of Battery Limited to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. While Battery Limited has been successful in securing financing to date, there are no guarantees that it will be able to secure such financing in the future on terms acceptable to Battery Limited, if at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration of Battery Limited's properties and the possible loss of title to such properties. Significant reliance is placed on Weston, Battery Limited's controlling shareholder, for providing ongoing financing to Battery Limited. Failure of Weston to provide or participate in financing, or the inability of Weston to provide or participate in financing, would likely result in difficulty for Battery Limited to attract separate third-party investment. Accordingly, there are material risks and uncertainties that may cast significant doubt about Battery Limited's ability to continue as a going concern. See "*Risk Factors*."

Battery Limited is not subject to any externally imposed capital requirements.

Contractual Obligations and Commitments

Off-Balance Sheet Arrangements

During the year ended June 30, 2019, Battery Limited was not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, capital expenditures, liquidity or capital resources of Battery Limited.

Proposed Transactions

There are no proposed transactions that have not been disclosed herein.

Financial Instruments and Risk Management

Battery Limited's financial instruments consist of cash, accounts receivables and payables.

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value on a recurring basis, whether changes in fair value are recognized at fair value through profit or loss or fair value through other comprehensive income.

The carrying value of the financial assets set out in the below table represents the maximum credit risk exposure as at June 30, 2019:

		June 30, 2018
Cash and equivalents	AUS$	6,584
Accounts receivable		640
Deposits		1,201
Equipment		46
Exploration and evaluation		21,209
Total	**AUS$**	**29,680**

Battery Limited is exposed to the following risks arising from financial instruments interest rate risk, foreign exchange risk and liquidity risk.

Liquidity Risk

Vigilant risk management requires Battery Limited to maintain sufficient liquid assets to be able to pay debts as and when they become due and payable. Battery Limited manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows, raising capital by the issue of equity or other financing instruments when and matching the maturity profiles of financial assets and liabilities.

Foreign Exchange Currency Risk

Battery Limited is exposed to currency risk on bank accounts held by Battery Limited that are denominated in a currency other than Australian dollars, being United States Dollars (USD) and Canadian Dollars (CAD). Battery Limited is also exposed to currency risk on payables that are denominated in a currency other than Australian dollars, being USD, CAD and Korean Won (KRW), the latter being the functional currencies of Battery Limited's subsidiary entities. During the year ended June 30, 2018, approximately 68% of Battery Limited's purchases were in foreign currencies, being 23% in USD, 69% in CAD and 8% in KRW.

Interest Rate Risk

Interest rate risk arises on financial assets with variable rates, primarily bank balances. A 1% increase or decrease in the prevailing interest will affect profit and equity by $6,584/($6,584).

Related Party Transactions

Battery Limited did not enter into any transaction with related parties during the three months ended March 31, 2020 except

a) consulting fees of $422,821 (2017 - $223,363) were paid to ACT2 Pty Ltd, an entity related to Director, Mr. Gary Lewis in respect of management services provided by Mr. Gary Lewis.

b) consulting fees of $188,659 (2017 - $80,069) were paid to Ian J Pringle & Associates Pty Ltd, an entity related to Director, Mr. Ian Pringle, for geology consulting services.

c) consulting fees of $137,674 (2017 - $66,840) were paid to Numis Consulting Inc., an entity related to Chief Financial Officer ("CFO"), Mr. Jack Cartmel, for management services.

d) consulting fees of $196,767 (2017 - $131,843) were paid to StoneBridge Analytics, LLC, an entity related to Chief Commercial Officer ("CCO"), Dr. Henry J. Sandri, for management services provided.

e) Consulting fees of $104,578 (2017 - $72,898) were paid to Mr. George Young, Director, for director services.

f) Consulting fees of $38,846 (2017 - $NIL) were paid to New Canaan Capital Advisors LLC, an entity related to Director, Mr. Lazaros Nikeas, for director services.

g) On 15 November 2017, Battery Limited issued 2,650,000 ordinary shares at a nominal issue price of USD $0.50 with a total issue value of $1,725,945 (USD $1.325m) to the executives and management of Battery Limited for nil cash consideration. The cost of the issued shares was recognised as share based payments expense in the profit and loss account. The share issues included 1 million shares issued to ACT2 Pty Ltd, an entity related to a Director, Mr. Gary Lewis; 350,000 shares issued to Squingle Squilliions Pty Ltd, an entity related to a Director, Mr. Ian Pringle; 75,000 shares issued to the CFO, Mr. Jack Cartmel; 200,000 shares issued to the CCO, Dr. Henry J. Sandri; and 150,000 shares issued to a Director, Mr. George Young.

h) On 4 April 2018, Battery Limited issued bonus sign-on shares to two new Directors, being 250,000 shares issued to Mr. Lazaros Nikeas and 50,000 shares issue to Mr. George Pirie at a nominal issue price of USD $0.50 with a total issue value of $195,000 (USD $150,000).

i) On 15 June 2018, Battery Limited issued bonus sign-on shares to two new Directors, being 100,000 shares, each issued to Mr. Stephen Dunmead and Mr. James Hughes at a nominal issue price of USD $0.50 with a total issue value of $135,290 (USD $100,000).

j) In May 2018 Weston, a director-related entity of Lazaros Nikeas, provided $2,662,400 (USD $2m) to finance a lithium drilling program in Panamint Valley, California USA..

Adoption of New and Amended IFRS Pronouncements

Battery Limited has adopted any new accounting policies or standards

Accounting Standard, Amendments and Interpretations Issued but Not Yet Applied.

Battery Limited has not applied the following amendments to standards that have been issued but are not yet effective.

Disclosure Initiatives (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

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o satisfy the new disclosure requirements, Battery Limited intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. Battery Limited does not expect these amendments to have any significant impact on its consolidated financial statements as it does not account for any debt instruments at fair value.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**"). The new standard is effective for Battery Limited on January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15.

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 IFRS standards.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the standard to licenses of intellectual property.

Battery Limited is currently evaluating the impact that IFRS 15 will have on its consolidated financial statements.

IFRS 9 Financial Instruments

On July 24, 2014, the IASB issued the complete IFRS 9 *Financial Instruments* ("**IFRS 9**"). IFRS 9 is effective for Battery Limited on January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases* ("**IFRS 16**"). The new standard is effective for Battery Limited on January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *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. Transitional provisions have been provided.

The extent of the impact of adoption of the standard has not yet been determined.

Outstanding Share Data

Battery Limited is authorized to issue an unlimited number of common shares without par value. As at June 30, 2018, 113,350,268 shares were outstanding. Battery Limited has no securities outstanding which are convertible into, or exercisable or exchangeable for, voting or equity securities of Battery Limited.

Additional Disclosure for Venture Issuers

For the disclosure required under Section 5.3 of National Instrument 51-102 – Continuous Disclosure Obligations, please see "Exploration Activities", "and "Exploration and Evaluation Expenditures".

Risks and Uncertainties

Battery Limited is engaged in mineral exploration and development activities which, by nature, are speculative. Due to the high-risk nature of Battery Limited's business and the present stage of Battery Limited's various projects, an investment in Battery Limited's common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A and Battery Limited's Filing Statement under "Risk Factors". Additional risks not currently known to Battery Limited, or that Battery Limited currently considers immaterial, may also adversely affect Battery Limited's business, result of operations, financial results, prospects and price of common shares.

EXHIBIT "G"
FINANCIAL STATEMENTS OF FUSION GOLD LTD. FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

Fusion Gold Ltd
(A Capital Pool Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
UNAUDITED

Three and nine months ended September 30, 2020 and 2019

FUSION GOLD LTD.
(CAPITAL POOL COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019
(Expressed in Canadian dollars - Unaudited)

	Note	September 30, 2020 $	December 31, 2019 $
ASSETS			
Cash		**93,859**	261,287
Accounts receivable		**6,382**	8,540
Total assets		**100,241**	269,827
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**6**	**12,092**	43,737
Total liabilities		**12,092**	43,737
SHAREHOLDERS' EQUITY			
Share capital	**4**	**320,477**	320,477
Share-based payment and warrants reserve	**4 & 5**	**21,891**	21,891
Deficit		**(254,219)**	(116,278)
Total shareholders' equity		**88,149**	226,090
Total liabilities and shareholders' equity		**100,241**	269,827

Nature of Operations (Note 1)

Approved by the Board of Directors on November 30, 2020

"January Vandale" ***"David De Witt"***

Director ***Director***

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

(Expressed in Canadian dollars - Unaudited)

	Note	Three months ended September 30, 2020 $	Three months ended September 30, 2019 $	Nine months ended September 30, 2020 $	Nine months ended September 30, 2019 $
Operating and Administrative Expenses					
Listing and filing fees		**800**	200	**7,300**	7,924
Professional fees		**3,035**	79,302	**102,941**	82,081
Other general and administrative fees	6	**13,769**	9,474	**27,700**	29,311
Net loss and comprehensive loss for the period		**17,604**	88,976	**137,941**	119,316
Net loss per share					
Basic and diluted		**0.01**	0.04	**0.07**	0.06
Weighted average number of common shares outstanding (basic and diluted)	4	**2,000,000**	2,000,000	**2,000,000**	2,000,000

FUSION GOLD LTD.
(CAPITAL POOL COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian dollars - Unaudited)

	Share capital (Number of shares – fully paid)	Share capital $	Share-based payment and warrants reserve $	Deficit $	Total $
Balance, December 31, 2018	6,200,000	320,477	21,891	(84,840)	257,528
Net loss for the period	-	-	-	(119,316)	(119,316)
Balance, September 30, 2019	**6,200,000**	**320,477**	**21,891**	**(204,156)**	**138,212**
Balance, December 31, 2019	6,200,000	320,477	21,891	(116,278)	226,090
Net loss for the period	-	-	-	(137,941)	(137,941)
Balance, September 30, 2020	**6,200,000**	**320,477**	**21,891**	**(254,219)**	**88,149**

The accompanying notes form an integral part of these condensed interim financial statements.

FUSION GOLD LTD.
(CAPITAL POOL COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian dollars - Unaudited)

	Note	Three months ended September 30, 2020 $	Three months ended September 30, 2019 $	Nine months ended September 30, 2020 $	Nine months ended September 30, 2019 $
Cash flows provided by (used in)					
Operating Activities					
Net loss		**(17,604)**	(88,976)	**(137,941)**	(119,316)
Changes in non-cash working capital:					
Accounts payable and accrued liabilities	6	**(5,994)**	43,658	**(31,645)**	35,462
Accounts receivable		**(479)**	(4,189)	**2,158**	(3,442)
		(6,473)	39,469	**(29,487)**	32,020
Cash (used in) provided by operating activities		**(24,077)**	(49,507)	**(167,428)**	(87,296)
Financing Activities					
Repayment of shareholder loan		**-**	(40,000)	**-**	(40,000)
Increase (decrease) in cash for the period		**(24,077)**	(89,507)	**(167,428)**	(127,296)
Cash - beginning of period		**117,936**	268,014	**261,287**	305,803
Cash - end of period		**93,859**	178,507	**93,859**	178,507

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

1. Nature of operations

Nature of operations

Fusion Gold Ltd. (the "Company" or "Fusion") was incorporated under the British Columbia Business Corporations Act on April 16, 2007. Fusion has one fully-owned subsidiary, 1234525 B.C. Ltd; this subsidiary was incorporated on December 19, 2019. The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4. The principal business of the Company is the identification and evaluation of a Qualifying Transaction ("QT") and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate a QT. The QT will be subject to the approval of the Exchange and in case of a non-arm's length transaction, of the majority of the Corporation's minority shareholders. Under the rules of the Exchange, the Company must complete a QT within twenty-four months from the date the Company's shares were listed on the Exchange; if the Company fails to complete a QT within this time frame, the Exchange may de-list or suspend the Company's shares from trading.

On July 9, 2018, the Company filed a final prospectus ("the Prospectus") in relation to the offering of 2,000,000 common shares of the Company. On September 21, 2018, the Company completed an Initial Public Offering ("IPO") and issued 2,000,000 common shares of Fusion at a purchase price of $0.10 for gross proceeds of $200,000 (Note 4). The Company's shares commenced trading on the Exchange on September 25, 2018 under the symbol FML.P.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

On August 30, 2019, Fusion entered into a binding Letter Agreement with Battery Mineral Resources Limited. ("Battery Limited"), which sets out the principal terms upon which Fusion would acquire all of the issued and outstanding securities of Battery Limited. On October 11, 2019, Fusion entered into a binding scheme implementation agreement ("the Definitive Agreement") with Battery Limited and a support agreement also dated October 11, 2019 with Weston Energy LLC ("Weston") (the "Support Agreement"), all further to the previously announced binding Letter Agreement between Battery and Fusion dated August 30, 2019.

On December 9, 2019, Fusion announced that it had terminated its previously announced Definitive Agreement dated October 11, 2019 with Battery Limited and the Support Agreement also dated October 11, 2019 with Weston and, as a result, had received an expense reimbursement fee of $150,000. The Definitive Agreement was terminated as a result of Battery Limited commencing a voluntary administration process under the Corporations Act, 2001 (Cth) (Australia). The assets of Battery Limited have now been acquired by Battery Mineral Resources Corp. ("New Battery"), a new entity incorporated under the laws of British Columbia by Weston. Further to the termination of the Definitive Agreement, New Battery, Weston and Fusion has entered into a new letter agreement dated December 5, 2019 in respect of a transaction substantially similar to that contemplated by the Definitive Agreement.

New Battery will carry on the same business as that previously carried on by Battery Limited, namely, the exploration and development of cobalt prospects in Canada, as well as other minerals critical to the lithium-ion battery market and energy storage sector.

On December 24, 2019, Fusion announced that it had entered into a definitive amalgamation agreement dated December 23, 2019 with Battery Mineral Resources Corp ("New Battery"), 1234525 B.C. Ltd., a newly incorporated wholly-owned subsidiary of Fusion ("Fusion Subco"), and Weston Energy LLC ("Weston"). This agreement was amended on March 25, 2020, again on May 14, 2020 and a further time on August 31, 2020; together the definitive amalgamation agreement and the amendments are referred to hereinafter as the "New Definitive Agreement".

Pursuant to the New Definitive Agreement, Fusion will acquire all of the issued and outstanding securities of New Battery, by way a three cornered amalgamation under the British Columbia Business Corporations Act pursuant to which New

Battery and Fusion Subco will amalgamate, shareholders of New Battery will exchange their shares of New Battery for shares of Fusion on a one-for-one basis (on a post-Consolidation basis (as defined below)) and New Battery will become a wholly-owned subsidiary of Fusion (together with the related transactions and corporate procedures set out in the New Definitive Agreement, the "Transaction").

In connection with the Transaction, Fusion intends to consolidate its common shares on a 2:1 basis (the "Consolidation"). In addition, on closing of the Transaction, Fusion will change its name to "Battery Mineral Resources Inc." or such other similar name as New Battery may direct and which is acceptable to the Exchange and other applicable regulatory authorities.

Fusion and New Battery anticipate that, on closing of the Transaction, the Resulting Issuer will meet the TSXV's initial listing requirements for a Tier 1 or Tier 2 mining issuer.

Fusion, after giving effect to the completion of the Transaction (the "Resulting Issuer"), will carry on the mineral exploration business to be conducted by New Battery (and previously conducted by Battery Limited).

Completion of the Transaction is subject to the satisfaction of certain conditions set forth in the New Definitive Agreement, including but not limited to: (i) receipt of all requisite regulatory approvals, orders, notices and consents to implement the Transaction including those of the Exchange; (ii) no material change occurring to the business of any of the parties; (iii) completion of the Concurrent Financing (as defined below); (iv) approval, by special resolution, of the shareholders of New Battery (v) Fusion having affected the name change referred to above and the Consolidation; (vi) completion of satisfactory due diligence by Fusion within a 30 day period from the date of the New Definitive Agreement (vii) the satisfaction of obligations under the New Definitive Agreement relating to each of the parties; (viii) the delivery by each of the parties of customary closing documents; and (viii) completion of the Transaction on or before December 31, 2020.

In connection with the Transaction, New Battery proposes to complete a "best efforts" private placement of: (i) flow-through common shares of New Battery at a price of not less than $0.95 per share; and (ii) common shares of New Battery at a price of not less than $0.65 per share, to raise aggregate gross proceeds of at least $4 million. Shares issued under the private placement which shall be immediately exchanged for one post-Consolidation common share of Fusion upon closing of the Transaction (together, the "Concurrent Financing").

Fusion and New Battery expect that the net proceeds of the Concurrent Financing will be used by the Resulting Issuer for continued mineral exploration activities across its mineral properties, including drilling and resource development and general operating expenses. Finders' fees or commissions in cash or securities may be paid in connection with the Concurrent Financing.

In the event the Transaction is not consummated for any reason other than as a result of Fusion exercising its right to terminate the New Definitive Agreement as a result of its due diligence review of New Battery, or the failure of Fusion to fulfil a material condition or obligation under the New Definitive Agreement, New Battery has agreed to pay, or cause to be paid, to Fusion, $350,000, as an expense reimbursement. The obligations of New Battery in the New Definitive Agreement are guaranteed by Weston.

Concurrently with execution and delivery of the New Definitive Agreement, Weston has entered into share purchase agreements (the "Share Purchase Agreements") with David DeWitt and January Vandale (together, the "Fusion Vendors"). Under the Share Purchase Agreements, Fusion Vendors agreed to sell and transfer to Weston, concurrently with the completion of the Transaction, an aggregate of 3,200,000 outstanding common shares of Fusion (prior to giving effect to the Consolidation) at a price of $0.08 per share. Those shares are currently held in escrow pursuant to an escrow agreement, dated June 19, 2018, among Fusion, the Fusion Vendors and Odyssey Trust Company of Canada as escrow agent.

Pursuant to the Transaction, Fusion will issue to shareholders of New Battery (including those acquiring securities in the Concurrent Financing) up to an aggregate of 100 million common shares of Fusion. Upon completion of the Transaction, and after giving effect to the Consolidation, the Share Purchase Agreements, and the Concurrent Financing, there will be an aggregate of approximately 100 million common shares of the Resulting Issuer issued and outstanding and an additional 75,000 stock options and 100,000 common share purchase warrants (in each case on a post-Consolidation basis).

Going Concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these condensed consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At September 30, 2020, the Company had not yet achieved profitable operations, had an accumulated deficit of $254,219 (December 31, 2019 - $116,278) since inception, and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Further, during Q1 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the proposed Transaction with New Battery are not known at the time of preparing these financial statements. Specifically, the pandemic may impact the ability of New Battery to raise the financing to be able to continue its exploration program. To the extent that the Transaction is negatively impacted, this may impact the Company's ability to complete the Transaction and may require Fusion to raise additional funds. The Company's ability to continue as a going concern is dependent upon its ability to complete a QT and have sufficient funds to do so (Note 7(b)).

2. Basis of presentation and significant accounting policies

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements do not include all the necessary annual disclosures in accordance with IFRS, and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2019.

The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited annual financial statements for the year ended December 31, 2019.

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for any financial assets and liabilities held at fair value. Additionally, these condensed consolidated interim financial statements are prepared using the accruals basis of accounting, except for cash-flow information. The condensed consolidated interim financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary. The results of the subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. As at September 30, 2020 and December 31, 2019, the Company owned 100% of a subsidiary incorporated in British Columbia on December 19, 2019, 1234525 B.C. Ltd.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated upon consolidation.

Changes in accounting standards

There are currently no proposed changes to accounting standards which will have a significant impact on the Company's financial statements.

3. Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these condensed consolidated interim financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company's significant accounting judgments and estimates included in these condensed consolidated interim financial statements are as follows:

Judgments

The measurement of deferred income tax assets and liabilities.

The evaluation of the Corporation's ability to continue as a going concern (Note 1).

Estimations

The fair value of share-based compensation.

The fair value of warrant compensation.

4. Share Capital and Reserves

a) Authorized:

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

b) Issued and Outstanding:

On September 21, 2018, the Company completed an IPO and sold 2,000,000 common shares of Fusion at a price of $0.10 for gross proceeds of $200,000. Share issuance costs of $78,906 were incurred and recorded as a reduction to equity. In addition, upon closing of the IPO, the Company issued 200,000 non-transferable warrants to Canaccord Genuity Corp (the "Agent"), entitling them to purchase 200,000 common shares of the Company sold under the Offering at a price of $0.10 per share for a period of two years from the date of closing the offering. The Company recognized the fair value of $10,617 of the warrants as share issuance costs, using the Black Scholes Option Pricing Model (Note 5).

On February 7, 2018, certain directors and officers of the Company subscribed for 4,200,000 common shares of Fusion at $0.05 per share, for a total receipt of $210,000. No costs were incurred in connection with this share issuance. Should the Company fail to complete a QT on or before two years from the date the Company listed on the Exchange, the shares of the Company may become suspended or de-listed (Note 1). In the event the shares become delisted, the 4,200,000 shares issued to directors and officers at $0.05 per share would be cancelled and as such are considered contingently returnable; as such all such shares have been excluded from the calculation of basic earnings per share.

As at September 30, 2020 the Company had 6,200,000 common shares issued and outstanding. Of these common shares, 4,285,000 are held in escrow pursuant to an escrow agreement. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the Final Exchange Bulletin (as defined by Exchange policy 2.4) (the "Initial Release") upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months.

c) Stock Options

The Company has an incentive stock option plan (the "Option Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price, expiry date, and vesting conditions to be determined by the board of directors. The maximum expiry term is ten years from the grant date. All options are equity settled. The Option Plan provides for the issuance of up to 10% of the Company's issued and outstanding common shares as at the date of the grant. Any common shares acquired pursuant to the exercise of options prior to the completion of a QT must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

Pursuant to the completion of the IPO, September 21, 2018, the Company issued 150,000 stock options with an exercise price of $0.10; no stock options had previously been issued. All stock options issued vested upon grant and expire five years from the date of grant. The total value of the share-based payment of $11,274 recognized by the Company in relation to these options was recorded during the year ended December 31, 2018 (no stock option expense was recognized in 2020 or 2019).

As at September 30, 2020, all 150,000 options remain outstanding and exercisable and have a remaining life of 2.98 years.

5. Warrants

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued the Agent a total of 200,000 non-transferable share purchase warrants at an exercise price of $0.10 per share for a period of two years from the date of closing the offering. All warrants are exercisable upon issuance as there are no vesting conditions attached. Not more than 50% of the common shares of the Company which can be acquired by the Agent may be sold by the Agent prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction. The total value of the warrants of $10,617 was recorded as a share issuance cost in the year ended December 31, 2018 (no expense was recorded in 2020 or 2019).

All warrants expired September 21, 2020 and there were no warrants outstanding as at September 30, 2020.

6. Related party transactions

Related parties of the Company include the members of the Board of Directors, officers of the Company and close family members of these individuals. In addition, companies controlled by these individuals are also related parties of Fusion.

On July 1, 2018, Fusion entered into an administrative services agreement with Pathway, a company where a shareholder and director of Fusion, is a shareholder, director, and officer, to pay for rent and other administrative services. In the three and nine months ended September 30, 2020, Fusion paid Pathway $6,165 and $12,499 respectively (inclusive of expense reimbursements) (2019 - $6,768 and $21,328) and in addition as at September 30, 2020 had accrued $10,846 (inclusive of expense reimbursements) (December 31, 2019 - $4,000) in relation to such services; these expenses are included under General and administrative fees in the Statement of Loss and Comprehensive Loss. As at September 30, 2020 Fusion has an accounts payable balance of $10,846 (inclusive of expense reimbursements) owing to Pathway (December 31, 2019 - $4,200).

Key management personnel consists of officers and directors of the Company. No compensation was paid to key management personnel during the three and nine months ended September 30, 2020 or 2019.

7. Financial Instruments

As at September 30, 2020, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. The Company classifies cash and receivables as financial assets measured at amortized cost. The Company classifies accounts payable and accrued liabilities as financial liabilities held at amortized cost.

The fair value of these financial instruments is equal to their carrying value unless otherwise noted.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk

As at September 30, 2020, the majority of the Company's financial assets is cash. The Company holds all cash balances with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company believes it will have sufficient funds on hand to meet administrative and legal costs associated with the completion of the Transaction with New Battery, but should it not have then it will be dependent on future support of shareholders through public equity offerings. Further, the impact of COVID-19 on the Company is as yet unknown but may negatively impact the Company's ability to complete the Transaction or raise additional financing if needed (Note 1). At September 30, 2020, the Company had no contractual obligations which result in a financial liability beyond accounts payable and accrued liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's activities have only been transacted in Canadian dollars since incorporation and until September 30, 2020; in addition, the Company carries no debt beyond accounts payable and accrued liabilities. As such, the Company has minimal market risks facing it at present.

8. Capital management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification, evaluation and completion of a QT and continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company's QT. In accordance with Policy 2,4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, or $210,000, may be used for purposes other than such identification and evaluation of businesses or assets. These restrictions apply until completion of a QT by the Company as defined under Policy 2.4 of the Exchange.

EXHIBIT "H"
FINANCIAL STATEMENTS OF FUSION GOLD LTD. FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Fusion Gold Ltd
(A Capital Pool Company)

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

charlton

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charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Directors of:
Fusion Gold Ltd.

Opinion

We have audited the consolidated financial statements of Fusion Gold Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $31,438 during the year ended December 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Robert G. Charlton, CPA, CA.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

1735-555 Burrard Street
Vancouver, BC
V7X 1M9

February 25,2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019 AND DECEMBER 31, 2018
(Expressed in Canadian dollars)

	Note	December 31, 2019 $	December 31, 2018 $
ASSETS			
Cash		**261,287**	305,803
Accounts receivable		**8,540**	2,591
Total assets		**269,827**	308,394
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**8**	**43,737**	10,866
Note payable	**4 & 8**	**-**	40,000
Total liabilities		**43,737**	50,866
SHAREHOLDERS' EQUITY			
Share capital	**6**	**320,477**	320,477
Share-based payment and warrants reserve	**6 & 7**	**21,891**	21,891
Deficit		**(116,278)**	(84,840)
Total shareholders' equity		**226,090**	257,528
Total liabilities and shareholders' equity		**269,827**	308,394

Nature of Operations and Going Concern (Note 1)

Approved by the Board of Directors on February 25, 2020

"January Vandale"	***"David De Witt"***
Director	***Director***

FUSION GOLD LTD.
(CAPITAL POOL COMPANY)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Canadian dollars)

	Note	Year ended December 31, 2019 $	Year ended December 31, 2018 $
Operating and Administrative Expenses			
Listing and filing fees		**11,294**	7,782
Professional fees		**132,514**	11,287
Share-based payment	**6**	**-**	11,274
Other general and administrative fees	**8**	**37,630**	16,826
		181,438	**47,169**
Expense reimbursement fee (recovery)	**1**	**(150,000)**	-
Net loss and comprehensive loss for the period		**31,438**	47,169
Net loss per share			
Basic and diluted		**0.02**	0.09
Weighted average number of common shares outstanding (basic and diluted)	**6**	**2,000,000**	553,425

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

(Expressed in Canadian dollars)

	Note	Share capital (Number of shares – fully paid)	Share capital $	Share-based payment and warrants reserve $	Deficit $	Total $
Balance, December 31, 2017		1	1	-	(37,671)	(37,670)
Private placement	**6**	4,200,000	210,000	-	-	210,000
Initial Public Offering ("IPO") (net of issue costs)	**6**	2,000,000	121,094	-	-	121,094
Warrants issued to agents in conjunction with IPO	**6 & 7**		(10,617)	10,617	-	-
Share-based payments	**6**	-	-	11,274	-	11,274
Share repurchase	**6**	(1)	(1)	-	-	(1)
Net loss for the period		-	-	-	(47,169)	(47,169)
Balance, December 31, 2018		**6,200,000**	**320,477**	**21,891**	**(84,840)**	**257,528**
Net loss for the period		-	-	-	(31,438)	(31,438)
Balance, December 31, 2019		**6,200,000**	**320,477**	**21,891**	**(116,278)**	**226,090**

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

(Expressed in Canadian dollars)

	Note	Year ended December 31, 2019 $	Year ended December 31, 2018 $
Cash flows provided by (used in)			
Operating Activities			
Net loss		**(31,438)**	(47,169)
Add back: Share-based compensation		**-**	11,274
Changes in non-cash working capital:		**(31,438)**	(35,895)
Accounts payable and accrued liabilities		**32,871**	7,372
Accounts receivable		**(5,949)**	(2,591)
		4,516	(31,114)
Financing activities			
Proceeds received from private placement	**6**	**-**	210,000
Proceeds from IPO, net of share issuance costs	**6**	**-**	121,094
Share repurchase	**6**	**-**	(1)
Repayment of shareholder loan	**4**	**(40,000)**	-
		(40,000)	331,093
Increase (decrease) in cash for the period		**(44,516)**	299,979
Cash - beginning of period		**305,803**	5,824
Cash - end of period		**261,287**	305,803

Non-cash investing and financing activities

Warrants issued to Agents in conjunction with IPO (note 7)	-	10,617

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

1. Nature of operations

Nature of operations

Fusion Gold Ltd. (the "Company" or "Fusion") was incorporated under the British Columbia Business Corporations Act on April 16, 2007. Fusion has one fully-owned subsidiary, 1234525 B.C. Ltd; this subsidiary was incorporated on December 19, 2019. The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4. The principal business of the Company is the identification and evaluation of a Qualifying Transaction ("QT") and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate a QT. The QT will be subject to the approval of the Exchange and in case of a non-arm's length transaction, of the majority of the Corporation's minority shareholders. Under the rules of the Exchange, the Company must complete a QT within twenty-four months from the date the Company's shares were listed on the Exchange; if the Company fails to complete a QT within this time frame, the Exchange may de-list the Company's shares from trading.

On July 9, 2018, the Company filed a final prospectus ("the Prospectus") in relation to the offering of 2,000,000 common shares of the Company. On September 21, 2018, the Company completed an Initial Public Offering ("IPO") and issued 2,000,000 common shares of Fusion at a purchase price of $0.10 for gross proceeds of $200,000 (Note 6). The Company's shares commenced trading on the Exchange on September 25, 2018 under the symbol FML.P.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

On August 30, 2019, Fusion entered into a binding Letter Agreement with Battery Mineral Resources Limited. ("Battery Limited"), which sets out the principal terms upon which Fusion would acquire all of the issued and outstanding securities of Battery Limited. On October 11, 2019, Fusion entered into a binding scheme implementation agreement ("the Definitive Agreement") with Battery Limited and a support agreement also dated October 11, 2019 with Weston Energy LLC ("Weston") (the "Support Agreement"), all further to the previously announced binding Letter Agreement between Battery and Fusion dated August 30, 2019.

On December 9, 2019, Fusion announced that it had terminated its previously announced Definitive Agreement dated October 11, 2019 with Battery Limited and the Support Agreement also dated October 11, 2019 with Weston and, as a result, has received an expense reimbursement fee of $150,000. The Definitive Agreement was terminated as a result of Battery Limited commencing a voluntary administration process under the Corporations Act, 2001 (Cth) (Australia). The assets of Battery Limited have now been acquired by Battery Mineral Resources Corp. ("New Battery"), a new entity incorporated under the laws of British Columbia by Weston. Further to the termination of the Definitive Agreement, New Battery, Weston and Fusion have entered into a new letter agreement dated December 5, 2019 in respect of a transaction substantially similar to that contemplated by the Definitive Agreement.

New Battery will carry on the same business as that previously carried on by Battery Limited, namely, the exploration and development of cobalt prospects in Canada, as well as other minerals critical to the lithium-ion battery market and energy storage sector.

On December 24, 2019, Fusion announced that it had entered into a definitive amalgamation agreement dated December 23, 2019 (the "New Definitive Agreement") with Battery Mineral Resources Corp ("New Battery"), 1234525 B.C. Ltd., a newly incorporated wholly-owned subsidiary of Fusion ("Fusion Subco"), and Weston Energy LLC ("Weston").

Pursuant to the New Definitive Agreement, Fusion will acquire all of the issued and outstanding securities of New Battery, by way a three cornered amalgamation under the British Columbia Business Corporations Act pursuant to which New Battery and Fusion Subco will amalgamate, shareholders of New Battery will exchange their shares of New Battery for shares of Fusion on a one-for-one basis (on a post-Consolidation basis (as defined below)) and New Battery will become a wholly-owned subsidiary of Fusion (together with the related transactions and corporate procedures set out in the New Definitive Agreement, the "Transaction").

In connection with the Transaction, Fusion intends to consolidate its common shares on a 2:1 basis (the "Consolidation"). In addition, on closing of the Transaction, Fusion will change its name to "Battery Mineral Resources Inc." or such other similar name as New Battery may direct and which is acceptable to the Exchange and other applicable regulatory authorities.

Fusion and New Battery anticipate that, on closing of the Transaction, the Resulting Issuer will meet the TSXV's initial listing requirements for a Tier 1 or Tier 2 mining issuer.

Fusion, after giving effect to the completion of the Transaction (the "Resulting Issuer"),will carry on the mineral exploration business to be conducted by New Battery (and previously conducted by Battery Limited).

Completion of the Transaction is subject to the satisfaction of certain conditions set forth in the New Definitive Agreement, including but not limited to: (i) receipt of all requisite regulatory approvals, orders, notices and consents to implement the Transaction including those of the Exchange; (ii) no material change occurring to the business of any of the parties; (iii) completion of the Concurrent Financing (as defined below); (iv) approval, by special resolution, of the shareholders of New Battery (v) Fusion having affected the name change referred to above and the Consolidation; (vi) completion of satisfactory due diligence by Fusion within a 30 day period from the date of the New Definitive Agreement (vii) the satisfaction of obligations under the New Definitive Agreement relating to each of the parties; (viii) the delivery by each of the parties of customary closing documents; and (viii) completion of the Transaction on or before April 30, 2020.

Subject to satisfaction or waiver of the conditions to the Transaction, Fusion and New Battery anticipate that the Transaction will be completed on or before March 15, 2020.

In the event the Transaction is not consummated for any reason other than as a result of Fusion exercising its right to terminate the New Definitive Agreement as a result of its due diligence review of New Battery, or the failure of Fusion to fulfil a material condition or obligation under the New Definitive Agreement, New Battery has agreed to pay, or cause to be paid, to Fusion, $150,000, as an expense reimbursement. The obligations of New Battery in the New Definitive Agreement are guaranteed by Weston.

Concurrently with execution and delivery of the New Definitive Agreement, Weston has entered into share purchase agreements (the "Share Purchase Agreements") with David DeWitt and January Vandale (together, the "Fusion Vendors"). Under the Share Purchase Agreements, Fusion Vendors agreed to sell and transfer to Weston, concurrently with the completion of the Transaction, an aggregate of 3,200,000 outstanding common shares of Fusion (prior to giving effect to the Consolidation) at a price of $0.08 per share. Those shares are currently held in escrow pursuant to an escrow agreement, dated June 19, 2018, among Fusion, the Fusion Vendors and Odyssey Trust Company of Canada as escrow agent.

In connection with the Transaction, New Battery proposes to complete a "best efforts" private placement of: (i) flow-through common shares of New Battery at a price of not less than $0.95 per share; and (ii) common shares of New Battery at a price of not less than $0.65 per share, to raise aggregate gross proceeds of at least $5 million. Shares issued under the private placement which shall be immediately exchanged for one post-Consolidation common share of Fusion upon closing of the Transaction (together, the "Concurrent Financing").

Fusion and New Battery expect that the net proceeds of the Concurrent Financing will be used by the Resulting Issuer for continued mineral exploration activities across its mineral properties, including drilling and resource development and general operating expenses. Finders' fees or commissions in cash or securities may be paid in connection with the Concurrent Financing.

Pursuant to the Transaction, Fusion will issue to shareholders of New Battery (including those acquiring securities in the Concurrent Financing) up to an aggregate of 100 million common shares of Fusion. Upon completion of the Transaction, and after giving effect to the Consolidation, the Share Purchase Agreements, and the Concurrent Financing, there will be an aggregate of approximately 100 million common shares of the Resulting Issuer issued and outstanding and an additional 75,000 stock options and 100,000 common share purchase warrants (in each case on a post-Consolidation basis).

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At December 31, 2019, the Company had not yet achieved profitable operations, had an accumulated deficit of $116,278 (December 31, 2018 - $84,840) since inception, and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to complete a QT within twenty-four months from the date the Company's shares were listed on the Exchange and also have sufficient funds to do so.

2. Basis of presentation and significant accounting policies

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, except for any financial assets and liabilities held at fair value, as explained in the accounting policies set out below. The consolidated financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. As at December 31, 2019, the Company owned 100% of a subsidiary incorporated in British Columbia on December 29, 2019, 1234525 B.C. Ltd.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term investments with original maturity dates of less than ninety days or that are fully redeemable without penalty or loss of interest.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company adopted IFRS 9 Financial Instruments on January 1, 2017. IFRS 9 replaces the Company's previous application of IAS 39 Financial Instruments: Recognition and Measurement.

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period in which it arises.

Financial liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities, are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. The calculation of income (loss) per share excludes contingently returnable shares. The computation of diluted income (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on income (loss) per share. For this purpose, the treasury stock method is used for the assumed proceeds upon the exercise of stock options and warrants that are used to purchase common shares at the average market price during the period.

Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company's accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. A valuation allowance is recorded against any deferred tax asset if it is not probable to be utilized against future taxable profit.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

Share capital and share issuance costs

Costs directly attributable to the raising of capital are charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Share-based compensation

The fair value of the share-based compensation awards is determined at the date of grant using the Black-Scholes option pricing model. The fair value of the award is charged to the Statement of Income (Loss) and Comprehensive Income (Loss) (unless they are considered to be share issuance costs in which case they are booked as a reduction to share capital) and credited to the Share-based payment and warrants reserve (within Shareholders' Equity on the Statement of Financial Position) rateably over the vesting period, after adjusting for the number of awards that are expected to vest. Expenses recognized for forfeited awards are reversed. For awards that are cancelled, any expense not yet recognized is recognized immediately in the Statement of Income (Loss) and Comprehensive Income (Loss). Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified over the original vesting period. In addition, an expense is recognized for any modification which increases the total fair value of the share-based payment arrangement as measured at the date of modification, over the remainder of the vesting period.

Warrants

Warrants issued to agents in connection with a financing are recorded at fair value using the Black-Scholes option pricing model and charged as share issuance costs associated with the offering with an offsetting credit to Share-based payment and warrants reserve.

Proceeds of the exercise of these warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in Share-based payment and warrants reserve.

Changes in accounting standards

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers and the amendments to IFRS 2, Share-Based Payments. The adoption of IFRS 15 and the amendments to IFRS 2 did not have a significant impact on the Company's consolidated financial statements.

Effective January 1, 2019, the Company adopted IFRS 16, Leases and IFRIC 23 (IFRS Interpretations Committee, Uncertainty over Income Tax Treatments. The adoption of IFRS 16 and IFRIC 23 did not have a significant impact on the Company's consolidated financial statements.

3. Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Management believes the estimates and assumptions used in these consolidated financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company's significant accounting judgments and estimates have been applied in these consolidated financial statements:

Judgments

The measurement of deferred income tax assets and liabilities.

The evaluation of the Corporation's ability to continue as a going concern.

Estimations

The fair value of share-based compensation.

The fair value of warrant compensation.

4. Note Payable

In 2007, Pathway Capital Ltd ("Pathway"), a company where the shareholder and director of Fusion, is a shareholder, director, and officer, loaned Fusion $40,000. This loan is non-interest-bearing, has no fixed repayment date and no covenants attached to it. During the third quarter 2019, the loan from Pathway was repaid in full and as such at December 31, 2019 the amount outstanding is $nil (December 31, 2018 - $40,000).

Expressed in Canadian dollars unless otherwise stated

5. Taxation

Reconciliation of Effective Tax Rate

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit for the year ended December 31, 2019 at a rate of 27% and for the year ended December 31, 2018 at a rate of 27.00%. The Company had no assessable profit in Canada for all periods disclosed.

The tax expense at statutory rates for the Company can be reconciled to the reported loss for the year per the Statement of Loss and Comprehensive Loss as follows:

	For the year ended December 31,2019 $	For the year ended December 31,2018 $
Net loss before income taxes	**31,438**	47,169
Statutory income tax rate	**27.00%**	27.00%
Income tax recovery	**8,488**	12,736
Non-deductible expenses	**(40)**	(3,044)
Share issuance costs	**-**	24,171
Tax effect of net deferred tax assets not recognized	**(8,448)**	(33,863)
Total income tax expense	**-**	-

Deferred Income Taxes

As at December 31, 2019, the Company's net unrecognized deferred income tax assets amount to $52,523 (2018 - $44,034).

The Company's deferred income taxes are as follows:

Deferred Income Tax Assets	**Year ended December 31, 2019 ($)**	Year ended December 31, 2018 ($)
Non-capital losses	**38,020**	24,697
Financing costs	**14,503**	19,337
Total deferred income tax assets	**52,523**	44,034

In assessing the recoverability of deferred tax assets other than deferred tax assets resulting from the initial recognition of assets and liabilities that do not affect accounting or taxable profit, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As the Company is a CPC with no operations, enough evidence is not yet available to determine if the Company will be able to recognize its deferred tax assets. None of the deferred tax assets have therefore been recognized in the Company's Statement of Financial Position.

Expressed in Canadian dollars unless otherwise stated

The significant components of the Company's deductible (taxable) temporary differences are as follows:

		2019 ($)	Expiry Dates	2018 ($)	Expiry Dates
Non-capital losses					
	2007	29,993	2027	29,993	2027
	2008	3,468	2028	3,468	2028
	2009	63	2029	63	2029
	2010	85	2030	85	2030
	2011	85	2031	85	2031
	2012	79	2032	79	2032
	2013	81	2033	81	2033
	2014	87	2034	87	2034
	2015	93	2035	93	2035
	2016	93	2036	93	2036
	2017	3,544	2037	3,544	2037
	2018	53,800	2038	53,800	-
	2019	49,343	2039	-	-
		140,814		91,471	
Financing costs		53,714	Not applicable	71,618	Not applicable
Unused temporary differences		**194,528**		**163,089**	

6. Share Capital and Reserves

a) Authorized:

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

b) Issued and Outstanding:

On September 21, 2018, the Company completed an IPO and sold 2,000,000 common shares of Fusion at a price of $0.10 for gross proceeds of $200,000. Share issuance costs of $78,906 were incurred and recorded as a reduction to equity. In addition, upon closing of the IPO, the Company issued 200,000 non-transferable warrants to Canaccord Genuity Corp (the "Agent"), entitling them to purchase 200,000 common shares of the Company sold under the Offering at a price of $0.10 per share for a period of two years from the date of closing the offering. The Company recognized the fair value of $10,617 of the warrants as share issuance costs, using the Black Scholes Option Pricing Model (note 7).

On February 7, 2018, certain directors and officers of the Company subscribed for 4,200,000 common shares of Fusion at $0.05 per share, for a total receipt of $210,000. No costs were incurred in connection with this share issuance. Should the Company fail to complete a QT on or before two years from the date the Company listed on the Exchange (note 1), these shares will be cancelled and as such are considered contingently returnable; as such all such shares have been excluded from the calculation of basic earnings per share. Also, on February 7, 2018, the Company repurchased the one share previously outstanding at face value and at the same time reduced its issued and outstanding common shares accordingly by one share.

As at December 31, 2019, the Company had 6,200,000 common shares issued and outstanding. Of these common shares, 4,285,000 are held in escrow pursuant to an escrow agreement. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the Final Exchange Bulletin (as defined by Exchange policy 2.4) (the "Initial Release") upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months.

Expressed in Canadian dollars unless otherwise stated

c) Stock Options

The Company has an incentive stock option plan (the "Option Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price, expiry date, and vesting conditions to be determined by the board of directors. The maximum expiry term is ten years from the grant date. All options are equity settled. The Option Plan provides for the issuance of up to 10% of the Company's issued and outstanding common shares as at the date of the grant. Any common shares acquired pursuant to the exercise of options prior to the completion of a QT must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

Pursuant to the completion of the IPO, September 21, 2018, the Company issued 150,000 stock options with an exercise price of $0.10; no stock options had previously been issued. All stock options issued vested upon grant and expire five years from the date of grant. The following weighted average assumptions were used to estimate the grant date fair value using the Black Scholes model:

	September 21, 2018
Expected dividend yield	0.00%
Expected stock price volatility	100%
Risk-free interest rate	2.35%
Expected life of the options	5.00 years
Grant date fair value per option	$0.075

The total value of the share-based payment of $11,274 recognized by the Company in relation to these options was recorded during the year ended December 31, 2018 (no stock option expense was recognized in the year ended December 31, 2019).

As at December 31, 2019, all 150,000 options remain outstanding and exercisable and have a remaining life of 3.73 years.

7. Warrants

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued the Agent a total of 200,000 non-transferable share purchase warrants at an exercise price of $0.10 per share for a period of two years from the date of closing the offering. All warrants are exercisable upon issuance as there are no vesting conditions attached. Not more than 50% of the common shares of the Company which can be acquired by the Agent may be sold by the Agent prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction.

The following weighted average assumptions were used to estimate the grant date fair value of these warrants using the Black Scholes model:

	September 21, 2018
Expected dividend yield	0.00%
Expected stock price volatility	100%
Risk-free interest rate	2.17%
Expected life of the warrants	2.00 years
Grant date fair value per warrant	$0.053

The total value of the warrants of $10,617 was recorded as a share issuance cost in the year ended December 31, 2018 (no expense was recorded in the year ended December 31, 2019). All warrants were outstanding and exercisable as at December 31, 2019 and had a remaining life of 0.73 years.

8. Related party transactions

Related parties of the Company include the members of the Board of Directors, officers of the Company and close family members of these individuals. In addition, companies controlled by these individuals are also related parties of Fusion. The Company's Chief Executive Officer, January Vandale, and some of her close family members, as well as other related parties of Fusion, purchased 85,000 common shares of the Company in the IPO which closed on September 21, 2018 (note 6). These shares were placed under escrow and are to be released from escrow in tranches over 36 months commencing from the date of the Company receiving the Final Exchange Bulletin upon completion of a QT.

On September 21, 2018, the Company issued 150,000 stock options to directors and officers of the Company. A total expense was recognized in relation to these options of $11,274 in the year ended December 31, 2018 (note 6).

On July 1, 2018, Fusion entered into an administrative services agreement with Pathway, a company where a shareholder and director of Fusion, is a shareholder, director, and officer, to pay for rent and other administrative services. In the year ended December 31, 2019, Fusion paid Pathway $20,000, and in addition as at December 31, 2019 had accrued $4,000 in relation to such services; these expenses are included under General and administrative fees in the Statement of Loss and Comprehensive Loss. As at December 31, 2019 Fusion has an accounts payable balance of $4,200 owing to Pathway (December 31, 2018 - $6,514).

As at December 31, 2019, there is no balance remaining on the Note payable to Pathway (December 31, 2018 - $40,000) (see Note 4).

Key management personnel consists of officers and directors of the Company. No compensation was paid to key management personnel during the years ended December 31, 2019 or 2018.

9. Financial Instruments

As at December 31, 2019, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. The Company classifies cash and receivables as financial assets measured at amortized cost. The Company classifies accounts payable and accrued liabilities as financial liabilities held at amortized cost.

The fair value of these financial instruments is equal to their carrying value unless otherwise noted.

All of the Company's financial instruments are considered to be Level 1 within the fair value hierarchy (as discussed below).

Level 1– fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during 2019 or 2018.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk

The majority of the Company's financial assets is cash. The Company holds all cash balances with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on future support of shareholders through public equity offerings. As at December 31, 2019, the Company had no contractual obligations which result in a financial liability beyond accounts payable and accrued liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's activities have only been transacted in Canadian dollars since incorporation and until December 31, 2019; in addition, the Company carries no interest-bearing debt. As such, the Company has minimal market risks facing it at present.

10. Capital management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification, evaluation and completion of a QT and continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company's QT. In accordance with Policy 2,4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, or $210,000, may be used for purposes other than such identification and evaluation of businesses or assets. These restrictions apply until completion of a QT by the Company as defined under Policy 2.4 of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval to list its shares on the Exchange.

EXHIBIT "I"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FUSION GOLD LTD. FOR THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

Fusion Gold Ltd

(A Capital Pool Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

1) Introduction

This Management's Discussion and Analysis ("MD&A") of Fusion Gold Ltd ("Fusion" or the "Company") has been prepared by management as of November 30, 2020 and should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and related notes thereto (the "Financial Statements"). Unless otherwise specified, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in Canadian dollars (the presentation and functional currency of the Company's financial statements). Additional information can be found under the Company's profile at www.sedar.com.

This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described under "Other risks and uncertainties" and "Forward Looking Statements" towards the end of this MD&A.

2) Corporate profile and overall performance

Fusion was incorporated under the Business Corporations Act (British Columbia) on April 16, 2007.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

On September 21, 2018, the Company completed an Initial Public Offering ("IPO") and issued 2,000,000 common shares of Fusion at a purchase price of $0.10 for gross proceeds of $200,000. The Company's shares commenced trading on the Exchange on September 25, 2018 under the symbol FML.P. The Company is a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

Until completion of a Qualifying Transaction ("QT"), the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential QT. With the consent of the TSX-V this may include the raising of additional funds in order to finance an acquisition. Except as described in the Corporation's prospectus dated July 9, 2018, the funds raised pursuant to the Corporation's Initial Public Offering and any subsequent financing will be utilized only for the identification and evaluation of potential QT and, to the extent permitted by TSX-V Policy 2.4, for general and administrative expenses (see **"6. Liquidity and capital resources"**).

3) Qualifying transaction, Initial Public Offering and Outlook

On September 21, 2018, the Company completed an IPO and sold 2,000,000 common shares of Fusion at a price of $0.10 for gross proceeds of $200,000. Cash share issuance costs of $78,906 were incurred including agents' fees and commissions, legal fees and filing fees. In addition to these share issuance costs, upon closing of the IPO, the Company issued 200,000 non-transferable warrants to Canaccord Genuity Corp (the "Agent"), entitling them to purchase 200,000 common shares of the Company sold under the Offering at a price of $0.10

per share for a period of two years from the date of closing the offering (the warrants all expired on September 21, 2020). Not more than 50% of the common shares of the Company which can be acquired by the Agent may be sold by the Agent prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction. The total value of the warrants of $10,617 was recorded as a share issuance cost during the third quarter 2018.

On August 30, 2019, Fusion entered into a binding Letter Agreement with Battery Mineral Resources Limited. ("Battery Limited"), which sets out the principal terms upon which Fusion would acquire all of the issued and outstanding securities of Battery Limited. On October 11, 2019, Fusion entered into a binding scheme implementation agreement ("the Definitive Agreement") with Battery Limited and a support agreement also dated October 11, 2019 with Weston Energy LLC ("Weston") (the "Support Agreement"), all further to the previously announced binding Letter Agreement between Battery and Fusion dated August 30, 2019.

On December 9, 2019, Fusion announced that it had terminated its previously announced Definitive Agreement dated October 11, 2019 with Battery Limited and the Support Agreement also dated October 11, 2019 with Weston and, as a result, had received an expense reimbursement fee of $150,000. The Definitive Agreement was terminated as a result of Battery Limited commencing a voluntary administration process under the Corporations Act, 2001 (Cth) (Australia). The assets of Battery Limited have now been acquired by Battery Mineral Resources Corp. ("New Battery"), a new entity incorporated under the laws of British Columbia by Weston. Further to the termination of the Definitive Agreement, New Battery, Weston and Fusion entered into a new letter agreement dated December 5, 2019 in respect of a transaction substantially similar to that contemplated by the Definitive Agreement.

New Battery will carry on the same business as that previously carried on by Battery Limited, namely, the exploration and development of cobalt prospects in Canada, as well as other minerals critical to the lithium-ion battery market and energy storage sector.

On December 24, 2019, Fusion announced that it had entered into a definitive amalgamation agreement dated December 23, 2019 with Battery Mineral Resources Corp ("New Battery"), 1234525 B.C. Ltd., a newly incorporated wholly-owned subsidiary of Fusion ("Fusion Subco"), and Weston Energy LLC ("Weston"). This agreement was amended on March 25, 2020, again on May 14, 2020 and further time on August 31, 2020; together the definitive amalgamation agreement and the amendments are referred to hereinafter as the "New Definitive Agreement".

Pursuant to the New Definitive Agreement, Fusion will acquire all of the issued and outstanding securities of New Battery, by way a three cornered amalgamation under the British Columbia Business Corporations Act pursuant to which New Battery and Fusion Subco will amalgamate, shareholders of New Battery will exchange their shares of New Battery for shares of Fusion on a one-for-one basis (on a post-Consolidation basis (as defined below)) and New Battery will become a wholly-owned subsidiary of Fusion (together with the related transactions and corporate procedures set out in the New Definitive Agreement, the "Transaction").

In connection with the Transaction, Fusion intends to consolidate its common shares on a 2:1 basis (the "Consolidation"). In addition, on closing of the Transaction, Fusion will change its name to "Battery Mineral Resources Inc." or such other similar name as New Battery may direct and which is acceptable to the Exchange and other applicable regulatory authorities.

Fusion and New Battery anticipate that, on closing of the Transaction, the Resulting Issuer will meet the TSXV's initial listing requirements for a Tier 1 or Tier 2 mining issuer.

Fusion, after giving effect to the completion of the Transaction (the "Resulting Issuer"),will carry on the mineral exploration business to be conducted by New Battery (and previously conducted by Battery Limited).

Completion of the Transaction is subject to the satisfaction of certain conditions set forth in the New Definitive Agreement, including but not limited to: (i) receipt of all requisite regulatory approvals, orders, notices and consents to implement the Transaction including those of the Exchange; (ii) no material change occurring to the business of any of the parties; (iii) completion of the Concurrent Financing (as defined below); (iv) approval, by special resolution, of the shareholders of New Battery (v) Fusion having affected the name change referred to above and the Consolidation; (vi) completion of satisfactory due diligence by Fusion within a 30 day period from the date of the New Definitive Agreement (vii) the satisfaction of obligations under the New Definitive Agreement relating to each of the parties; (viii) the delivery by each of the parties of customary closing documents; and (viii) completion of the Transaction on or before December 31, 2020.

In connection with the Transaction, New Battery proposes to complete a "best efforts" private placement of: (i) flow-through common shares of New Battery at a price of not less than $0.95 per share; and (ii) common shares of New Battery at a price of not less than $0.65 per share, to raise aggregate gross proceeds of at least $4 million. Shares issued under the private placement which shall be immediately exchanged for one post-Consolidation common share of Fusion upon closing of the Transaction (together, the "Concurrent Financing").

Fusion and New Battery expect that the net proceeds of the Concurrent Financing will be used by the Resulting Issuer for continued mineral exploration activities across its mineral properties, including drilling and resource development and general operating expenses. Finders' fees or commissions in cash or securities may be paid in connection with the Concurrent Financing.

In the event the Transaction is not consummated for any reason other than as a result of Fusion exercising its right to terminate the New Definitive Agreement as a result of its due diligence review of New Battery, or the failure of Fusion to fulfil a material condition or obligation under the New Definitive Agreement, New Battery has agreed to pay, or cause to be paid, to Fusion, $350,000, as an expense reimbursement. The obligations of New Battery in the New Definitive Agreement are guaranteed by Weston.

Concurrently with execution and delivery of the New Definitive Agreement, Weston has entered into share purchase agreements (the "Share Purchase Agreements") with David DeWitt and January Vandale (together, the "Fusion Vendors"). Under the Share Purchase Agreements, Fusion Vendors agreed to sell and transfer to Weston, concurrently with the completion of the Transaction, an aggregate of 3,200,000 outstanding common shares of Fusion (prior to giving effect to the Consolidation) at a price of $0.08 per share. Those shares are currently held in escrow pursuant to an escrow agreement, dated June 19, 2018, among Fusion, the Fusion Vendors and Odyssey Trust Company of Canada as escrow agent.

Pursuant to the Transaction, Fusion will issue to shareholders of New Battery (including those acquiring securities in the Concurrent Financing) up to an aggregate of 100 million common shares of Fusion. Upon completion of the Transaction, and after giving effect to the Consolidation, the Share Purchase Agreements, and the Concurrent Financing, there will be an aggregate of approximately 100 million common shares of the Resulting Issuer issued and outstanding and an additional 75,000 stock options and 100,000 common share purchase warrants (in each case on a post-Consolidation basis).

Further, during Q1 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the proposed Transaction with New Battery are not known at the time of preparing these financial statements. Specifically, the pandemic may impact the ability of New Battery to raise the financing to be able to continue its exploration program. To the extent that the Transaction is negatively impacted, this may impact the Company's ability to complete the Transaction and may require Fusion to raise additional funds.

4) Summary of annual data and quarterly results

The following table is a summary of the Company's financial results and position for the 3 most recently completed years.

	Year ended December 31,		
In Canadian dollars	**2019**	**2018**	**2017**
Revenue	-	-	-
Loss from operations	31,438	47,169	3,544
Total Assets	269,827	308,394	5,824
Total non-current liabilities	-	-	40,000

The presentation currency of the Company has been the Canadian dollar in every year presented and financial statements have been prepared in accordance with IFRS.

The following table is a summary of the Company's financial results and position for the 8 most recently completed quarters.

	Three months ended							
In Canadian dollars unless otherwise stated	**30-Sep-20**	**30-Jun-20**	**31-Mar-20**	**31-Dec-19**	**30-Sep-19**	**30-Jun-19**	**31-Mar-19**	**31-Dec-18**
Net income (loss) and comprehensive income (loss)	(17,604)	(57,619)	(62,718)	87,877	(88,976)	(10,879)	(19,460)	(14,626)
Basic and diluted income (loss) per share	(0.01)	(0.03)	(0.03)	0.04	(0.04)	(0.01)	(0.01)	(0.01)
Weighted average shares*	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total assets	100,241	123,839	200,668	269,827	184,540	269,858	284,417	308,394
Long-term liabilities	-	-	-	-	-	-	-	-

** Seed financing shares (a total of 4,200,000) are considered "contingently returnable" and are therefore not included in the calculation of Weighted average loss per share.*

During 2018, the Company carried out a private placement, an IPO and became a Capital Pool Company listed on the Exchange (see "**2. Corporate profile and overall performance"** and **"3. Qualifying transaction, Initial Public Offering and Outlook"**). During Q3 2019, Q4 2019, Q1 2020 and Q2 2020, the Company saw a significant increase in the professional fees as a result of the Company's identified QT with Battery Limited (and subsequently New Battery); the fees in Q4 2019 were offset by the $150,000 expense reimbursement recovery leading to net income in this quarter (see "**3. Qualifying transaction, Initial Public Offering and Outlook).**

In 2018, 6,200,000 shares were issued (4,200,000 of these shares were issued to Directors and Officers in the private placement round and are contingently returnable and so are not included in the calculation of weighted average shares).

The vast majority of the Company's assets is its cash balance, which increased significantly in 2018 as a result of the private placement and IPO and again in Q4 2019 due to the $150,000 expense reimbursement recovery. The cash balance has been used for ongoing public company expenses and business development expenses to further the identification, evaluation and completion of a QT.

The Company reclassified its related party note payable of $40,000 from a long-term liability to a current liability as at December 31, 2018 and subsequently fully repaid this note payable in the third quarter 2019 resulting in extinguishment of the liability and a reduction in the Company's cash balance..

5) Results of operations

Three months ended September 30, 2020 compared to the three months ended September 30, 2019

As at September 30, 2020, the Company is a CPC and although it has identified a QT, it has not yet completed a QT. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

The Company incurred operating expenses (and a net loss) of $17,604 in the three months ended September 30, 2020, as compared to an expense of $88,976 in the same period in prior year. The table below details the changes in the expenditures for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019.

Expense/Other income	Increase/Decrease from prior year	Explanation for the change
Listing and filing fees	Increase of $600	The increase year-on-year is due to an increase in press releases diseminated by the Company when comparing Q3 2019 to Q3 2020.
Professional fees	Decrease of $76,267	The professional fees in the prior period relate mainly to legal fees associated with the transaction with New Battery. The legal fees in the current period which are related to the Transaction were assumed by New Battery. The fees in the current period relate mainly to accounting fees.
Other general and administrative fees	Increase of $4,295	Expenses in both periods include general and administrative fees of $6,000 relating to the administrative services agreement with Pathway Capital Ltd (see **"7. Transactions with related parties"**). Expenses were slightly higher in 2020 as the Company incurred a quarterly review expense and some transfer agent fees both of which did not occur in 2019.

Cash flows

In the three months ended September 30, 2020, the Company's cash balance decreased by $24,077. This decrease is as a result of: incurring $17,604 in operating expenses, and by an outflow of $6,473 relating to timing differences on working capital balances.

Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

As at September 30, 2020, the Company is a CPC and although it has identified a QT, it has not yet completed a QT. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

The Company incurred operating expenses (and a net loss) of $137,941 in the nine months ended September 30, 2020, as compared to an expense of $119,316 in the same period in prior year. The table below details the changes in the expenditures for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019.

Expense/Other income	Increase/Decrease from prior year	Explanation for the change
Listing and filing fees	Decrease of $624	Expenses relate to ongoing listing and filing fees and were reasonably consistent when comparing 2020 to 2019.
Professional fees	Increase of $20,860	The professional fees in both periods relate mainly to legal fees associated with the transaction with New Battery.
Other general and administrative fees	Decrease of $1,611	Expenses in both periods include general and administrative fees of $18,000 relating to the administrative services agreement with Pathway Capital Ltd (see **"7. Transactions with related parties"**). Business Development expenses were slightly higher in 2019 as the Company engaged in business development activities, whereas in 2020 the Company had already identified it's QT.

Cash flows

In the nine months ended September 30, 2020, the Company's cash balance decreased by $167,428. This decrease is as a result of: incurring $137,941 in operating expenses, and by an outflow of $29,487 relating to timing differences on working capital balances.

6) Liquidity and capital resources

As at September 30, 2020, the Company had a cash balance of $93,859 (December 31, 2019 - $261,287) and a working capital surplus of $88,149 (December 31, 2019 – surplus of $226,090).

Management believes that the Company has sufficient funds on hand to meet anticipated administrative expenses and legal costs associated with the completion of the qualifying transaction, although the impact of COVID-19 is as yet unknown and may negatively impact the Company's ability to complete the Transaction (see **"3. Initial Public Offering, Qualifying Transaction and Outlook")**.

As of the date hereof, the Company did not have any commitments for capital expenditures or other contractual obligations for expenditures. The Company has no debt other than its accounts payable balance.

As a CPC, the Company will be subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4. These requirements include the following:

1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a non-arm's length of the Company or a non-arm's length of a QT. The Company may remunerate a non-arm's length party for reasonable office supplies, office rent and related utilities, equipment leases and legal services;

2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT, with the exception of a limited amount of funds which may be used for purposes other than the identification and evaluation of a QT as described in 3) directly below;

3) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate QT;

4) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

7) Transactions with related parties

Related parties of the Company include the members of the Board of Directors, officers of the Company and close family members of these individuals. In addition, companies controlled by these individuals are also related parties of Fusion.

On July 1, 2018, Fusion entered into an administrative services agreement with Pathway, a company where a shareholder and director of Fusion, is a shareholder, director, and officer, to pay for rent and other administrative services. In the three and nine months ended September 30, 2020, Fusion paid Pathway $6,165 and $12,499 respectively (including expense reimbursements) (2019 - $6,768 and $21,328) and in addition as at September 30, 2020 had accrued $10,846 (inclusive of expense reimbursements) (December 31, 2019 - $4,000) in relation to such services; these expenses are included under General and administrative fees in the Statement of Loss and Comprehensive Loss. As at September 30, 2020 Fusion has an accounts payable balance of $10,846 (including expense reimbursements) owing to Pathway (December 31, 2019 - $4,200).

Key management personnel consists of officers and directors of the Company. No compensation was paid to key management personnel during the three and nine months ended September 30, 2020 or 2019.

8) Disclosure of data for outstanding common shares and stock options

Common Shares

As at the date of this report, the Company had 6,200,000 common shares outstanding. Of these common shares, 4,285,000 are held in escrow pursuant to an escrow agreement. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the Final Exchange Bulletin (as defined by Exchange policy 2.4) (the "Initial Release") upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months.

Should the Company fail to complete a QT on or before two years from the date the Company listed on the Exchange, the Company may be suspended from trading or de-listed from the TSX-V; if the Company is de-listed from the TSX-V, the shares issued to Directors and Officers prior to the completion of the IPO (a total of 4,200,000) will be cancelled and as such are considered contingently returnable.

Stock Options

The Company's stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued upon completion of a QT.

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued 150,000 stock options with an exercise price of $0.10; no stock options had previously been issued. All stock options issued vested upon grant and expire five years from the date of grant. As at the date of this report, all 150,000 options remain outstanding and exercisable.

Warrants

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued the Agent a total of 200,000 non-transferable share purchase warrants at an exercise price of $0.10 per share for a period of two years from the date of closing the offering. All warrants expired September 21, 2020 and there were no warrants outstanding as at the date of this report.

The fully diluted outstanding share count as of the date of this report is 6,350,000.

9) Off-balance sheet transactions

The Company did not have any off-balance sheet arrangements as at September 30, 2020, December 31, 2019, or as of the date of this report.

10) Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these Financial Statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company's significant accounting judgments and estimates which have been applied in the Financial Statements for the three and six months ended September 30, 2020 are as follows:

Judgments

The measurement of deferred income tax assets and liabilities.

The evaluation of the Corporation's ability to continue as a going concern.

Estimations

The fair value of share-based compensation.

The fair value of warrant compensation.

11) Changes in accounting standards

There are currently no proposed changes to accounting standards which will have a significant impact on the Company's financial statements.

12) Financial instruments and capital management

As at September 30, 2020, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. The Company classifies cash and receivables as financial assets measured at amortized cost. The Company classifies accounts payable and accrued liabilities as financial liabilities held at amortized cost.

The fair value of these financial instruments is equal to their carrying value unless otherwise noted.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk

As at September 30, 2020, the majority of the Company's financial assets is cash. The Company holds all cash balances with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company believes it will have sufficient funds on hand to meet administrative and legal costs associated with the completion of the Transaction with New Battery, but should it not have then it will be dependent on future support of shareholders through public equity offerings. Further, the impact of COVID-19 on the Company is as yet unknown but may negatively impact the Company's ability to complete the Transaction or raise additional financing if needed. At September 30, 2020, the Company had no contractual obligations which result in a financial liability beyond accounts payable and accrued liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's activities have only been transacted in Canadian dollars since incorporation and until September 30, 2020; in addition, the Company carries no debt beyond accounts payable and accrued liabilities. As such, the Company has minimal market risks facing it at present.

Capital management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification, evaluation and completion of a QT and continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company's QT. In accordance with Policy 2,4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, or $210,000, may be used for purposes other than such identification and evaluation of businesses or assets. These restrictions apply until completion of a QT by the Company as defined under Policy 2.4 of the Exchange.

13) Other risks and uncertainties

Risks facing the Company are described in the Company's final prospectus dated July 9, 2018 which can be found under Fusion's profile on www.sedar.com. These risk factors facing the Company have not changed significantly since the date of this final prospectus with the exception of the additional risks posed as a result of the impact of COVID-19. The Company cannot accurately predict the impact COVID-19 will have on the Company's business, including its ability to meet its obligations and complete the Transaction, as a result of uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and the business of New Battery may be further affected. In addition, to the extent that any employees or consultants of the Company or New Battery become infected with COVID-19 or similar pathogens, it could have a material negative impact on the Company and the Transaction.

The risks listed in the Company's prospectus as well as the risks posed to the Company as a result of the COVID-19 pandemic could materially affect the Company's business, prospects and share price and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, prospects and share price of the Company. If any of the risks actually occur, the business of the Company may be harmed, and its financial condition and results of operations may suffer significantly.

14) Disclosure controls and procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed consolidated interim financial statements for the period ended September 30, 2020 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

15) Forward looking statements

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including,but not limited to, the Company's ability to complete the Transaction, the impact of COVID-19 on the Transaction and the future of the Company, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Readers are cautioned that these statements which describe the Company's plans, objectives, and budgets may differ materially from actual results and as such should not be unduly relied upon by investors. Forward-looking statements contained in this

MD&A speak only as to the date of this MD&A, or such other date as may be specified herein, and are expressly qualified in their entirety by this cautionary statement. See additional discussion under "Other risks and uncertainties" section above.

EXHIBIT "J"
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FUSION GOLD LTD. FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Fusion Gold Ltd

(A Capital Pool Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

1) Introduction

This Management's Discussion and Analysis ("MD&A") of Fusion Gold Ltd ("Fusion" or the "Company") has been prepared by management as of February 25, 2020 and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019 and related notes thereto (the "Financial Statements"). Unless otherwise specified, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in Canadian dollars (the presentation and functional currency of the Company's financial statements). Additional information can be found under the Company's profile at www.sedar.com.

This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described under "Other risks and uncertainties" and "Forward Looking Statements" towards the end of this MD&A.

2) Corporate profile and overall performance

Fusion was incorporated under the Business Corporations Act (British Columbia) on April 16, 2007.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

On September 21, 2018, the Company completed an Initial Public Offering ("IPO") and issued 2,000,000 common shares of Fusion at a purchase price of $0.10 for gross proceeds of $200,000. The Company's shares commenced trading on the Exchange on September 25, 2018 under the symbol FML.P. The Company is a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

Until completion of a Qualifying Transaction ("QT"), the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential QT. With the consent of the TSX-V this may include the raising of additional funds in order to finance an acquisition. Except as described in the Corporation's prospectus dated July 9, 2018, the funds raised pursuant to the Corporation's Initial Public Offering and any subsequent financing will be utilized only for the identification and evaluation of potential QT and, to the extent permitted by TSX-V Policy 2.4, for general and administrative expenses (see **"6. Liquidity and capital resources"**).

3) Qualifying transaction and Initial Public Offering

On September 21, 2018, the Company completed an IPO and sold 2,000,000 common shares of Fusion at a price of $0.10 for gross proceeds of $200,000. Cash share issuance costs of $78,906 were incurred including agents' fees and commissions, legal fees and filing fees. In addition to these share issuance costs, upon closing of the IPO, the Company issued 200,000 non-transferable warrants to Canaccord Genuity Corp (the "Agent"), entitling them to purchase 200,000 common shares of the Company sold under the Offering at a price of $0.10 per share for a period of two years from the date of closing the offering. Not more than 50% of the common shares of the Company which can be acquired by the Agent may be sold by the Agent prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction. The total value of the warrants of $10,617 was recorded as a share issuance cost during the third quarter 2018.

On August 30, 2019, Fusion entered into a binding Letter Agreement with Battery Mineral Resources Limited. ("Battery Limited"), which sets out the principal terms upon which Fusion would acquire all of the issued and outstanding securities of Battery Limited. On October 11, 2019, Fusion entered into a binding scheme implementation agreement ("the Definitive Agreement") with Battery Limited and a support agreement also dated October 11, 2019 with Weston Energy LLC ("Weston") (the "Support Agreement"), all further to the previously announced binding Letter Agreement between Battery and Fusion dated August 30, 2019.

On December 9, 2019, Fusion announced that it had terminated its previously announced Definitive Agreement dated October 11, 2019 with Battery Limited and the Support Agreement also dated October 11, 2019 with Weston and, as a result, has received an expense reimbursement fee of $150,000. The Definitive Agreement was terminated as a result of Battery Limited commencing a voluntary administration process under the Corporations Act, 2001 (Cth) (Australia). The assets of Battery Limited have now been acquired by Battery Mineral Resources Corp. ("New Battery"), a new entity incorporated under the laws of British Columbia by Weston. Further to the termination of the Definitive Agreement, New Battery, Weston and Fusion have entered into a new letter agreement dated December 5, 2019 in respect of a transaction substantially similar to that contemplated by the Definitive Agreement.

New Battery will carry on the same business as that previously carried on by Battery Limited, namely, the exploration and development of cobalt prospects in Canada, as well as other minerals critical to the lithium-ion battery market and energy storage sector.

On December 24, 2019, Fusion announced that it had entered into a definitive amalgamation agreement dated December 23, 2019 (the "New Definitive Agreement") with Battery Mineral Resources Corp ("New Battery"), 1234525 B.C. Ltd., a newly incorporated wholly-owned subsidiary of Fusion ("Fusion Subco"), and Weston Energy LLC ("Weston").

Pursuant to the New Definitive Agreement, Fusion will acquire all of the issued and outstanding securities of New Battery, by way a three cornered amalgamation under the British Columbia Business Corporations Act pursuant to which New Battery and Fusion Subco will amalgamate, shareholders of New Battery will exchange their shares of New Battery for shares of Fusion on a one-for-one basis (on a post-Consolidation basis (as defined below)) and New Battery will become a wholly-owned subsidiary of Fusion (together with the related transactions and corporate procedures set out in the New Definitive Agreement, the "Transaction").

In connection with the Transaction, Fusion intends to consolidate its common shares on a 2:1 basis (the "Consolidation"). In addition, on closing of the Transaction, Fusion will change its name to "Battery Mineral Resources Inc." or such other similar name as New Battery may direct and which is acceptable to the Exchange and other applicable regulatory authorities.

Fusion and New Battery anticipate that, on closing of the Transaction, the Resulting Issuer will meet the TSXV's initial listing requirements for a Tier 1 or Tier 2 mining issuer.

Fusion, after giving effect to the completion of the Transaction (the "Resulting Issuer"),will carry on the mineral exploration business to be conducted by New Battery (and previously conducted by Battery Limited).

Completion of the Transaction is subject to the satisfaction of certain conditions set forth in the New Definitive Agreement, including but not limited to: (i) receipt of all requisite regulatory approvals, orders, notices and consents to implement the Transaction including those of the Exchange; (ii) no material change occurring to the business of any of the parties; (iii) completion of the Concurrent Financing (as defined below); (iv) approval, by special resolution, of the shareholders of New Battery (v) Fusion having affected the name change referred to above and the Consolidation; (vi) completion of satisfactory due diligence by Fusion within a 30 day period from the date of the New Definitive Agreement (vii) the satisfaction of obligations under the New Definitive Agreement relating to each of the parties; (viii) the delivery by each of the parties of customary closing documents; and (viii) completion of the Transaction on or before April 30, 2020.

In the event the Transaction is not consummated for any reason other than as a result of Fusion exercising its right to terminate the New Definitive Agreement as a result of its due diligence review of New Battery, or the failure of Fusion to fulfil a material condition or obligation under the New Definitive Agreement, New Battery has agreed to pay, or cause to be paid, to Fusion, $150,000, as an expense reimbursement. The obligations of New Battery in the New Definitive Agreement are guaranteed by Weston.

Concurrently with execution and delivery of the New Definitive Agreement, Weston has entered into share purchase agreements (the "Share Purchase Agreements") with David DeWitt and January Vandale (together, the "Fusion Vendors"). Under the Share Purchase Agreements, Fusion Vendors agreed to sell and transfer to Weston, concurrently with the completion of the Transaction, an aggregate of 3,200,000 outstanding common shares of Fusion (prior to giving effect to the Consolidation) at a price of $0.08 per share. Those shares are currently held in escrow pursuant to an escrow agreement, dated June 19, 2018, among Fusion, the Fusion Vendors and Odyssey Trust Company of Canada as escrow agent.

In connection with the Transaction, New Battery proposes to complete a "best efforts" private placement of: (i) flow-through common shares of New Battery at a price of not less than $0.95 per share; and (ii) common shares of New Battery at a price of not less than $0.65 per share, to raise aggregate gross proceeds of at least $5 million. Shares issued under the private placement which shall be immediately exchanged for one post-Consolidation common share of Fusion upon closing of the Transaction (together, the "Concurrent Financing").

Fusion and New Battery expect that the net proceeds of the Concurrent Financing will be used by the Resulting Issuer for continued mineral exploration activities across its mineral properties, including drilling and resource development and general operating expenses. Finders' fees or commissions in cash or securities may be paid in connection with the Concurrent Financing.

Pursuant to the Transaction, Fusion will issue to shareholders of New Battery (including those acquiring securities in the Concurrent Financing) up to an aggregate of 100 million common shares of Fusion. Upon completion of the Transaction, and after giving effect to the Consolidation, the Share Purchase Agreements, and the Concurrent Financing, there will be an aggregate of approximately 100 million common shares of the Resulting Issuer issued and outstanding and an additional 75,000 stock options and 100,000 common share purchase warrants (in each case on a post-Consolidation basis).

4) Summary of annual data and quarterly results

The following table is a summary of the Company's financial results and position for the 3 most recently completed years.

	Year ended December 31,		
In Canadian dollars	**2019**	**2018**	**2017**
Revenue	-	-	-
Loss from operations	31,438	47,169	3,544
Total Assets	269,827	308,394	5,824
Total non-current liabilities	-	-	40,000
The presentation currency of the Company has been the Canadian dollar in every year presented and financial statements have been prepared in accordance with IFRS.			

The following table is a summary of the Company's financial results and position for the 8 most recently completed quarters.

	Three months ended							
In Canadian dollars unless otherwise stated	**31-Dec-19**	**30-Sep-19**	**30-Jun-19**	**31-Mar-19**	**31-Dec-18**	**30-Sep-18**	**30-Jun-18**	**31-Mar-18**
Net income (loss) and comprehensive income (loss)	87,877	(88,976)	(10,879)	(19,460)	(14,626)	(26,305)	(2,166)	(4,072)
Basic and diluted income (loss) per share	0.04	(0.04)	(0.01)	(0.01)	(0.01)	(0.13)	0.00	0.00
Weighted average shares*	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	195,652	0	0
Total assets	269,827	184,540	269,858	284,417	308,394	337,807	208,893	211,122
Long-term liabilities	-	-	-	-	-	40,000	40,000	40,000
** Seed financing shares (a total of 4,200,000) are considered "contingently returnable" and are therefore not included in the calculation of Weighted average loss per share.*								

During 2018, the Company carried out a private placement, an IPO and became a Capital Pool Company listed on the Exchange (see "**2. Corporate profile and overall performance"** and **"3. Qualifying transaction and initial public offering"**). As a result of these transactions in 2018, the Company began to incur various expenses, most significantly legal fees. During Q3 and Q4 2019, the Company saw a significant increase in the professional fees as a result of the Company's identified QT with Battery Limited (and subsequently New Battery); the fees in Q4 2019 were offset by the $150,000 expense reimbursement recovery leading to net income in this quarter (see "**3. Qualifying transaction and initial public offering).**

In 2018, 6,200,000 shares were issued (4,200,000 of these shares were issued to Directors and Officers in the private placement round and are contingently returnable and so are not included in the calculation of weighted average shares).

The vast majority of the Company's assets is its cash balance, which increased significantly in 2018 as a result of the private placement and IPO, offset by expenses incurred for the financing as well as ongoing public company expenses and business development expenses to further the identification and evaluation of a QT. Specifically during Q3 2019, legal fees increased (and cash decreased) as the Company entered into the Letter Arrangement with Battery Limited. In Q4 2019, the cash balance (and therefore total assets) rose as a result of the expense reimbursement recovery of $150,000 received from Weston, offset by ongoing legal fees relating to the Company's QT with New Battery (see "**3. Qualifying transaction and initial public offering"** and **"5. Results of operations"**).

The Company reclassified its related party note payable of $40,000 from a long-term liability to a current liability as at December 31, 2018 and subsequently fully repaid this note payable in the third quarter 2019 resulting in extinguishment of the liability and a reduction in the Company's cash balance (see **"7. Transactions with related parties"** below).

5) Results of operations

Three months ended December 31, 2019 compared to the three months ended December 31, 2018

As at December 31, 2019, the Company is a CPC and although it has identified a QT, it has not yet completed a QT. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

The Company earned a net income of $87,877 in the three months ended December 31, 2019, being Operating and Administrative Expenses of $62,121 offset by other income of $150,000 (see **"3. Qualifying Transaction and Initial Public Offering"**), as compared to an expense of $14,626 in the same period in prior year. The table below details the changes in the expenditures for the three months ended December 31, 2019 as compared to the three months ended December 31, 2018.

Expense/Other income	**Increase/Decrease from prior year**	**Explanation for the change**
Listing and filing fees	Increase of $3,222	Additional filing fees associated with the press releases and filings surrounding the transaction with New Battery.
Professional fees	Increase of $46,165	The professional fees in the current period relate mainly to legal fees associated with the transaction with Battery Mineral Resources Limited. The fees in the prior year were minimal and related mainly to accounting and audit fees.
Share-based payment	Consistent	No stock option expenses recorded in either period.
Other general and administrative fees	Decrease of $1,890	Expenses in both periods include general and administrative fees of $6,000 relating to the administrative services agreement with Pathway Capital Ltd (see **"7. Transactions with related parties"**). Expenses were slighlty higher in 2018 as the Company engaged in business development activities, whereas in 2019 the Company had already identified it's QT by Q4.
Expense reimbursement fee (recovery)	Increase of $150,000	Other income in the current period consists of the expense reimbursement fee received (see "3. Qualifying Transaction and Initial Public Offering"). No such income in the same period in prior year.

Cash flows

In the three months ended December 31, 2019, the Company's cash balance increased by $82,781. This increase is as a result of: incurring $62,121 in operating expenses, offset by other income of $150,000 (the expense reimbursement recovery; see **"3. Qualifying Transaction and Initial Public Offering"**), and by an outflow of $5,098 relating to timing differences on working capital balances.

Year ended December 31, 2019 compared to the year ended December 31, 2018

As at December 31, 2019, the Company is a CPC, and although it has identified a QT, it has not yet completed a QT. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

The Company incurred a total of $181,438 operating and administrative expenses in the year ended December 31, 2019, offset by other income of $150,000 (see **"3. Qualifying Transaction and Initial Public Offering"**), as compared to $47,169 in the same period in prior year. The table below details the changes in the expenditures for the year ended December 31, 2019 as compared to the year ended December 31, 2018.

Expense/Other income	Increase/Decrease from prior year	Explanation for the change
Listing and filing fees	Increase of $3,512	Additional filing fees associated with the press releases and filings surrounding the transaction with New Battery.
Professional fees	Increase of $121,227	The professional fees in the current year relate mainly to legal fees associated with the transaction with Battery Mineral Resources Limited. The fees in the prior year were minimal and related mainly to accounting and audit fees.
Share-based payment	Decrease of $11,274	During Q3 2018, the Company issued 150,000 incentive stock options which vested upon grant. The full expense of $11,274 was recognized immediately in the Statement of Loss. No such issuance of incentive share options has been made in 2019.
Other general and administrative fees	Increase of $20,803	Minimal expenses in the first three quarters of 2018 as the Company was not yet a CPC. In 2019, fees relate to business development as the Company actively searched for and found a QT, as well as general and administrative fees of $24,000 relating to the administrative services agreement with Pathway Capital Ltd (see **"7. Transactions with related parties"**), which was only in place from July 1, 2018 in the prior year ($12,000 recorded in prior year).
Expense reimbursement fee (recovery)	Increase of $150,000	Other income in the current year consists of the expense reimbursement fee received (see "3. Qualifying Transaction and Initial Public Offering"). No such income in the prior year.

Cash flows

In the year ended December 31, 2019, the Company's cash balance decreased by $44,516. This decrease is as a result of: incurring $181,438 in operating expenses, offset by other income of $150,000 (the expense reimbursement recovery; see "**3. Qualifying transaction and initial public offering"**) and an inflow of $26,922 relating to timing differences on working capital balances. In addition, the Company repaid the Shareholder loan of $40,000 to Pathway (see **"4. Summary of annual data and quarterly results**).

6) Liquidity and capital resources

As at December 31, 2019, the Company had a cash balance of $261,287 (December 31, 2018 - $305,803) and a working capital surplus of $226,090 (December 31, 2018 – surplus of $257,528).

The Company anticipates that its funds on hand will be sufficient to complete the announced QT as well as legal and other related expenses (see "**3. Qualifying transaction and initial public offering")**.

As of the date hereof, the Company did not have any commitments for capital expenditures or other contractual obligations for expenditures. The Company has no debt other than its accounts payable balance.

As a CPC, the Company will be subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4. These requirements include the following:

1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a non-arm's length of the Company or a non-arm's length of a QT. The Company may remunerate a non-arm's length party for reasonable office supplies, office rent and related utilities, equipment leases and legal services;

2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT, with the exception of a limited amount of funds which may be used for purposes other than the identification and evaluation of a QT as described in 3) directly below;

3) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate QT;

4) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

7) Transactions with related parties

Related parties of the Company include the members of the Board of Directors, officers of the Company and close family members of these individuals. In addition, companies controlled by these individuals are also related parties of Fusion. The Company's Chief Executive Officer, January Vandale, and some of her close family members, as well as other related parties of Fusion, purchased 85,000 common shares of the Company in the IPO which closed on September 21, 2018. These shares were placed under escrow and are to be released from escrow in tranches over 36 months commencing from the date of the Company receiving the Final Exchange Bulletin upon completion of a QT.

On September 21, 2018, the Company issued 150,000 stock options to directors and officers of the Company. A total expense was recognized in relation to these options of $11,274 in the year ended December 31, 2018.

On July 1, 2018, Fusion entered into an administrative services agreement with Pathway, a company where a shareholder and director of Fusion, is a shareholder, director, and officer, to pay for rent and other administrative services. In the year ended December 31, 2019, Fusion paid Pathway $20,000 and in addition as at December 31, 2019 had accrued $4,000 in relation to such services; these expenses are included under General and administrative fees in the Statement of Loss and Comprehensive Loss. As at December 31, 2019 Fusion has an accounts payable balance of $4,200 owing to Pathway (December 31, 2018 - $6,514).

As at December 31, 2019, there is a Note payable to Pathway of $nil (December 31, 2018-$40,000).

Key management personnel consists of officers and directors of the Company. No compensation was paid to key management personnel during the years ended December 31, 2019 or 2018.

8) Disclosure of data for outstanding common shares and stock options

Common Shares

As at the date of this report, the Company had 6,200,000 common shares outstanding. Of these common shares, 4,285,000 are held in escrow pursuant to an escrow agreement. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the Final Exchange Bulletin (as defined by Exchange policy 2.4) (the "Initial Release") upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months.

Should the Company fail to complete a QT on or before two years from the date the Company listed on the Exchange, the shares issued to Directors and Officers prior to the completion of the IPO (a total of 4,200,000) will be cancelled and as such are considered contingently returnable.

Stock Options

The Company's stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued upon completion of a QT.

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued 150,000 stock options with an exercise price of $0.10; no stock options had previously been issued. All stock options issued vested upon grant and expire five years from the date of grant. As at the date of this report, all 150,000 options remain outstanding and exercisable.

Warrants

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued the Agent a total of 200,000 non-transferable share purchase warrants at an exercise price of $0.10 per share for a period of two years from the date of closing the offering. All warrants were outstanding and exercisable as at the date of this report.

The fully diluted outstanding share count as of the date of this report is 6,550,000.

9) Off-balance sheet transactions

The Company did not have any off-balance sheet arrangements as at December 31, 2018, December 31, 2019 or as of the date of this report.

10) Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these Financial Statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company's significant accounting judgments and estimates which have been applied in the Financial Statements for the years ended December 31, 2019 and 2018 are as follows:

Judgments

The measurement of deferred income tax assets and liabilities.

The evaluation of the Corporation's ability to continue as a going concern.

Estimations

The fair value of share-based compensation.

The fair value of warrant compensation.

11) Changes in accounting standards

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers and the amendments to IFRS 2, Share-Based Payments. The adoption of IFRS 15 and the amendments to IFRS 2 did not have a significant impact on the Company's Financial Statements.

Effective January 1, 2019, the Company adopted IFRS 16, Leases and IFRIC 23 (IFRS Interpretations Committee), Uncertainty over Income Tax Treatments. The adoption of IFRS 16 and IFRIC 23 did not have a significant impact on the Company's Financial Statements.

12) Financial instruments and capital management

As at December 31, 2019, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. The Company classifies cash and receivables as financial assets measured at amortized cost. The Company classifies accounts payable and accrued liabilities as financial liabilities held at amortized cost.

The fair value of these financial instruments is equal to their carrying value unless otherwise noted.

All of the Company's financial instruments are considered to be Level 1 within the fair value hierarchy (as discussed below).

Level 1– fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the years ended December 31, 2019 or 2018.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk

The majority of the Company's financial assets is cash. The Company holds all cash balances with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on future support of shareholders through public equity offerings. As at December 31, 2019, the Company had no contractual obligations which result in a financial liability beyond accounts payable and accrued liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's activities have only been transacted in Canadian dollars since incorporation and until December 31, 2019; in addition, the Company carries no interest-bearing debt. As such, the Company has minimal market risks facing it at present.

Capital management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification, evaluation and completion of a QT and continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company's QT. In accordance with Policy 2,4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, or $210,000, may be used for purposes other than such identification and evaluation of businesses or assets. These restrictions apply until completion of a QT by the Company as defined under Policy 2.4 of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval to list its shares on the Exchange.

13) Other risks and uncertainties

Risks facing the Company are described in the Company's final prospectus dated July 9, 2018 which can be found under Fusion's profile on www.sedar.com. These risk factors facing the Company have not changed significantly since the date of this final prospectus.

14) Disclosure controls and procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the audited Financial Statements for the year ended December 31, 2019 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company along with the Annual Financial Statements and Management's Discussion and Analysis on SEDAR at www.sedar.com.

15) Forward looking statements

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Readers are cautioned that these statements which describe the Company's plans, objectives, and budgets may differ materially from actual results and as such should not be unduly relied upon by investors. Forward-looking statements contained in this MD&A speak only as to the date of this MD&A, or such other date as may be specified herein, and are expressly qualified in their entirety by this cautionary statement. See additional discussion under "Other risks and uncertainties" section above.

Fusion Gold Ltd

(A Capital Pool Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

1) Introduction

This Management Discussion and Analysis ("MD&A") of Fusion Gold Ltd ("Fusion" or the "Company") has been prepared by management as of March 4, 2019 and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2018 and related notes thereto (the "Financial Statements"). Unless otherwise specified, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in Canadian dollars (the presentation and functional currency of the Company's financial statements). Additional information can be found under the Company's profile at www.sedar.com.

This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described under "Other risks and uncertainties" and "Forward Looking Statements" towards the end of this MD&A.

2) Corporate profile and overall performance

Fusion was incorporated under the Business Corporations Act (British Columbia) on April 16, 2007.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

On September 21, 2018, the Company completed an Initial Public Offering ("IPO") and issued 2,000,000 common shares of Fusion at a purchase price of $0.10 for gross proceeds of $200,000. The Company's shares commenced trading on the Exchange on September 25, 2018 under the symbol FML.P. The Company is a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

Until completion of a Qualifying Transaction ("QT"), the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential QT. With the consent of the TSX-V this may include the raising of additional funds in order to finance an acquisition. Except as described in the Corporation's prospectus dated July 9, 2018, the funds raised pursuant to the Corporation's Initial Public Offering and any subsequent financing will be utilized only for the identification and evaluation of potential QT and, to the extent permitted by TSX-V Policy 2.4, for general and administrative expenses (see **"6. Liquidity and capital resources"**).

3) Qualifying transaction and Initial Public Offering

To date, the Corporation has not yet completed a QT. The Corporation has limited funds to identify and complete a QT, and therefore there can be no assurance that the Corporation will be able to complete a QT within the time period permitted. Should the Company fail to complete a QT on or before two years from the date the Company listed on the Exchange, the shares issued to Directors and Officers prior to the completion of the IPO will be cancelled and as such are considered contingently returnable.

On September 21, 2018, the Company completed an IPO and sold 2,000,000 common shares of Fusion at a price of $0.10 for gross proceeds of $200,000. Cash share issuance costs of $78,906 were incurred including agents' fees and commissions, legal fees and filing fees. In addition to these share issuance costs, upon closing of the IPO, the Company issued 200,000 non-transferable warrants to Canaccord Genuity Corp (the "Agent"), entitling them to purchase 200,000 common shares of the Company sold under the Offering at a price of $0.10 per share for a period of two years from the date of closing the offering. Not more than 50% of the common shares of the Company which can be acquired by the Agent may be sold by the Agent prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction. The total value of the warrants of $10,617 was recorded as a share issuance cost during the third quarter 2018.

4) Summary of annual data and quarterly results

The following table is a summary of the Company's financial results and position for the 3 most recently completed years.

	Year ended December 31,		
In Canadian dollars	**2018**	**2017**	**2016 (Unaudited)**
Revenue	-	-	-
Loss from operations	47,169	3,544	93
Total Assets	308,394	5,824	6,323
Total non-current liabilities	-	40,000	40,000

The presentation currency of the Company has been the Canadian dollar in every year presented and financial statements have been prepared in accordance with IFRS.

The following table is a summary of the Company's financial results and position for the 8 most recently completed quarters.

	Three months ended							
In Canadian dollars unless otherwise stated	**31-Dec-18**	**30-Sep-18**	**30-Jun-18**	**31-Mar-18**	**31-Dec-17**	**30-Sep-17**	**30-Jun-17**	**31-Mar-17**
Net loss and comprehensive loss	14,626	26,305	2,166	4,072	3,468	12	57	7
Basic and diluted loss per share	0.01	0.13	0.00	0.00	3,468.00	12.00	57.00	7.00
Weighted average shares*	2,000,000	195,652	0	0	1	1	1	1
Total assets	308,394	337,807	208,893	211,122	5,824	6,292	6,304	6,316
Long-term liabilities	-	40,000	40,000	40,000	40,000	40,000	40,000	40,000

** Seed financing shares (a total of 4,200,000) are considered "contingently returnable" and are therefore not included in the calculation of Weighted average loss per share.*

During 2017 and 2016, the Company had no operations and no business activity. During 2018, the Company carried out a private placement, an IPO and became a Capital Pool Company listed on the Exchange (see "**2. Corporate profile and overall performance**" and "**3. Qualifying transaction and initial public offering**"). As a result of these transactions in 2018, the Company began to incur various expenses, most significantly legal fees (see "**5. Results of operations**" below). In addition, 6,200,000 shares were issued in 2018, 4,200,000 of these shares were issued to Directors and Officers in the private placement round and are contingently returnable and so are not included in the calculation of weighted average shares. Only the 2,000,000 shares issued as part of the IPO are included in weighted average shares. The vast majority of the Company's assets is its cash balance, which increased significantly in 2018 as a result of the private placement and IPO, offset by expenses incurred for the financing as well as ongoing public company expenses and expenses to further the identification and evaluation of a potential QT (see "**5. Results of operations**"). The Company reclassified its related party note payable of $40,000 from a long-term liability to a current liability as at December 31, 2018 (see "**7. Transactions with related parties**" below).

5) Results of operations

Three months ended December 31, 2018 compared to the three months ended December 31, 2017

As at December 31, 2018, the Company is a CPC and had not completed a QT. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

The Company incurred a total of $14,626 operating and administrative expenses in the three months ended December 31, 2018 as compared to $3,468 in the same period in prior year. The table below details the changes in the expenditures for the three months ended December 31, 2018 as compared to the three months ended December 31, 2017.

Expense	Increase/Decrease from prior year	Explanation for the change
Listing and filing fees	Increase of $150	Listing and filing fees in connection with the Prospectus in 2018, as well as ongoing public company filing fees. No such expenses incurred in 2017.
Professional fees	Increase of $1,268	Professional fees in connection with the Prospectus in 2018, as well as fees associated with ongoing public company requirements. The only fees incurred in 2017 were audit fees.
Share-based payment	$nil	No stock option expense in the fourth quarter of either 2018 or 2017.
Other general and administrative fees	Increase of $9,740	Additional activity surrounding the public listing, including transfer agent fees, resulted in higher expenses compared to prior year. In addition, the general and administrative fees includes $6,000 relating to the administrative services agreement with Pathway Capital Ltd, which was not in place in prior year. Expenses in prior year relating only to bank fees.

Cash flows

In the three months ended December 31, 2018, the Company's cash balance decreased by $30,235. This increase is as a result of: incurring $14,626 in operating expenses, and in addition, the Company saw an outflow of $15,609 relating to timing differences on working capital balances.

Year ended December 31, 2018 compared to the year ended December 31, 2017

As at December 31, 2018, the Company is a CPC and has not completed a QT. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

The Company incurred a total of $47,169 operating and administrative expenses in the year ended December 31, 2018 as compared to $3,544 in the same period in prior year. The table below details the changes in the expenditures for the year ended December 31, 2018 as compared to year ended December 31, 2017.

Expense	Increase/Decrease from prior year	Explanation for the change
Listing and filing fees	Increase of $7,782	Listing and filing fees in connection with the Prospectus in 2018, as well as ongoing public company filing fees. No such expenses incurred in 2017.
Professional fees	Increase of $8,287	Professional fees in connection with the Prospectus in 2018, as well as fees associated with ongoing public company requirements. The only fees incurred in 2017 were audit fees.
Share-based payment	Increase of $11,274	The Company issued 150,000 stock options during 2018 with an exercise price of $0.10. The stock options were valued using the Black Scholes pricing model and were calculated to have a fair value of $11,274, which was recorded as an expense. No stock options had previously been issued by the Company.
Other general and administrative fees	Increase of $16,282	Additional activity surrounding the Prospectus and increased business activity related to the public listing, including transfer agent fees, resulted in higher expenses compared to prior year. In addition, the general and administrative fees includes $12,000 relating to the administrative services agreement with Pathway Capital Ltd, which was not in place in prior year. Expenses in prior year relating only to annual BC Registry fees and bank fees.

Cash flows

In the year ended December 31, 2018, the Company's cash balance increased by $299,979. This increase is as a result of: spending $35,895 in operating expenses, raising $210,000 upon completion of a private placement and raising net proceeds of $121,094 upon completion of an IPO (see "**3. Qualifying transaction and Initial Public Offering").** In addition, the Company saw an inflow of $4,781 relating to timing differences on working capital balances.

6) Liquidity and capital resources

As at December 31, 2018, the Company had a cash balance of $305,803 (December 31, 2017 - $5,824) and a working capital surplus of $257,528 (December 31, 2017 – surplus of $2,330). The improvement of the Company's liquidity position during 2018 is as a result of the private placement in the first quarter of 2018 for $210,000 (4,200,000 common shares), and the net proceeds from the IPO in the third quarter of $121,094.

Management believes that the Company has sufficient funds on hand to meet anticipated administrative expenses and necessary investigation costs associated with reviewing and identifying assets or business prospects in the furtherance of the Company's search for a suitable QT. The Company anticipates that its funds on hand will be sufficient to complete the search for a QT as well as legal and other related expenses.

As of the date hereof, the Company did not have any commitments for capital expenditures or other contractual obligations. The Company has no debt other than its accounts payable balance and the note payable.

As a CPC, the Company will be subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4. These requirements include the following:

1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a non-arm's length of the Company or a non-arm's length of a QT. The Company may remunerate a non-arm's length party for reasonable office supplies, office rent and related utilities, equipment leases and legal services;

2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT, with the exception of a limited amount of funds which may be used for purposes other than the identification and evaluation of a QT as described in 3) directly below;

3) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate QT;

4) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

7) Transactions with related parties

Related parties of the Company include the members of the Board of Directors, officers of the Company and close family members of these individuals. In addition, companies controlled by these individuals are also related parties of Fusion. The Company's Chief Executive Officer, January Vandale, and some of her close family members, as well as other related parties of Fusion, purchased 85,000 common shares of the Company in the IPO which closed on September 21, 2018. These shares were placed under escrow and are to be released from escrow in tranches over 36 months commencing from the date of the Company receiving the Final Exchange Bulletin upon completion of a QT.

On September 21, 2018, the Company issued 150,000 stock options to directors and officers of the Company. A total expense was recognized in relation to these options of $11,274 in the year ended December 31, 2018.

On July 1, 2018, Fusion entered into an administrative services agreement with Pathway, a company where a shareholder and directors of Fusion, is a shareholder, director and officer, to pay for rent and other administrative services. In the year ended December 31, 2018, Fusion paid Pathway $8,000 and in addition as at December 31, 2018 had accrued $4,000 in relation to such services; these expenses are included under General and administrative fees in the Statement of Loss and Comprehensive Loss. As at December 31, 2018 Fusion has an accounts payable balance of $6,514 owing to Pathway (2017 - $494).

As at December 31, 2018, there is a note payable to Pathway of $40,000 (2017 - $40,000).

Key management personnel consists of officers and directors of the Company. No compensation was paid to key management personnel during the year ended December 31, 2018 or 2017.

8) Disclosure of data for outstanding common shares and stock options

Common Shares

As at the date of this report, the Company had 6,200,000 common shares outstanding. Of these common shares, 4,285,000 are held in escrow pursuant to an escrow agreement. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the Final Exchange Bulletin (as defined by Exchange policy 2.4) (the "Initial Release") upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months.

Should the Company fail to complete a QT on or before two years from the date the Company listed on the Exchange, the shares issued to Directors and Officers prior to the completion of the IPO (a total of 4,200,000) will be cancelled and as such are considered contingently returnable.

Stock Options

The Company's stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued upon completion of a QT.

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued 150,000 stock options with an exercise price of $0.10; no stock options had previously been issued. All stock options issued vested upon grant and expire five years from the date of grant. As at the date of this report, all 150,000 options remain outstanding and exercisable.

Warrants

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued the Agent a total of 200,000 non-transferable share purchase warrants at an exercise price of $0.10 per share for a period of two years from the date of closing the offering. All warrants were outstanding and exercisable as at the date of this report.

The fully diluted outstanding share count as of the date of this report is 6,550,000.

9) Off-balance sheet transactions

The Company did not have any off-balance sheet arrangements as at December 31, 2017, December 31, 2018 or as of the date of this report.

10) Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these condensed interim financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company's significant accounting judgments and estimates are consistent with those applied in the audited annual financial statements for the year ended December 31, 2017, with the exception of the following additions:

Judgments

The measurement of deferred income tax assets and liabilities.

The evaluation of the Corporation's ability to continue as a going concern.

Estimations

The fair value of share-based compensation.

The fair value of warrant compensation.

11) Changes in accounting standards

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers and the amendments to IFRS 2, Share-Based Payments. The adoption of IFRS 15 and the amendments to IFRS 2 did not have an impact on the Company's financial statements.

Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company has assessed the impact of IFRS 16 and has concluded that it is not expected to have a significant impact on its financial statements.

12) Financial instruments and capital management

As at December 31, 2018, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and the note payable. The Company classifies cash and receivables as financial assets measured at amortized cost. The Company classifies accounts payable and accrued liabilities and the note payable as financial liabilities held at amortized cost.

The fair value of these financial instruments is equal to their carrying value unless otherwise noted.

All of the Company's financial instruments are considered to be Level 1 within the fair value hierarchy (as discussed below).

Level 1– fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during 2018 or 2017.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk

The majority of the Company's financial assets is cash. The Company holds all cash balances with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on future support of shareholders through public equity offerings. As at December 31, 2018, the Company had no contractual obligations which result in a financial liability beyond accounts payable and accrued liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's activities have only been transacted in Canadian dollars since incorporation and until December 31, 2018; in addition, the Company carries no interest-bearing debt. As such, the Company has minimal market risks facing it at present.

Capital management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification, evaluation and completion of a QT and continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company's QT. In accordance with Policy 2,4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, or $210,000, may be used for purposes other than such identification and evaluation of businesses or assets. These restrictions apply until completion of a QT by the Company as defined under Policy 2.4 of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval to list its shares on the Exchange.

13) Other risks and uncertainties

Risks facing the Company are described in the Company's final prospectus dated July 9, 2018 which can be found under Fusion's profile on www.sedar.com. These risk factors facing the Company have not changed significantly since the date of this final prospectus.

14) Disclosure controls and procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer’s Annual and Interim Filings) (“NI 52-109”), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the audited financial statements for the year ended December 31, 2018 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company along with the Annual Financial Statements and Management’s Discussion and Analysis on SEDAR at www.sedar.com.

15) Forward looking statements

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Readers are cautioned that these statements which describe the Company’s plans, objectives, and budgets may differ materially from actual results and as such should not be unduly relied upon by investors. Forward-looking statements contained in this MD&A speak only as to the date of this MD&A, or such other date as may be specified herein, and are expressly qualified in their entirety by this cautionary statement. See additional discussion under “Risks and Uncertainties” section above.

EXHIBIT "K"
FINANCIAL STATEMENTS OF ESI ENERGY SERVICES INC. FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

Interim Consolidated Financial Statements (Unaudited)

ESI Energy Services Inc.

For the Three and Nine Months Ended September 30, 2020

Consolidated Statements of Financial Position (unaudited)

(CAD thousands)

As at	*Note**		**September 30, 2020**		December 31, 2019
ASSETS					
Current					
Cash and cash equivalents	4	$	8,052	$	9,092
Short term investments	5		2,703		2,164
Accounts receivable	6		2,119		1,650
Finance lease receivable			78		222
Prepaid expenses			181		139
Inventory			805		831
Total current assets			**13,938**		**14,098**
Non-current assets					
Property and equipment	7		23,466		20,788
Right-of-use assets			66		90
Intangible assets	8		176		10,703
Total assets		**$**	**37,646**	**$**	**45,679**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		$	1,657	$	673
Deferred revenue			134		169
Income tax payable			-		79
Current portion of long-term debt	9		1,050		359
Current portion of lease obligation			66		84
Total current liabilities			**2,907**		**1,364**
Non-current liabilities					
Long-term debt	9		2,283		1,840
Obligation under lease			-		6
Total liabilities			**5,190**		**3,210**
SHAREHOLDERS' EQUITY					
Share Capital	10		50,457		50,457
Contributed surplus			2,299		2,306
Accumulated other comprehensive income			4,485		3,945
Deficit			(24,785)		(14,239)
Total shareholders' equity			**32,456**		**42,469**
Total liabilities and shareholders' equity		**$**	**37,646**	**$**	**45,679**

* *The accompanying notes are an integral part of the interim consolidated financial statements (unaudited).*

Approved by the Board of Directors

Signed, *"Harold* R. Zimmer*"*
Harold R. Zimmer
Director

Signed, *"Robert R. Dunstan"*
Robert R. Dunstan
Chief Executive Officer and Director

Consolidated Statements of Operations and Comprehensive Income (Loss) (unaudited)

(CAD thousands, unless otherwise stated)

	Note*	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
REVENUE					
Sales	15	**$ 4,703**	**$ 4,392**	**$ 10,964**	**$ 8,774**
COSTS AND EXPENSES					
Cost of purchases		267	201	489	407
Operating and maintenance		1,707	1,729	4,833	4,403
Depreciation and amortization	7, 8	1,019	861	2,928	2,660
Selling and administrative		918	911	2,733	2,816
Total costs and expenses		**3,911**	**3,702**	**10,983**	**10,286**
INCOME (LOSS) FROM OPERATIONS		**792**	**690**	**(19)**	**(1,512)**
Other items					
Gain on disposal of property and equipment		29	112	29	860
Impairment of intangible asset	8	-	-	(10,757)	-
Finance and other income		57	76	190	229
Finance and other costs		(33)	(24)	(83)	(93)
Foreign exchange gain (loss)	11.3	(122)	88	105	(185)
Income (Loss) before income taxes		**723**	**942**	**(10,535)**	**(701)**
Income taxes		-	-	11	-
Net income (loss)		**723**	**942**	**(10,546)**	**(701)**
Items that may be reclassified subsequently to net income					
Foreign exchange gain (loss) on translation adjustments on foreign operations		(472)	244	540	(610)
Comprehensive income (loss)		**$ 251**	**$ 1,186**	**$ (10,006)**	**$ (1,311)**
Basic income (loss) per share ($ per share)	10	$ 0.01	$ 0.02	$ (0.20)	$ (0.01)
Diluted income (loss) per share ($ per share)	10	$ 0.01	$ 0.02	$ (0.20)	$ (0.01)

* *The accompanying notes are an integral part of the interim consolidated financial statements (unaudited).*

Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(CAD thousands)

	Note*		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit		Total Shareholders' Equity
Balance at January 1, 2019		$	50,457	2,244	4,969	(12,406)	$	45,264
Distribution to shareholders			-	-	-	(114)		(114)
Share based compensation			-	56	-	-		56
Foreign currency translation adjustment			-	-	(610)	-		(610)
Net loss			-	-	-	(701)		(701)
Balance at September 30, 2019		**$**	**50,457**	**2,300**	**4,359**	**(13,221)**	**$**	**43,895**
Balance at January 1, 2020		$	50,457	2,306	3,945	(14,239)	$	42,469
Share based compensation			-	(7)	-	-		(7)
Foreign currency translation adjustment			-	-	540	-		540
Net loss			-	-	-	(10,546)		(10,546)
Balance at September 30, 2020		**$**	**50,457**	**2,299**	**4,485**	**(24,785)**	**$**	**32,456**

* *The accompanying notes are an integral part of the interim consolidated financial statements (unaudited).*

Consolidated Statements of Cash Flows (unaudited)

(CAD thousands)

	Note*	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash provided by (used in)					
OPERATING ACTIVITIES					
Net income (loss)		**$ 723**	**$ 942**	**$ (10,546)**	**$ (701)**
Items not involving cash					
Depreciation and amortization	7,8	1,019	861	2,928	2,660
Impairment of intangible asset	8	-	-	10,757	-
Stock- based compensation		2	13	(7)	56
Gain on disposal of equipment		(29)	(112)	(29)	(860)
Unrealized foreign currency loss (gain)	11.3	154	(135)	(89)	114
Cash flow from operating activities before changes in non-cash working capital		**1,869**	**1,569**	**3,014**	**1,269**
Net change in non-cash working capital	13	323	(821)	593	1,128
Cash flow from operating activities		**2,192**	**748**	**3,607**	**2,397**
INVESTING ACTIVITIES					
Proceeds on disposal of property & equipment		76	183	76	1,353
Purchase of property & equipment	7	(2,072)	(622)	(5,175)	(2,081)
Additions of intangible assets	8	(119)	(98)	(235)	(292)
Sales proceeds from (Investments in) GICs		1,301	(506)	(474)	(1,503)
Net change in non-cash working capital	13	(398)	(22)	(5)	(63)
Cash flow used in investing activities		**(1,212)**	**(1,065)**	**(5,813)**	**(2,586)**
FINANCING ACTIVITIES					
Advance of long-term debt		1,514	-	1,514	273
Repayment of long-term debt		(168)	(146)	(382)	(400)
Repayment of finance lease obligation		(35)	(48)	(120)	(140)
Cash distribution to shareholders		-	-	-	(114)
Cash flow from (used in) financing activities		**1,311**	**(194)**	**1,012**	**(381)**
Effect of exchange rate changes on cash and cash equivalents		(112)	181	154	(157)
Increase (decrease) in cash and cash equivalents		**2,179**	**(330)**	**(1,040)**	**(727)**
Cash and cash equivalents, beginning of period		**5,873**	**10,260**	**9,092**	**10,657**
Cash and cash equivalents, end of period		**$ 8,052**	**$ 9,930**	**$ 8,052**	**$ 9,930**
Supplementary cash flow information					
Interest paid		**$ 24**	$ 29	**$ 76**	$ 91
Interest received		**$ (15)**	$ (40)	**$ (83)**	$ (133)
Income taxes (received) paid		**$ 3**	$ -	**$ 96**	$ 137

* *The accompanying notes are an integral part of the interim consolidated financial statements (unaudited).*

1. Reporting entity

1.1. Description of business

ESI Energy Services Inc. ("ESI" or the "Company") was incorporated as a numbered company under the Business Corporations Act (Alberta) ("ABCA") on February 22, 2001. The Company's Articles of Incorporation were amended, and the Company changed its name to "ESI Energy Services Inc." on September 12, 2001. These interim consolidated financial statements comprise ESI and its subsidiaries, all of which are wholly-owned (together referred to as the "Company").

The Company currently operates in western Canada as well as in the United States of America. The Company, together with its operating subsidiaries, ESI Pipeline Services, Inc. ("ESIPI") and ESI Energy Services (Australia) Pty Ltd., supplies (rents and sells) backfill separation machines ("Padding Machines") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors.

The Company maintains its registered corporate and head office at suite 500, 727 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 0Z5.

1.2. Investment in Battery Mineral Resources Limited

On May 17, 2018, The Company entered into an early stage Process Facility and Cobalt Supply Agreement (the "Agreement") with Battery Mineral Resources Limited ("BMR") and its Canadian subsidiary, also named Battery Mineral Resources Limited ("BMR Canada"), for BMR's cobalt-focused mineral exploration claims located in Ontario and Quebec. At the time, BMR was a privately owned Australian multi-commodity battery materials exploration company.

In November 2019, BMR commenced a voluntary administration process under the Corporations Act, 2001 (Cth) Australia. As a result of this process, the assets of BMR, including the shares of BMR Canada, were acquired by Battery Mineral Resources Corp. ("New Battery"), a private Canadian company owned by Weston Energy LLC ("Weston") which was to be merged with a Canadian capital pool company, Fusion Gold Ltd.("Fusion"), the shares of which are listed on the TSX Venture Exchange ("TSXV" or the "Exchange").

On December 23, 2019, New Battery and Weston entered into a definitive amalgamation agreement (the "Definitive Agreement") with Fusion and 1234525 BC Ltd., a newly incorporated subsidiary of Fusion ("Fusion Subco") to merge the businesses of New Battery and Fusion.

Pursuant to the Definitive Agreement, Fusion will acquire all of the issued and outstanding securities of New Battery, by way of a three cornered amalgamation under the British Columbia Business Corporations Act, pursuant to which New Battery and Fusion Subco will amalgamate, shareholders of New Battery will exchange their shares of New Battery for shares of Fusion on a one-for-one basis (on a post consolidation basis) and New Battery will become a wholly-owned subsidiary of Fusion (the "Transaction").

Upon closing of the Transaction, Fusion will change its name to Battery Mineral Resources Inc. or such other similar name as New Battery may direct, and which is acceptable to the Exchange and/or other applicable regulatory bodies.

In connection with the Transaction, New Battery proposed to complete a "best efforts" private placement of (i) flow-through common shares of New Battery at a price of not less than $0.95 per share and (ii) common shares of New Battery at a price of not less than $0.65 per share, to raise aggregate gross proceeds of at least $5 million. The net proceeds of the concurrent financing will be used by New

Battery for continued mineral exploration activities across its mineral properties, including drilling and resource development and general operating expenses.

In light of current market conditions, the parties agreed to enter into an amendment to the Definitive Agreement to (1) extend the deadline to complete the Transaction from April 30, 2020 to May 31, 2020 and (2) reduce the condition that New Battery completes a private placement for aggregate proceeds of at least $5 million to at least $4 million. New Battery has met this condition as of March 25, 2020 by raising $4.6 million.

On April 21, 2020, ESI issued a Notice of Default Letter to New Battery. The letter was with reference to a Process Facility and Cobalt Supply Agreement dated May 17, 2018 (the "2018 Agreement"). The 2018 Agreement is between Battery Mineral Resources Limited (a now insolvent Australian corporation) ("BMR Australia"), Battery Mineral Resources Limited (a British Columbia corporation that we understand changed its name to North American Cobalt Inc.) and ESI Energy Services Inc. Battery Mineral Resources Corp. (a British Columbia corporation owned by Weston Energy, LLC) is the successor in interest to BMR Australia pursuant to a Share Sale Agreement dated December 2, 2019. Weston is the guarantor of and jointly and severally liable for the obligations of Battery Mineral Resources Corp. under that Share Sale Agreement.

The insolvency of BMR Australia was an event of default by sections 17.1(2)(a) and (c) of the 2018 Agreement. That event of default gives ESI the right to terminate the 2018 Agreement and, by section 3.2 of the 2018 Agreement, to repayment of CAD $10 million paid by ESI pursuant to section 3.1 of the 2018 Agreement. The obligation to repay that amount was acknowledged by Weston and the administrators of the insolvent BMR Australia (in a December 6, 2019 report to creditors by the administrators of BMR Australia). Battery Mineral Resources Corp. and Weston have assumed the obligation to repay that amount. North American Cobalt Inc. also remains obligated to repay that amount because it has joint and several liability under the 2018 Agreement.

Without prejudice to its right to do so in the future, ESI is not at present exercising its right to terminate the 2018 Agreement. ESI is currently negotiating with Battery Mineral Resources Corp. and Merlon Capital Partners terms under which ESI would waive its termination right.

2. Basis of presentation and statement of compliance

These interim consolidated financial statements (the “Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting (“IAS 34”). These financial statements should be read in conjunction with ESI’s audited consolidated financial statements for the year ended December 31, 2019.

These interim consolidated financial statements were authorized for issue by the Board of Directors on November 3, 2020.

3. Recent development and impact on estimation uncertainty

The global impact of the COVID-19 Virus as well as declines in spot prices for oil and gas as a result of a price war between Saudi Arabia and Russia have resulted in significant declines in global stock markets and has fostered a great deal of uncertainty as to the health of the global economy over the next 12 to 18 months.

During the nine-month period ended September 30, 2020, the Company’s operations, financial position and performance have not been materially affected as the Company is continuing to diversify its activities into the area of renewable energy as well as broaden its existing product line by adding additional products and applications such as crushing and material handling. The Company considered the impact from COVID-19 as an impairment indicator and conducted the impairment test for property and equipment. No impairment charges were recognized during the first nine months of 2020 based on the result of the impairment test.

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact.

4. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

(CAD thousands)

		September 30, 2020		December 31, 2019
Cash and deposits	$	6,718	$	6,494
GIC less than 90 days		1,334		2,598
	$	**8,052**	**$**	**9,092**

5. Short term investments

(CAD thousands)

		September 30, 2020		December 31, 2019
Investment in GICs				
Redeemable	$	2,703	$	1,157
Non-redeemable		-		1,007
	$	**2,703**	**$**	**2,164**

Short term investment of $2,703,000 consists of Redeemable Guaranteed Investment Certificates (GICs) held at one Canadian chartered bank at rate of interest 1.8% for one-year term length.

6. Accounts receivable

Accounts receivable are comprised of the following:

(CAD thousands)

	Note		September 30, 2020		December 31, 2019
Trade receivables		$	2,139	$	1,636
Loss allowance	11.1		(86)		(40)
Other receivables			66		54
		$	**2,119**	**$**	**1,650**

7. Property and equipment

(CAD thousands)	Padding Equipment (including spare parts)	Land & Buildings	Other	Total
COST				
At January 1, 2019	$ 35,816	$ 7,001	$ 2,182	$ 44,999
Additions	2,217	-	137	2,354
Disposals	(1,983)	-	(492)	(2,475)
Foreign currency translation adjustments	(1,384)	(189)	(60)	(1,633)
At December 31, 2019	$ 34,666	$ 6,812	$ 1,767	$ 43,245
Additions	5,006	-	169	5,175
Disposals	(473)	-	-	(473)
Foreign currency translation adjustments	669	102	31	802
At September 30, 2020	**$ 39,868**	**$ 6,914**	**$ 1,967**	**$ 48,749**
ACCUMULATED DEPRECIATION				
At January 1, 2019	$ (17,866)	$ (1,922)	$ (1,791)	$ (21,579)
Depreciation	(3,197)	(128)	(87)	(3,412)
Disposals	1,335	-	348	1,683
Foreign currency translation adjustments	734	64	53	851
At December 31, 2019	$ (18,994)	$ (1,986)	$ (1,477)	$ (22,457)
Depreciation	(2,636)	(94)	(69)	(2,799)
Disposals	425	-	-	425
Foreign currency translation adjustments	(393)	(34)	(25)	(452)
At September 30, 2020	**$ (21,598)**	**$ (2,114)**	**$ (1,571)**	**$ (25,283)**
NET BOOK VALUE				
At December 31, 2019	$ 15,672	$ 4,826	$ 290	$ 20,788
At September 30, 2020	**$ 18,270**	**$ 4,800**	**$ 396**	**$ 23,466**

As at September 30, 2020, included in padding equipment are assets under construction with a cost of $686,000 (December 31, 2019 - $583,000). No depreciation was recorded for assets under construction.

The were no impairment charges recognized on property and equipment during the nine-month period ended September 30, 2020; see note 3.

8. Intangible assets

On July 17, 2018, the Company issued 6,666,667 shares of common stock at a price of $1.50 per share for aggregate proceeds of $10,000,000 to one subscriber. The proceeds were used to acquire the right to participate in the financing, construction and operation of the cobalt processing facility. See note 1.2 "Investment in Battery Minerals Resources Limited".

During the first quarter, management identified impairment indicators associated with the Company's intangible assets relating to BMR. Indicators included, but were not limited to, the impact of the C0VID-19 pandemic, declining commodity prices, continued delays in the drilling program, the probability that a technical report under Canadian Securities Administrators National Instrument 43-101 (Standards for

Disclosure for Mineral Projects) will not be available before the end of 2020, and the reduced access to capital and debt markets. Additionally, BMR is currently in default under a Process Facility and Cobalt Supply Agreement dated May 17, 2018 (the "Agreement") between ESI and BMR; see note 1.2. As a result of the above factors, the Company impaired the intangible asset related to BMR to nil. The Company will continue to monitor the intangible asset and assess the impact of new information as it becomes available. The determination of recoverable amounts on any given asset is subject to significant estimates regarding the timing and magnitude of cash flows, appropriate discount rate and comparable market transactions.

Patents include costs associated with filing patents on several product improvements to Ozzie's mini padder and micro-padder heads. These costs include on-going legal fees associated with registering the product improvements to the mini-padder and micro-padder heads as intellectual property in various legal jurisdictions.

(CAD thousands)

	Right to participate in the Agreement	Patents	Other	**Total**
COST				
At January 1, 2019	$ 10,305	$ 10	$ -	$ 10,315
Additions	346	23	20	389
At December 31, 2019	**$ 10,651**	**$ 33**	**$ 20**	**$ 10,704**
Additions	102	22	110	234
Foreign currency Transaction adjustments	4	-	-	4
At September 30, 2020	**$ 10,757**	**$ 55**	**$ 130**	**$ 10,942**
ACCUMULATED DEPRECIATION				
At January 1, 2019	$ -	$ -	$ -	$ -
Depreciation	-	(1)	-	(1)
At December 31, 2019	**$ -**	**$ (1)**	**$ -**	**$ (1)**
Depreciation	-	(1)	(7)	(8)
Impairment	(10,757)	-	-	(10,757)
At September 30, 2020	**$ (10,757)**	**$ (2)**	**$ (7)**	**$ (10,766)**
NET BOOK VALUE				
At December 31, 2019	$ 10,651	$ 32	$ 20	$ 10,703
At September 30, 2020	**$ -**	**$ 53**	**$ 123**	**$ 176**

9. Long-term debt

(CAD thousands)

	September 30, 2020	**December 31, 2019**
Mortgage – Leduc (i)	**$** 1,866	$ 2,072
Finance agreements (ii)	1,467	127
Total long-term debt	**3,333**	**2,199**
Less: current portion	1,050	359
Long-term debt	**$ 2,283**	**$ 1,840**

The Company has a mortgage outstanding with a Canadian chartered bank on its Leduc, AB property and minor obligations relating to the purchase of equipment. Further details are provided below:

i) Mortgage - Leduc consists of a mortgage on a property in Leduc, AB. The Company is required to pay monthly installments of $23,000 plus interest on the facility at a variable rate of prime plus 2%. The mortgage has a five-year term, expiring on October 31, 2022. Revision on the original agreement was made effective October 1, 2020 switching from fixed rate of 4.75% to variable rate.

ii) Finance agreements include five loans relating to the purchase of six compact track loaders and two vehicles that were financed through a dealer in 2019 and 2020. The loans are denominated in US dollars. The first loan which was obtained in April 2019 to purchase two track loaders at an interest rate of 3.67% per annum and total monthly payments of US$12,594 for a one-year term was fully paid in April 2020. The other two loans which were obtained in June 2019 to purchase two vehicles bore interest rates of 1.90% and 0% per annum and with monthly payments of US $561 and US $621 for 4 years. Two new loans were obtained in July and August 2020 to purchase four track loaders with 0% interest and monthly payment of US$23,601 for 2 years for each loan.

iii) The Company has a financial debt covenant related to the Leduc mortgage stipulating a minimum debt service coverage ratio of 1.25:1. The Company has a debt service coverage ratio of 2.88:1 and remains in compliance with the financial covenant as at September 30, 2020.

Debt Service Coverage is the ratio of cash flow available to service debt to interest expense and scheduled principal payments of funded debt. This ratio is the covenant under the Company's lending agreement and must exceed 1.25:1 at all times. Cash flow available to service debt is calculated on a rolling 12-month basis as net income (i) plus interest expense, deferred income taxes, depreciation, unrealized foreign currency losses, stock-based compensation, and any losses on disposal of fixed assets and (ii) less unrealized foreign currency gains and gains on disposal of fixed assets. Funded debt means all outstanding interest- bearing debt including capital leases, debt subject to scheduled repayment terms, and credit card debt.

10. Share capital

10.1 Authorized, issued and outstanding

The authorized capital of the Company consists of an unlimited number of common shares. There are 51,667,459 issued and outstanding common shares.

		September 30, 2020		**December 31, 2019**
	Number of Common Shares	*Amount $Thousands*	*Number of Common Shares*	*Amount $Thousands*
Issued and outstanding				
Opening	51,667,459	50,457	51,667,459	50,457
Issued	-	-	-	-
Issued and outstanding, end of period	**51,667,459**	**50,457**	**51,667,459**	**50,457**

10.2. Basic and diluted EPS

Three months ended	September 30, 2020		September 30, 2019	
	Number of Common Shares	*Earnings Per Share ($)*	*Number of Common Shares*	*Earnings Per Share ($)*
Issued and outstanding	51,667,459	0.01	51,667,459	0.02
Weighted average number of common shares used in basic earnings per share	51,667,459	0.01	51,667,459	0.02
Dilution effect of options	-	-	-	-
Weighted average number of common shares used in diluted earnings per share	51,667,459	0.01	51,667,459	0.02

Nine months ended	September 30, 2020		September 30, 2019	
	Number of Common Shares	*Earnings Per Share ($)*	*Number of Common Shares*	*Earnings Per Share ($)*
Issued and outstanding	51,667,459	(0.20)	51,667,459	(0.01)
Weighted average number of common shares used in basic earnings per share	51,667,459	(0.20)	51,667,459	(0.01)
Dilution effect of options	-	-	-	-
Weighted average number of common shares used in diluted earnings per share	51,667,459	(0.20)	51,667,459	(0.01)

For the quarter ended September 30, 2020, 4,226,378 options and warrants were excluded from the calculation of diluted earnings per share as the effect would have been anti-dilutive (September 30, 2019 – 4,559,090).

10.3 Stock option grant

On October 10, 2018, the Company granted 582,712 stock options to one officer and key employee to purchase ESI common shares at an exercise price of $0.50 per share. The options granted vest over a period of two years and expire on October 10, 2023, five years after the grant date.

	Number of Options	Weighted Average Exercise Price $/Share
Total Outstanding at December 31, 2018	2,562,816	0.50
Granted	-	-
Forfeited	-	-
Expired	-	-
Total Outstanding at December 31, 2019	2,562,816	0.50
Granted	-	-
Forfeited	(110,904)	0.50
Expired	(221,808)	0.50
Total Outstanding at September 30, 2020	**2,230,104**	**0.50**

No options were exercised between January 1, 2020 and September 30, 2020.

The following table summarizes the total outstanding options as at September 30, 2020:

	Options Outstanding			Exercisable Options	
Exercise Price ($)	Number of Options	Remaining Contractual Life (Years)	Weighted Average Exercise Price ($)	Number of Options	Weighted Average Exercise Price ($)
0.50	1,980,104	1.67	0.50	1,980,104	0.50
0.50	250,000	3.00	0.50	166,667	0.50

Share-based compensation is a non-cash item and is measured in accordance with a prescribed formula. Share-based compensation expense recognized by the Corporation for the Stock Option Plan for the nine months ended September 30, 2020 was ($7,000), (September 30, 2019 - $56,000).

10.4. *Warrants*

The Company has 1,996,274 warrants outstanding. Each warrant is exercisable to purchase one common share at an exercise price of $0.86. The warrants were initially due to expire on October 19, 2018. In January 2018, the term of the warrants was extended to December 01, 2021.

At September 30, 2020, the outstanding share purchase warrants had a weighted-average remaining life of 1.17 years (September 30, 2019 – 2.17 years).

11. Financial instruments

The Company's financial instruments included in the consolidated balance sheets are comprised of cash and cash equivalents, accounts receivable, finance leases receivable, accounts payable and accrued liabilities, obligations under lease, and long-term debt. The fair values of financial instruments included in the consolidated statement of financial position, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The carrying value of long-term debt approximates its fair value.

The company has exposure to the following risks from its use of financial instruments:

- Credit risk and customer concentration
- Interest rate risk
- Foreign currency risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

11.1. *Credit risk and customer concentration*

The Company assesses the credit worthiness of its customers on an ongoing basis and monitors the amounts and aging of outstanding trade accounts receivable, and when necessary, records an allowance for doubtful accounts. The following table summarizes the aging of the Company's total accounts receivable:

(CAD thousands)		September 30, 2020		December 31, 2019
Within 30 days	$	1,311	$	733
31 to 60 days		672		598
61 to 90 days		46		201
Over 90 days		90		118
	$	**2,119**	**$**	**1,650**

For the quarter ended September 30, 2020, $7,157,000 (September 30, 2019 - $6,525,000) of revenue was derived from thirteen (September 30, 2019 – Ten) customers that represented 65% (September 30, 2019 - 74%) of the Company revenue. As at September 30, 2020, $1,268,000 (September 30, 2019 - $1,680,000) from these customers was included in accounts receivable. As at September 30,2020 Accounts receivable includes other receivables of $66,000 (December 31, 2019 - $54,000).

Expected Credit Losses

The Company recognizes loss allowances for Expected Credit Losses (ECLs) on its financial assets measured at amortized cost. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses.

The following tables summarize the loss allowance calculation:

(CAD thousands)

As at September 30, 2020	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	0.8 %	1.5%	11.5%	40%	
Gross carrying amount ($)	1,255	682	52	150	2,139
Loss allowance ($)	10	10	6	60	86

(CAD thousands)

As at December 31, 2019	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	0.5%	0.9%	7.3%	12%	
Gross carrying amount ($)	682	603	217	134	1,636
Loss allowance ($)	3	5	16	16	40

The loss allowance provision for trade receivables as at September 30, 2020 reconciles to the opening loss allowance on January 1, 2020 as follows:

(CAD thousands)		
Loss allowance as at January 1, 2020	$	40
Increase in provision for trade receivables during the period		46
Loss allowance as at September 30, 2020	**$**	**86**

11.2. *Interest rate risk*

As at September 30, 2020 and December 31, 2019, 100% of the Company's outstanding debt was subject to fixed rates of interest except the property mortgage. Effective October 1, 2020 the interest rate was revised to variable.

For the quarter ended September 30, 2020, a 1% change in interest rates would have had no impact on net loss and other comprehensive loss.

11.3. *Foreign currency risk*

A portion of the Company's operations is denominated in United States dollars. The Company does not use derivative financial instruments to reduce its foreign currency exposure. Fluctuations in foreign exchange rates could negatively affect the results from operations. The Company does not have exposure to any highly inflationary foreign currencies.

For the nine months ended September 30, 2020, a 1% change in the value of foreign currencies would have had the following impact on net loss and other comprehensive loss.

(CAD thousands)

	September 30, 2020	December 31, 2019
1% increase in the value of the US dollar	$ 28	$ 39
1% decrease in the value of the US dollar	$ (28)	$ (39)

Foreign exchange gain (loss)

The following table details the foreign exchange gain (loss) as presented on the consolidated statements of operations and comprehensive income (loss).

(CAD thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Unrealized gain (loss) on foreign exchange	$ (154)	$ 135	$ 89	$ (114)
Realized gain (loss) on foreign exchange	32	(47)	16	(71)
	$ (122)	**$ 88**	**$ 105**	**$ (185)**

11.4. *Liquidity risk*

Liquidity risk is the exposure of the Company to the risk of being unable to meet its financial obligations as they come due. The Company manages liquidity risk by monitoring and reviewing actual and forecasted cash flows to ensure there are available cash resources to meet these needs.

The Company expects that cash and cash equivalents, and cash flow from operations, together with existing and available credit facilities, will be sufficient to fund its presently anticipated requirements for investments in working capital and capital assets.

The following maturity analysis shows the remaining contractual maturities for the Company's financial liabilities, including future lease payments:

(CAD thousands) September 30, 2020	Note		Within 1 year		1 to 5 years
Accounts payable and accrued liabilities		$	1,657	$	-
Deferred revenue			134		-
Loans and borrowings	9		1,050		2,283
Lease obligations			66		
		$	**2,907**	**$**	**2,283**

(CAD thousands) December 31, 2019			Within 1 year		1 to 5 years
Accounts payable and accrued liabilities		$	673	$	-
Deferred revenue			169		-
Income tax payable			79		-
Loans and borrowings	9		359		1,840
Lease obligations			84		6
		$	**1,364**	**$**	**1,846**

12. Capital disclosures

The Company's objectives when managing capital are to exercise financial discipline, and to deliver positive returns to its shareholders. The Company may make future adjustments to its capital management strategy in light of changing economic conditions resulting from the challenges associated with operating in a cyclical, commodity-price influenced industry.

The Company considers its capital structure to include shareholders' equity, operating lines of credit and long-term debt, net of cash and cash equivalents. In order to maintain or adjust its capital structure, the Company may from time to time adjust its capital spending to manage the level of its borrowings or may revise the terms of its operating lines of credit to support future growth initiatives. The Company may also consider additional long-term borrowings or equity financing.

(CAD thousands)		September 30, 2020		December 31, 2019
Long-term debt	$	3,333	$	2,199
Shareholder's equity		32,456		42,469
Cash and cash equivalents		(8,052)		(9,092)
Total capitalization	**$**	**27,737**	**$**	**35,576**

13. Change in non-cash working capital balances

(CAD thousands)

Changes in non-cash working capital	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Current assets				
Accounts receivable	$ 339	$ (819)	$ (309)	$ 1,380
Finance lease receivable	(77)	(162)	158	(35)
Prepaid expenses	69	(54)	(38)	(167)
Inventory	(20)	(98)	48	(113)
Current liabilities				
Accounts payable and accrued liabilities	(366)	327	853	154
Income taxes payable (recoverable)	(4)	-	(86)	(137)
Deferred revenue	(16)	(37)	(38)	(17)
Net change in non-cash working capital	**(75)**	**(843)**	**588**	**1,065**
Changes in non-cash capital Relating to:				
Operating	323	(821)	593	1,128
Investing	(398)	(22)	(5)	(63)
	$ **(75)**	**$ (843)**	**$ 588**	**$ 1,065**

14. Segment information

The Company's operating segments are differentiated by the geographic boundaries. The operations in the segments are as follows.

(CAD thousands)

September 30, 2020	Canada	US	Total
Total revenue	$ 339	$ 10,625	$ 10,964
% of segment revenue	3	97	100
Total assets	$ 9,498	$ 28,148	$ 37,646
% of segment assets	25	75	100
Total net income (loss)	$ (12,048)	$ 1,502	$ (10,546)
% of segment net income (loss)	114	(14)	100

(CAD thousands) September 30, 2019		Canada		US		Total
Total revenue	$	230	$	8,544	$	8,774
% of segment revenue		3		97		100
Total assets	$	20,736	$	27,666	$	48,402
% of segment assets		43		57		100
Total net income (loss)	$	(2,094)	$	1,393	$	(701)
% of segment net income (loss)		299		(199)		100

15. Revenue

Revenue is comprised of the following:

(CAD thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
		2020		2019		2020		2019
Machine Rental								
Padding machines								
Large padders	$	1,632	$	2,942	$	4,197	$	5,327
Small padders		1,456		583		3,566		1,598
Screening buckets		644		84		1,116		183
Oilfield services equipment		-		12		-		95
Other		28		-		28		-
Mobilization		340		419		914		770
Inventory sales		295		85		682		302
Machine sales		211		204		211		304
Other services		97		63		250		195
	$	**4,703**	**$**	**4,392**	**$**	**10,964**	**$**	**8,774**

EXHIBIT "L1"
FINANCIAL STATEMENTS OF ESI ENERGY SERVICES INC. FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Consolidated Financial Statements

ESI Energy Services Inc.

For the Year Ended December 31, 2019

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of ESI Energy Services Inc. (the "Company") are the responsibility of Management. The consolidated financial statements have been presented and prepared within acceptable limits of materiality by Management in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include certain estimates that reflect Management's best judgments.

The Company maintains systems of internal accounting and administrative controls. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are properly accounted for and adequately safeguarded. Management's evaluation concluded that the Company's internal controls over financial reporting were effective as of December 31, 2019.

The Company's Board of Directors has approved the consolidated financial statements. The Board of Directors fulfills its responsibility regarding the consolidated financial statements mainly through its Audit Committee, which is made up of four independent directors. The Audit Committee has a written mandate that complies with the current requirements of Canadian securities legislation. The Audit Committee meets with Management and the independent auditors at least on a quarterly basis to review and approve interim consolidated financial statements and management's discussion and analysis prior to their release as well as annually to review the annual consolidated financial statements and management's discussion and analysis and recommend their approval to the Board of Directors.

PricewaterhouseCoopers LLP, an independent firm of auditors, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to audit and provide their independent audit opinion on the Company's consolidated financial statements as at and for the year ended December 31, 2019. Their report contained herein, outlines the nature of their audit and expresses their opinion on the consolidated financial statements.

(signed) "Robert R. Dunstan"

Robert R. Dunstan
President & Chief Executive Officer

(signed) "Priyanka Bambaranda"

Priyanka Bambaranda
Chief Financial Officer

March 17, 2020

Independent auditor's report

To the Shareholders of ESI Energy Services Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ESI Energy Services Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of operations and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Calgary, Alberta
March 17, 2020

Consolidated Statements of Financial Position

(CAD thousands) As at	Note*		**December 31, 2019**		December 31, 2018
ASSETS					
Current					
Cash and cash equivalents	5	$	**9,092**	$	10,657
Short term investments	6		**2,164**		505
Accounts receivable	7		**1,650**		4,036
Finance lease receivable	4		**222**		159
Prepaid expenses			**139**		113
Inventory			**831**		709
Total current assets			**14,098**		16,179
Non-current assets					
Property and equipment	8		**20,788**		23,420
Right-of-use assets	9		**90**		-
Intangible assets	10		**10,703**		10,315
Total assets		**$**	**45,679**	**$**	49,914
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		$	**673**	$	1,822
Deferred revenue			**169**		228
Income tax payable			**79**		143
Current portion of long-term debt	11		**359**		385
Current portion of lease obligation	12		**84**		-
Total current liabilities			**1,364**		2,578
Non-current liabilities:					
Long-term debt	11		**1,840**		2,072
Obligation under lease	12		**6**		-
Total liabilities			**3,210**		4,650
SHAREHOLDERS' EQUITY					
Share capital	13		**50,457**		50,457
Contributed surplus			**2,306**		2,244
Accumulated other comprehensive income			**3,945**		4,969
Deficit			**(14,239)**		(12,406)
Total shareholders' equity			**42,469**		45,264
Total liabilities and shareholders' equity		**$**	**45,679**	**$**	49,914
Commitments	16				

* *The accompanying notes are an integral part of the Consolidated Financial Statements.*

Approved by the Board of Directors

(signed) "Harold R. Zimmer"
Harold R. Zimmer
Director
March 17, 2020

(signed) "Robert R. Dunstan"
Robert R. Dunstan
Chief Executive Officer and Director

Consolidated Statements of Operations and Comprehensive Income (Loss)

(CAD thousands)

	Note*		Year Ended December 31, 2019		December 31, 2018
REVENUE					
Sales	22	$	**11,069**	$	14,557
COSTS AND EXPENSES					
Cost of purchases			**441**		640
Operating and maintenance	20		**5,589**		5,447
Depreciation and amortization	8,9,10		**3,601**		3,742
Selling and administrative	20		**3,647**		3,721
Total costs and expenses			**13,278**		13,550
INCOME (LOSS) FROM OPERATIONS			**(2,209)**		1,007
Other items					
Gain on disposal of property and equipment			**658**		194
Finance and other income			**309**		300
Finance and other costs			**(122)**		(136)
Foreign exchange gain (loss)	15		**(271)**		492
Income (loss) before income taxes			**(1,635)**		1,857
Current income tax expense	14		**84**		81
Net income (loss)			**(1,719)**		1,776
Items that may be reclassified subsequently to net income					
Foreign exchange gain (loss) on translation adjustments on foreign operations			**(1,024)**		1,511
Comprehensive income (loss)		$	**(2,743)**	$	3,287
Basic income (loss) per share	13	$	**(0.03)**	$	0.04
Diluted income (loss) per share	13	$	**(0.03)**	$	0.04

* *The accompanying notes are an integral part of the Consolidated Financial Statements.*

Consolidated Statements of Changes in Shareholders' Equity

(CAD thousands)

	Note*		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit		Total Shareholders' Equity
Balance as at January 1, 2018		$	40,457	2,076	3,458	(13,743)	$	32,248
IFRS 9 opening deficit adjustments			-	-	-	(13)		(13)
Distribution to shareholders			-	-	-	(426)		(426)
Common share issued	13		10,000	-	-	-		10,000
Share-based compensation			-	168	-	-		168
Foreign currency translation adjustment			-	-	1,511	-		1,511
Net income			-	-	-	1,776		1,776
Balance as at December 31, 2018		**$**	**50,457**	**2,244**	**4,969**	**(12,406)**	**$**	**45,264**
Balance as at January 1, 2019		$	50,457	2,244	4,969	(12,406)	$	45,264
Distribution to shareholders			-	-	-	(114)		(114)
Share-based compensation			-	62	-	-		62
Foreign currency translation adjustment			-	-	(1,024)	-		(1,024)
Net loss			-	-	-	(1,719)		(1,719)
Balance as at December 31, 2019		**$**	**50,457**	**2,306**	**3,945**	**(14,239)**	$	**42,469**

** The accompanying notes are an integral part of the Consolidated Financial Statements.*

Consolidated Statements of Cash Flows

(CAD thousands)		Year Ended	
	*Note**	**December 31, 2019**	December 31, 2018
Cash provided by (used in)			
OPERATING ACTIVITIES			
Net earnings (loss)		**$ (1,719)**	$ 1,776
Items not involving cash			
Depreciation	8,9,10	**3,601**	3,742
Share-based compensation		**62**	168
Non-cash operating cost		**286**	-
Gain on disposal of equipment		**(658)**	(194)
Unrealized foreign currency loss (gain)	15	**200**	(336)
Cash flow from operating activities before changes in non-cash working capital		**1,772**	5,156
Net change in non-cash working capital	18	**795**	(2,804)
Cash flow from operating activities		**2,567**	2,352
INVESTING ACTIVITIES			
Proceeds on disposal of property & equipment		**1,450**	531
Purchase of property & equipment	8	**(2,640)**	(3,518)
Additions of intangible assets		**(389)**	(10,315)
Sale proceeds from (Investments in) GICs		**(1,659)**	6,312
Net change in non-cash working capital	18	**(9)**	105
Cash flow used in investing activities		**(3,247)**	(6,885)
FINANCING ACTIVITIES			
Advance of long-term debt		**273**	1,179
Repayment of long-term debt		**(523)**	(1,672)
Repayment of finance lease obligation		**(188)**	-
Cash distribution to shareholders		**(114)**	(391)
Issuance of common shares	13	**-**	10,000
Cash flow from (used in) financing activities		**(552)**	9,116
Effect of exchange rate changes on cash and cash equivalents		**(333)**	313
Increase (decrease) in cash and cash equivalents		**(1,565)**	4,896
Cash and cash equivalents, beginning of year		**10,657**	5,761
Cash and cash equivalents, end of year		**$ 9,092**	**$** 10,657
Supplementary cash flow information:			
Interest Paid		**119**	136
Interest received		**(178)**	(155)
Income taxes paid		**145**	91

* *The accompanying notes are an integral part of the Consolidated Financial Statements.*

1. Reporting entity

1.1. *Description of business*

ESI Energy Services Inc. (”ESI” or the “Company”) was incorporated as a numbered company under the Business Corporations Act (Alberta) ("ABCA") on February 22, 2001. The Company's Articles of Incorporation were amended, and the Company changed its name to "ESI Energy Services Inc." on September 12, 2001. These consolidated financial statements comprise ESI and its subsidiaries, all of which are wholly owned (together referred to as the “Company”).

The Company currently operates in western Canada as well as in the United States of America. The Company, through its operating subsidiaries, ESI Pipeline Services, Inc. ("ESIP") and ESI Energy Services (Australia) Pty Ltd., supplies (rents and sells) backfill separation machines ("Padding Machines") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors.

The Company maintains its registered corporate and head office at suite 500, 727 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 0Z5.

1.2. *Investment in Battery Minerals Resources Limited*

On May 17, 2018, The Company entered into an early stage Process Facility and Cobalt Supply Agreement (the "Agreement") with Battery Minerals Resources Limited ("BMR") for BMR's cobalt-focused mineral exploration claims located in Ontario. BMR is a privately-owned Australian multi-commodity battery materials exploration company.

In November 2019, Battery Minerals Resources Limited (Australia) and its Canadian subsidiary Battery Mineral Resources Ltd. (Canada), a British Columbia corporation (“BMR Canada’’), commenced a voluntary administration process under the Corporations Act, 2001 (Cth) Australia. As a result of this process, the shares and assets of the Canadian subsidiary, BMR Canada, were rolled into a private Canadian company which will eventually be merged with a publicly-listed Canadian shell company, Fusion Gold, the shares of which are listed on the TSX Venture Exchange (“TSXV”).

The new company will be renamed Battery Mineral Resources Inc. or such other similar name as New Battery (“New BMR”) may direct which is acceptable to the TSXV. New BMR will be approximately 75 per cent jointly-owned by Yorktown Partners and Weston LLC. The merger between New BMR and Fusion Gold should be completed by the end of March 2020. It is our understanding that New BMR will be raising additional equity in the form of common shares and flow-through shares concurrent with the merger between New BMR and Fusion Gold.

New BMR is continuing with its winter drilling program which did not get underway until late January 2020 due to weather conditions. It is hoped that the winter drilling program will be able to continue up until the end of March 2020. A follow-up reserve report prepared by SKR Consulting (Canada) Inc., a global mining engineering firm, is expected to be available by late May 2020. We do not expect to have any definitive drilling results in the form of a formal NI 43-101 before the end of May or June 2020;

It is expected that the net proceeds of the concurrent financing will be used by New BMR for continued mineral exploration activities across its mineral properties, including drilling and resource development and general operating expenses.

2. Basis of presentation

2.1. *Statement of compliance*

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 17, 2020.

3. Significant accounting policies

3.1. *Basis of measurement*

The consolidated financial statements are prepared on a historical cost basis, except as specifically noted within these notes to the consolidated financial statements.

3.2. *Functional and presentation currency*

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. The functional currency of one subsidiary company is the US dollar, and that of the parent and the other subsidiary company is the Canadian dollar.

3.3. *Basis of consolidation*

Subsidiaries

Included in the Company's consolidated financial statements are the financial statements of the Company and the entities it controls. Subsidiaries of the Company are ESI Pipeline Services Inc., and ESI Energy Services (Australia) Pty Ltd., all of which are wholly owned.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date control is obtained by the Company and deconsolidated from the date control ceases.

Transactions eliminated on consolidation

All intercompany transactions and balances are eliminated upon consolidation.

3.4. *Foreign currency*

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company or the respective subsidiary at the exchange rate in effect at the time of the transaction. Monetary items are then translated into the Company's functional currency at each reporting period at the exchange rates in effect at date of the consolidated statements of financial position. Non-monetary items are translated at historic rates. Revenues and expenses denominated in foreign currency are translated at rates in effect at the time of the transactions. Gains and losses on foreign currency transactions are included as a separate line item in the consolidated statements of operations and comprehensive income (loss).

Foreign currency translation

The Company's non-Canadian subsidiaries functional currency is the US dollar, and therefore, assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the financial statement date and revenues and expenses are translated at the average exchange rates for the period. Translation gains or losses are included in other comprehensive income (loss). When the settlement of an intercompany receivable or intercompany payable is neither planned nor likely foreseeable in the future, foreign exchange gains or losses arising on the translation of those intercompany balances is considered a part of the net investment in the foreign operation and are recognized in other comprehensive income (loss).

3.5. ***Financial instruments***

The Company's financial assets include cash and cash equivalents, short term investments, accounts receivables and finance lease receivables. The Company's financial liabilities include accounts payable and accrued liabilities and long-term debt.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and measurement of financial assets and liabilities

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- Fair Value Through Other Comprehensive Income (FVOCI): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- Fair value through profit or loss (FVTPL): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets.

On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. There is no subsequent reclassification of fair value changes to earnings following the derecognition of the investment. However, dividends that reflect a return on investment continue to be recognized in net earnings. This election is made on an investment-by-investment basis.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities at FVTPL (other than financial liabilities designated at FVTPL) are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a new basis or to realize the asset and settle the liability simultaneously.

The Company's existing financial instruments as at December 31, 2019 are classified as follows:

Classification	Financial Instrument
Amortized cost	• Cash and cash equivalents • Short term investments • Accounts receivable • Finance lease receivable • Accounts payable and accrued liabilities • Current portion of long-term debt • Current portion of lease obligation • Long-term debt • Obligation under lease

Impairment of financial assets

The Company recognizes loss allowances for Expected Credit Losses (ECLs) on its financial assets measured at amortized cost. Due to the nature of its financial assets, ESI measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses.

3.6. *Inventory*

Inventory classified under current assets are valued at the lower of cost and net realizable value on a first-in, first-out basis. The cost of inventory includes all costs incurred in the normal course of business to bring each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any expected selling costs. If the carrying amount exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if circumstances which caused it no longer exist and the inventory is still on hand.

3.7. *Intangible assets*

Intangible assets are recorded at cost. Intangible assets which have a finite useful life are amortized on a straight-line basis over their term or estimated useful life. The amortization expense on intangible assets is recognized in the consolidated statements of operation and comprehensive income (loss) in depreciation and amortization. The estimated useful lives and amortization methods are reviewed annually and adjusted prospectively as appropriate. Any gain or loss arising on derecognition of an intangible asset is recognized in the consolidated statements of operation and comprehensive income (loss) within gain or loss on asset disposals. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

3.8. *Property, plant and equipment*

Capitalization, recognition and measurement

The capital cost of an asset is the aggregate of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. For acquired assets, the purchase price is the aggregate amount paid and the fair value of any other consideration given up to acquire the asset. Expenditures on major maintenance, inspection, and overhauls are capitalized when the item enhances the life or performance of an asset above its original condition. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the replacement item will flow to the Company, the replacement expenditure is capitalized and the carrying amount of the replaced asset is charged to the statement of operations and comprehensive income (loss). Routine costs incurred to repair or maintain property and equipment are expensed as incurred.

When an item of property and equipment is disposed of or when there are no net future economic benefits expected from the continued use of the asset, the asset is removed from the accounts (derecognized) and any gain or loss arising on derecognition (calculated as the difference between net disposal proceeds and the carrying amount of the item), is recognized in the statement of operations and comprehensive income (loss).

Depreciation

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Padding equipment componentized assets consists of padding equipment add-ons such as elevators and conveyors. Due to the nature of these assets they undergo more wear in the earlier years and are depreciated using the declining balance basis.

The method of depreciation and estimated useful lives of property, plant and equipment for current and comparative years are as follows:

Asset	Basis	Rate
Buildings	Straight-line	30-40 years
Padding equipment non-componentized	Straight-line	5-10 years
Padding equipment componentized	Declining balance	2.5-10 years
Major overhauls	Declining balance	5-10 years
Oilfield service equipment	Straight-line	5-10 years
Office furniture & equipment	Straight-line	2-5 years
Shop equipment	Straight-line	2-5 years

Impairment evaluations

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the expected future cash flows of the relevant assets or Cash Generating Units ("CGUs"). For the purpose of assessing impairment, assets are grouped into CGUs that are the lowest levels for which there are separately identifiable cash flows. Impairment losses may be reversed in future periods if there are indicators of a reversal and the recoverable amount of a CGU has increased.

Asset impairment tests may also require the estimation of the recoverable amount of the non-financial asset or the CGU group, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions conducted at arm's length for similar assets, valuation appraisals, or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow mode which is derived from the Company's budget.

3.9. *Revenue recognition*

Rental revenue from padding machines and oilfield service equipment is recognized with the passage of time under month to month contracts, starting when the equipment is delivered, which is the time control of the goods has passed to the purchaser and collection is reasonably assured. Upon commencement of the rental contract, customers are invoiced in advance for equipment.

Spare parts and consumables related to rented machines are invoiced in advance for the full value of the spare parts and consumables delivered. Payments for spare parts and consumables delivered are recorded as deferred revenue. Upon return of the rented equipment, the customer is refunded the value of any spare parts and consumables returned, less a restocking fee.

Revenue on the sale of machines and inventory is recognized when the control of the goods passes to the customer, collection is reasonably assured and generally when physical delivery has occurred.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust any of the transaction prices for the time value of money. The Company also renders mobilization and other services. The revenue is recognized over time, as the services are rendered, which typically occurs within one or few days.

As part of the adoption of IFRS 15, “Revenue from Contracts with Customers” on January 1, 2018 the Company identified certain sales of spare parts, which are more appropriately reflected as inventory sales rather than disposals of property and equipment.

For the mobilization revenue, the Company concluded it would act as a principal, as a result of which presentation of mobilization revenue changed from net to gross effective from January 1, 2018.

Effective January 1, 2018, the IFRS 15 transition date, the Company elected to use the following practical expedients:

- The Company applied the requirements of the new revenue standard to a portfolio of similar contracts (or similar performance obligations) because the Company expects that the effects on the financial statements would not materially differ from applying the guidance to the individual contracts (or individual performance obligations).
- The Company did not adjust the promised amount of consideration for the effects of a significant financing component because the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less.
- where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance to date, revenue is recognized in the amount to which the Company has a right to invoice.

3.10. *Earnings per share*

Basic earnings per share (“Basic EPS”) are calculated by dividing net income attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share (“Diluted EPS”) are calculated by adjusting the weighted average number of common shares outstanding for dilutive common shares related to the Company share-based compensation plan. Net income attributable to the shareholder of the Company is the same for both the Basic and Diluted EPS calculations.

3.11. *Share-based compensation plans*

Compensation expense associated with options granted under the Company’s share-based option plan is recognized in general and administrative expense over the vesting period of the options. Awards issued under the option plan are equity-settled awards, and therefore, the expense is offset to contributed surplus. The Company measures the fair value of options at the date of grant using a Black-Scholes option pricing model. For options with graded vesting terms, fair value is determined for each vesting period as if it were a separate award. An estimate of forfeitures is applied to the total options expected to vest that is trued up to actual forfeitures at each vesting date.

3.12. *Income taxes*

Income tax expense comprises current and deferred tax. It is recognized in the consolidated statement of operations and comprehensive income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes

Current income taxes comprise the expected income tax payable or receivable on the taxable income or loss for the year and any adjustment to the income tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes

Deferred income taxes are recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction other than a business combination.

Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.13. *Use of judgments and estimates*

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Impairment

The Company tests impairment of long-lived assets with determinate useful lives when indications of impairment exist. Application of judgment is required in determining if indicators of impairment exist and the recoverable value.

An asset is considered impaired and written down only when the impairment test demonstrates that the carrying value is not recoverable. The determination of recoverable amounts on any given asset is subject to significant estimates regarding the timing and magnitude of cash flows and appropriate discount rates for the value in use method. Significant estimates relating to market value are needed when the fair value is used as the recoverable amount.

Leases and lease classification

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease. If an arrangement is determined to contain a lease, then the Company must classify the lease as either an operating or a finance lease. Classification as a finance lease involves judgment over lease terms as finance lease criteria, including assumptions over the useful life and fair value of the leased asset and the determination of bargain purchase options.

Depreciation

Depreciation methods are based on management’s estimate of the most appropriate method to reflect the pattern of an asset’s future economic benefit expected to be consumed by the Company. Among other factors, these estimates are based on industry standards and Company-specific history and experience.

Share-based payments

The Company determines the fair value of share-based payments using a Black-Scholes option-pricing model. There are a number of estimates used in the calculation such as the expected future forfeiture rate, the expected period the share-based compensation is outstanding and the future price volatility of the underlying security. The factors applied in the calculation are management's estimates based on historical information and future forecasts and may vary from expectations.

Deferred income taxes

The recoverability of deferred income taxes is based on a number of assumptions, including estimating the future periods in which temporary differences and other tax credits will reverse, and the general assumption that substantively enacted future tax rates at the balance sheet date will remain in effect when differences reverse.

Contingencies

Contingencies are subject to measurements of uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgement, including assessing whether a present obligation exists, assessing factors that may mitigate or reduce the obligation, and determining a reliable estimate of the amount of cash out flow required to settle the obligation. The Company is required to both determine whether loss is probable and whether the loss can be reasonably estimated. The uncertainty involved with the time and amount at which a contingency may be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

3.14. *Recent Accounting Pronouncements*

New Accounting Standards and Interpretations not yet Adopted

A number of new standards, amendments to accounting standards and interpretations are effective for annual periods beginning or after January 1, 2020 and have not been applied in preparing the consolidated financial statements for the year ended December 31, 2019. These standards and interpretations are not expected to have a material impact on the Company's consolidated financial statements.

4. Changes in accounting policies

4.1. *Adoption of IFRS 16, "Leases"*

Effective January 1, 2019, the Company adopted IFRS 16," *Leases" ("IFRS* 16"). This standard has been adopted using the modified retrospective approach.

On adoption, Management elected to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than twelve months as at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a Right-of-Use ("ROU") asset if the underlying asset is of a low dollar value; and
- Account for lease and non-lease components as a single lease component for lease liabilities related to server.

Policy Applicable from January 1, 2019

Leases

The following accounting policy is applicable from January 1, 2019:

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As Lessee

On adoption of IFRS 16, the Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2018, adjusted by commitments in relation to arrangements not containing leases, short-term and low-value leases, and discounted using the Company's incremental borrowing rate as of January 1, 2019. The associated ROU assets were measured at the amount equal to the lease liability on January 1, 2019 with no impact on retained earnings. Comparative information in the Company's consolidated statements of financial position, consolidated statements of operations and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows are not restated.

The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Incremental borrowing rates as at January 1, 2019 range from 4.75 percent to 6.09 percent. Lease payments on short term leases with lease terms of less than twelve months or leases on which the underlying asset is of low value are accounted for as expenses in the consolidated statements of operations.

Reconciliation of commitments to lease liability

(CAD thousands)

Operating lease commitments for premises and equipment as at December 31, 2018	$	325
Short term and low value leases		(34)
Net lease commitments		291
Impact of discounting		(13)
Lease liability as at January 1, 2019	$	278

Leases are recognized as a ROU asset and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statements of operations over the lease term.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located less any lease payments made at or before the commencement date. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

As Lessor

No adjustments were required upon transition to IFRS 16 for leases where the Company is a lessor.

As a lessor, the Company assesses at inception whether a lease is a finance or operating lease.

If substantially all the risks and rewards of ownership of an asset are not transferred the lease is classified as an operating lease. The Company recognizes lease payments received under operating leases as income on a straight- line basis over the lease term as income.

The majority of the rental contracts of the Company are accounted for as operating leases. Rental revenue from padding machines and oilfield services equipment is recognized with the passage of time under month to month contracts, starting when the equipment is delivered, recovery of the consideration is probable, and the amount of revenue can be measured reliably. Upon commencement of the rental contract, customers are invoiced in advance for equipment. Payment is due within the 30 days of the date of invoice. The duration of the rental contracts of the Company does not exceed one year.

Undiscounted cash inflows relating to operating lease receivables from the signed contracts as at December 31, 2019 are:

(CAD thousands)		
Less than 1 year	$	900
Total	$	900

Leases where the Company transfers substantially all the risk and rewards incidental to ownership of the underlying asset are classified as finance leases. Under a finance lease, the Company recognizes a receivable at an amount equal to the net investment in the lease which is the present value of the minimum lease payments receivable by the lessor.

During the twelve months ended December 31, 2019, the Company recognized three rental contracts as finance leases. One contract expired in third quarter of 2019 and two other contracts started in the third and fourth quarters of 2019. The interest rate implicit in the leases are 0.83% per month. There is no allowance for uncollectable lease payments receivable or contingent rents recognized as income.

(CAD thousands) At December 31, 2019		Minimum lease payments from finance leases		Present value of minimum lease payments
Less than one year	$	227	$	222
Between one and five years		-		-
After five years		-		-
Unearned finance income		(5)		-
	$	222	$	222

Policy Applicable Before January 1, 2019

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. At inception, a leased asset within PP&E and a corresponding lease obligation are recognized. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

5. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

(CAD thousands)		**December 31, 2019**		December 31, 2018
Cash and deposits	**$**	**6,494**	$	2,874
GIC less than 90 days		**2,598**		7,783
	$	**9,092**	**$**	10,657

6. Short term investments

(CAD thousands)		**December 31, 2019**		December 31, 2018
Investments				
Redeemable	$	**1,157**	$	505
Non-redeemable		**1,007**		-
	$	**2,164**	**$**	505

Short term investment of $2,164,000 consists of two Redeemable Guaranteed Investment Certificates (GICs) held at a Canadian chartered bank at rate of interest 2.00% and 1.75% respectively for one-year term length, and a Non-redeemable GIC at another Canadian chartered bank at rate of interest 1.86% for six - month term length.

7. Accounts receivable

Accounts receivable are comprised of the following;

(CAD thousands)

	Note*	December 31, 2019	December 31, 2018
Trade receivables		$ **1,636**	$ 3,996
Loss allowance	15	**(40)**	(91)
Other receivables		**54**	131
		$ 1,650	**$** 4,036

8. Property and equipment

(CAD thousands)

	Padding Equipment (including spare parts)	Land & Buildings	Other	Total
COST				
At January 1, 2018	$ 31,425	$ 6,638	$ 2,038	$ 40,101
Additions	3,401	45	72	3,518
Disposals	(1,400)	-	(28)	(1,428)
Foreign currency translation adjustments	2,390	318	100	2,808
At December 31, 2018	$ 35,816	$ 7,001	$ 2,182	$ 44,999
Additions	2,217	-	137	2,354
Disposals	(1,983)	-	(492)	(2,475)
Foreign currency translation adjustments	(1,384)	(189)	(60)	(1,633)
At December 31, 2019	$ **34,666**	**$ 6,812**	**$ 1,767**	**$ 43,245**
ACCUMULATED DEPRECIATION				
At January 1, 2018	$ (14,228)	$ (1,693)	$ (1,665)	$ (17,586)
Depreciation	(3,555)	(127)	(60)	(3,742)
Disposals	1,063	-	28	1,091
Foreign currency translation adjustments	(1,146)	(102)	(94)	(1,342)
At December 31, 2018	$ (17,866)	$ (1,922)	$ (1,791)	$ (21,579)
Depreciation	(3,197)	(128)	(87)	(3,412)
Disposals	1,335	-	348	1,683
Foreign currency translation adjustments	734	64	53	851
At December 31, 2019	$ **(18,994)**	**$ (1,986)**	**$ (1,477)**	**$ (22,457)**
NET BOOK VALUE				
At December 31, 2018	$ 17,950	$ 5,079	$ 391	$ 23,420
At December 31, 2019	$ **15,672**	**$ 4,826**	**$ 290**	**$ 20,788**

As at December 31, 2019, included in padding equipment are assets under construction with a cost of $583,000 (December 31, 2018 - $987,000). No depreciation was recorded for assets under construction.

The Company sold certain padding machines, oilfield services equipment and related inventory and two vehicles during the year ended December 31, 2019 for the combined proceeds of $1,450,000. The Company entered into two “rent to purchase” contract to sell a small padding machine and an Allu bucket during the third and fourth quarters of 2019. These two contracts also have been considered as a dispositions of capital assets under finance lease (note 4).

9. Right-of-use assets

(CAD thousands)

	Office space	Server	Firewall	Total
COST				
As at December 31, 2018	$ -	$ -	$ -	$ -
Adoption IFRS 16	184	77	17	278
As at January 1, 2019	184	77	17	278
Additions	-	-	-	-
At December 31, 2019	**$ 184**	**$ 77**	**$ 17**	**$ 278**
ACCUMULATED DEPRECIATION				
As at December 31, 2018	$ -	$ -	$ -	$ -
Depreciation	(146)	(36)	(6)	(188)
As at December 31, 2019	**$ (146)**	**$ (36)**	**$ (6)**	**$ (188)**
NET BOOK VALUE				
As at December 31, 2018	$ -	$ -	$ -	$ -
As at December 31, 2019	**$ 38**	**$ 41**	**$ 11**	**$ 90**

10. Intangible assets

On July 17, 2018, the Company issued 6,666,667 shares of common stock at a price of $1.50 per share for aggregate proceeds of $10,000,000 to one subscriber. The proceeds were used to acquire the right to participate in the financing, construction and operation of a cobalt processing facility. See note 1.2 “Investment in Battery Minerals Resources Limited”.

Additional costs, including professional fees for legal services as well as on-going costs associated with technical support, totaling $346,000 were capitalized during the twelve months of 2019, bringing the total amount for intangible assets related the right to $10,651,000 at December 31, 2019.

Patents include costs associated with filing patents on several product improvements to Ozzie’s mini-padder and micro-padder heads. These costs include on-going legal fees associated with registering the product improvements to the mini-padder and micro-padder heads as intellectual property in various legal jurisdictions.

(CAD thousands)

	December 31, 2019	December 31, 2018
Right to participate in the Agreement	$ **10,651**	$ 10,305
Patents	**33**	10
Other	**20**	-
Depreciation	**(1)**	- -
	$ 10,703	**$** 10,315

11. Long-term debt

(CAD thousands)

	December 31, 2019	December 31, 2018
Mortgage – Leduc (i)	**$ 2,072**	$ 2,348
Finance agreements (ii)	**127**	109
Total long-term debt	**2,199**	2,457
Less: current portion	**359**	385
Long-term debt	**$ 1,840**	$ 2,072

The Company has a mortgage outstanding with a Canadian chartered bank on its Leduc, AB property and minor obligations relating to the purchase of equipment. Further details are provided below:

i) Mortgage - Leduc consists of a mortgage on a property in Leduc, AB. The Company is required to pay monthly installments of $23,000 plus interest on the facility at a fixed rate of interest of 4.75% for a three-year term. The mortgage has a five-year term, expiring on October 31, 2022.

ii) Finance agreements include three loans relating to the purchase of two compact track loaders and two vehicles that were financed through a dealer in 2019. The loans are denominated in US dollars. The first loan which was obtained in April 2019 to purchase two track loaders, bore interest at a rate of 3.67% per annum, and required total monthly payments of US $12,594 for one-year term. Loans which were obtained in June 2019 to purchase two vehicles bore interest rates of 1.90% and 0% per annum. These two loans require monthly payments of US $561 and US $621 respectively.

iii) The Company has a financial debt covenant related to the Leduc mortgage consists of a minimum debt service coverage ratio of 1.25:1. The Company has a debt service coverage ratio of 3.67:1 and remains in compliance with the financial covenant as at December 31, 2019.

“Debt Service Coverage" means, for any period, the ratio of (i) EBITDA, to (ii) Interest Expense and scheduled principal payments in respect of Funded Debt. "EBITDA" means, for any period, net income (excluding extraordinary items) from continuing operations plus, to the extent deducted in determining net income, Interest Expense and income taxes expensed during the period, and depreciation, depletion and amortization deducted for the period. "Funded Debt" means, in respect of Borrower, all outstanding non-postponed interest-bearing debt including capital leases, debt subject to scheduled repayment terms and letters of credit/guarantees, plus (to the extent not included in Equity), the redemption amount of any preferred shares of Borrower which are redeemable at the option of the holder; and the amount of any convertible debentures issued.

12. Lease liabilities

The Company has lease liabilities for contracts relating to office space, computer server and firewall. Lease terms are negotiated on an individual basis and contain different terms and conditions.

(CAD thousands)		
Lease liability as at January 1, 2019	$	278
Interest expense		10
Lease payments		(198)
Total liability as at December 31, 2019	$	90
Less: current portion		84
Long term portion	**$**	**6**

Undiscounted cash outflows relating to lease liabilities are as follows:

(CAD thousands)		
Less than 1 year	$	86
Years 2 and 3		6
Total [(1)]	**$**	**92**

(1) Includes principal and interest.

13. Share capital

13.1. *Authorized*

The authorized capital of the Company consists of an unlimited number of common shares. There are 51,667,459 issued and outstanding common shares.

Issued and outstanding

	December 31, 2019		December 31, 2018	
	Number of Common Shares	***Amount $Thousands***	*Number of Common Shares*	*Amount $Thousands*
Issued and outstanding				
Opening	51,667,459	50,457	45,000,792	40,457
Issued	-	-	6,666,667	10,000
Issued and outstanding, end of period	**51,667,459**	**50,457**	51,667,459	50,457

On July 17, 2018, the Company completed a private placement of 6,666,667 common shares at a price of $1.50 per share for gross cash proceeds of $10,000,000 to one subscriber. Proceeds were used to make a one-time, non-refundable, subject to certain performance obligations by BMR, payment to BMR for the right to participate in the financing, construction and operation of the cobalt processing facility that will be supplied by feedstock mineral mined by BMR from its mining properties in northern Ontario.

13.2. ***Stock option grant***

On October 10, 2018, the Company granted 582,712 stock options to one officer and key employee to purchase ESI common shares at an exercise price of $0.50 per share. The options granted vest over a period of two years and expire on October 10, 2023, five years after the grant date.

No options were granted, forfeited, exercised or expired during the twelve months ended December 31, 2019.

	Number of Options	Weighted Average Exercise Price $/Share
Total Outstanding December 31, 2017	2,230,104	0.50
Granted October 2018	582,712	0.50
Forfeited	(83,333)	0.50
Expired	(166,667)	0.50
Total Outstanding December 31, 2019	**2,562,816**	**0.50**

The following table summarize the total outstanding options as at December 31, 2019:

	Options Outstanding			Exercisable Options	
Exercise Price ($)	Number of Options	Remaining Contractual Life (Years)	Weighted Average Exercise Price ($)	Number of Options	Weighted Average Exercise Price ($)
0.50	1,980,104	2.67	0.50	1,980,104	0.50
0.50	582,712	4.00	0.50	194,237	0.50

Share-based compensation is a non-cash item and is measured in accordance with a prescribed formula. Share-based compensation expense recognized by the Company for the Stock Option Plan for the year ended December 31, 2019 was $62,000 (2018 - $168,000).

The fair values of stock options granted have been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Options granted on October 10, 2018
Exercise price	$.50
Share price	$0.20
Expected life of options	5
Expected volatility (%)	165
Average risk-free interest rate (%)	2.27%
Expected dividend yield (%)	0%

13.3. ***Warrants***

The Company has 1,996,274 warrants outstanding. Each warrant is exercisable to purchase one common share at an exercise price of $0.86. The warrants were initially due to expire on October 19, 2018. In January 2018, the term of the warrants was extended to December 01, 2021.

At December 31, 2019, the outstanding share purchase warrants had a weighted-average remaining life of 1.92 years (December 31, 2018 – 3 years) The subsequent extension increases the weighted-average remaining life to 3.2 years.

13.4. ***Basic and diluted EPS***

	December 31, 2019		December 31, 2018	
	Number of Common Shares	***Earnings Per Share $***	*Number of Common Shares*	*Earnings Per Share $*
Weighted average number of common shares used in basic earnings per share	**51,667,459**	**(0.03)**	48,069,285	0.04
Dilution effect of options	**-**	**-**	-	-
Weighted average number of common shares used in diluted earnings per share	**51,667,459**	**(0.03)**	48,069,285	0.04

For the three and twelve - month periods ended December 31, 2019, 4,559,090 options and warrants were excluded from the calculation of diluted earnings per share as the effect would have been anti-dilutive (2018 – 4,559,090).

14. Income Taxes

The components of income tax expense are:

(CAD thousands)

For the year ended December 31,		**2019**		**2018**
Current taxes expense (recovery)				
Current year	$	84	$	81
Deferred tax expense (recovery)				
Current year		-		-
Total income tax expense	$	84	$	81

The income tax expense differs from that expected by applying the combined federal, provincial and state income tax rate of 26.5% (2018 -27%) to income before income taxes for the following reasons:

(CAD thousands)

For the year ended December 31,		**2019**		**2018**
Income (loss) before income taxes	$	(1,635)	$	1,857
Effective income tax expense (recovery) at statutory rate		(457)		502
Rate differential		136		-
Permanent differences		21		48
Adjustment from prior year filings		212		(238)
Change in Alberta provincial tax rate		288		-
Other		78		(232)
Change in unrecognized asset		(194)		1
Net provision for income taxes	$	84	$	81

(CAD thousands)

	December 31, 2019	December 31, 2018
Deferred tax balances		
Non-capital loss carry forwards	$ 7,288	$ 7,909
Property, plant and equipment	(2,148)	(2,427)
Unrealized foreign exchange loss (gain)	(153)	(234)
Other	185	178
Deferred Income Tax Asset not recognized	(5,172)	(5,426)
Deferred tax asset (liability)	$ -	$ -

The Company has incurred cumulative non-capital losses for Canadian income tax purposes of approximately $13.5 million (2018 - $10.8 million) that are available to reduce Canadian taxable income in future years and expire commencing in 2029.

The Company's foreign subsidiaries have incurred cumulative non-capital losses for foreign income tax purposes of approximately USD $13.1 million (2018 - USD $14.4 million) that are available to reduce taxable income in future years. These losses expire between the years 2022 through 2032.

The deductible temporary difference does not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits they are from.

For the years ended December 31, 2019 and 2018, $nil of deferred income tax recovery was recognized.

15. Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, finance leases receivable, accounts payable and accrued liabilities, obligations under finance lease, line of credit and long-term debt.

The fair values of financial instruments included in the consolidated statements of financial position, except long-term debt, approximate their carrying amounts due to the liquid nature of those instruments. The carrying value of long-term debt approximates its fair value.

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Interest rate risk
- Foreign currency risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

15.1 Credit risk and customer concentration

Credit risk arises from the potential that the Company may incur losses if the counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. This credit risk exposure is mitigated through the Company's due diligence on its contracted counterparties. The

Company assesses the credit worthiness of its customers on an ongoing basis and monitors the amounts and aging of outstanding accounts receivable, and when necessary, records an allowance for doubtful amounts.

The following table summarizes the aging of the Company's accounts receivable:

(CAD thousands)

	December 31, 2019	December 31, 2018
Within 30 days	$ **733**	$ 1,437
31 to 60 days	**598**	1,742
61 to 90 days	**201**	47
Over 90 days	**118**	810
	$ 1,650	$ 4,036

For the twelve months ended December 31, 2019, $8,509,000 (December 31, 2018 - $11,100,000) of revenue was derived from thirteen (December 31, 2018 – Nine) customers that represented 77% (December 31, 2018 - 76%) of the Company's revenue. As at December 31, 2019, $900,000 (December 31, 2018 - $3,000,000) from these customers was included in accounts receivable. As at December 31, 2019 accounts receivable includes other receivable of $54,000 (December 31, 2018 - $131,000).

During the year, the Company recognized three finance lease receivables from three customers that relates to lease of fixed assets. As of December 31, 2019, finance lease receivable of $222,000 was recorded under current assets.

Expected Credit Losses

The Company recognizes loss allowances for Expected Credit Losses (ECLs) on its financial assets measured at amortized cost. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. The following tables summarize the loss allowance calculation:

(CAD thousands)

As at December 31, 2019	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	0.5%	0.9%	7.3%	12%	
Gross carrying amount ($)	682	603	217	134	1,636
Loss allowance ($)	3	5	16	16	40

(CAD thousands)

As at December 31, 2018	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	0.8%	1.5%	5%	6%	
Gross carrying amount ($)	1,318	1,768	49	861	3,996
Loss allowance ($)	11	26	2	52	91

The loss allowance provision for trade receivables as at December 31, 2019 reconciles to the opening loss allowance on January 1, 2019 as follows:

(CAD thousands)

Loss allowance as at January 1, 2019	$	91
Decrease in provision for trade receivables during the period		(51)
Loss allowance as at December 31, 2019	**$**	**40**

15.2 *Interest rate risk*

Interest rate risk arises from changes in market interest rates that affect the fair value or future cash flows from the Company's financial assets and liabilities. As at December 31, 2019, 100% (December 31, 2018 – 100%) of the Company's outstanding debt was subject to fixed rates of interest.

For the year ended December 31, 2019, a 1% change in interest rates would have had no impact on net loss and other comprehensive loss if the relevant financial instrument were to remain constant.

15.3 *Foreign currency risk*

Foreign currency risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets and liabilities. A portion of the Company's operations is denominated in United States dollars. The Company does not use derivative financial instruments to reduce its foreign currency exposure. Fluctuations in foreign exchange rates could negatively affect the results from operations. The Company does not have exposure to any highly inflationary foreign currencies.

For the twelve months ended December 31, 2019, a 1% change in the value of foreign currencies would have had the following impact on net loss and other comprehensive loss.

(CAD thousands)

		December 31, 2019		December 31, 2018
1% increase in the value of the US dollar	**$**	**39**	$	27
1% decrease in the value of the US dollar	**$**	**(39)**	$	(27)

Foreign exchange gain (loss)

The following table details the foreign exchange gain (loss) as presented on the consolidated statements of operations and comprehensive income (loss).

(CAD thousands)

For the year ended December 31,		**2019**		2018
Unrealized foreign exchange gain (loss)	**$**	**(200)**	$	336
Realized foreign exchange gain		**(71)**		156
	$	**(271)**	$	492

15.4 Liquidity risk

Liquidity risk is the exposure of the Company to the risk of being unable to meet its financial obligations as they come due. The Company manages liquidity risk by monitoring and reviewing actual and forecasted cash flows to ensure there are available cash resources to meet these needs.

The Company expects that cash and cash equivalents, and cash flow from operations, together with existing and available credit facilities, will be sufficient to fund its presently anticipated requirements for investments in working capital and capital assets.

The following maturity analysis shows the remaining contractual maturities for the Company's financial liabilities, including future lease payments:

(CAD thousands)

December 31, 2019	*Note**		Within 1 year		1 to 5 years
Accounts payable and accrued liabilities		$	673	$	-
Deferred revenue			169		-
Income tax payable			79		-
Loans and borrowings	11		359		1,840
Lease obligations	12		84		6
		$	**1,364**	**$**	**1,846**

(CAD thousands)

December 31, 2018		**Within 1 year**		**1 to 5 years**
Accounts payable and accrued liabilities	$	1,822	$	-
Deferred revenue		228		-
Income tax payable		143		-
Loans and borrowings		385		2,072
	$	**2,578**	**$**	**2,072**

16. Commitments

The Company has commitments under various operating lease agreements relating to equipment that are not classified as lease liabilities under IFRS 16 (See note 12). Short-term and low-value leases aggregating approximately $26,000 as at December 31, 2019 are summarized as follows:

(CAD thousands)

2020	$	13
2021		10
2022		2
2023		1
	$	**26**

17. Capital disclosures

The Company's objectives when managing capital are to exercise financial discipline, and to deliver positive returns to its shareholders. The Company may make future adjustments to its capital management strategy in light of changing economic conditions resulting from the challenges associated with operating in a cyclical, commodity-price influenced industry.

The Company considers its capital structure to include shareholders' equity, operating lines of credit and long-term debt, net of cash and cash equivalents. In order to maintain or adjust its capital structure, the Company may from time to time adjust its capital spending to manage the level of its borrowings or may revise the terms of its operating lines of credit to support future growth initiatives. The Company may also consider additional long-term borrowings or equity financing.

(CAD thousands)

		December 31, 2019		December 31, 2018
Long term debt	**$**	**2,199**	$	2,457
Shareholder's equity		**42,469**		45,264
Cash and cash equivalents		**(9,092)**		(10,657)
Total capitalization	**$**	**35,576**	$	37,064

18. Supplementary cash flow information

Change in non -cash working capital balances

(CAD thousands)

Changes in non-cash working capital		**2019**		2018
Current assets				
Accounts receivable	**$**	**2,170**	$	(2,682)
Finance receivable		**(72)**		(147)
Prepaid expenses		**(27)**		8
Inventory		**(156)**		(676)
Current liabilities				
Accounts payable and accrued liabilities		**(1,020)**		710
Income taxes payable (recoverable)		**(60)**		(10)
Deferred revenue		**(49)**		98
Net change in non-cash working capital		**786**		(2,699)
Changes in non-cash capital Relating to:				
Operating		**795**		(2,804)
Investing		**(9)**		105
	$	**786**	$	(2,699)

The following table provides a reconciliation of cash flows arising from financing activities:

(CAD thousands)

	Finance Lease	Long-Term Debt
As at January 01, 2018	$ -	$ 2,883
Changes from cash flows:		
Proceeds on long-term debt	-	1,179
Repayments – long-term debt	-	(1,672)
Non-cash changes:		
Foreign exchange revaluation	-	67
As at December 31, 2018	$ -	$ 2,457
IFRS 16 opening adjustment	278	-
As at January 1, 2019	278	2,457
Changes from cash flows:		
Proceeds on debt	-	273
Repayments – long-term debt	-	(523)
Repayments – finance lease obligation	(188)	-
Non-cash changes		
Foreign exchange revaluation	-	(8)
As at December 31, 2019	$ **90**	**$** **2,199**

19. Related party transactions

Principal subsidiaries

As at December 31,2019, details of ESI's principal operating subsidiary, which is 100% wholly owned, is as follows:

	Country of operation
ESI Pipeline Services, Inc.	United States

Compensation of key management personnel

Key management personnel compensation comprised the following:

(CAD thousands)

For the year ended December 31,	*Note**		2019		2018
Salaries and directors' fees		$	**941**	$	1,048
Share-based compensation			**19**		150
		$	**960**	$	1,198

There have been no other transactions with key management and officers during the year. No amounts were owing from or owed to officers and directors of the Company.

20. Expenses by nature

The Company presents certain expenses in the consolidated statements of operations and comprehensive income (loss) by function. For example, freight associated with a job site would be allocated to operating expenses whereas freight relating to office equipment would go to selling, general and administrative. The following table presents those expenses by nature.

(CAD thousands)

For the years ended December 31,		**2019**				**2018**		
		Operating		*Selling and administrative*		Operating		*Selling and administrative*
Employee costs	$	**1,870**	**$**	**1,635**	$	1,812	$	1,607
Repairs and maintenance		**1,048**		**120**		963		154
Freight and consumables		**1,564**		**2**		1,555		4
Insurance		**-**		**376**		-		354
Professional services		**30**		**495**		17		513
Travel and promotion		**70**		**304**		18		290
Rent		**-**		**-**		-		154
Utilities and property taxes		**235**		**34**		226		18
Share based compensation		**-**		**62**		-		168
Other		**772**		**619**		856		459
	$	**5,589**	**$**	**3,647**	$	5,447	$	3,721

21. Segment information

The Company's operating segments are differentiated by the geographic boundaries. The operations in the segments are as follows.

(CAD thousands)

December 31, 2019	Canada	US	Total
Total revenue	$ 238	$ 10,831	$ 11,069
% of segment revenue	2	98	100
Total assets	23,370	22,309	45,679
% of segment assets	51	49	100

(CAD thousands)

December 31, 2018	Canada	US	Total
Total revenue	$ 331	$ 14,226	$ 14,557
% of segment revenue	2	98	100
Total assets	23,529	26,385	49,914
% of segment assets	47	53	100

22. Revenue

Revenue is comprised of the following:

(CAD thousands)

For the year ended December 31,	2019	2018
Machine Rental		
Padding machines		
Large Padders	$ 6,425	$ 10,810
Small Padders	2,192	1,022
Screening buckets	409	15
Oilfield services equipment	95	174
Mobilization	1,013	1,151
Inventory sales	387	366
Machine sales	304	710
Other services	244	309
	S 11,069	**$ 14,557**

23. Subsequent Event

The global impact of the COVID-19 Virus as well as recent declines in spot prices for oil and gas as a result of a price war between Saudi Arabia and Russia have resulted in significant declines in global stock markets and has fostered a great deal of uncertainty as to the health of the global economy over the next 12 to 18 months.

As such, companies such as ours are subject to liquidity risks in maintaining their revenues and earnings as well as ongoing and future development and operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors are likely to have a negative impact on the Company's ability to raise equity and/or obtain loans and other credit facilities in the future or on terms favorable to the Company and its management.

Companies such as ours that are involved directly or indirectly in providing goods and services to the oil and gas sector will be affected by the impact of COVID-19 as well as other economic factors impacting the oil and gas sector.

Our impairment test for property and equipment is generally based on a fair value less costs of disposal model. Accordingly, as required by IFRS we have not reflected these subsequent conditions in the measurement of property and equipment as at December 31, 2019.

Impairment indicators for our property and equipment could exist at March 31, 2020, if current conditions persist. We continue to work on revisions to our Company's forecasts and development plans in light of the current conditions and will use these updated assumptions / forecasts in our impairment indicator analysis and for impairment tests, if such tests are required.

EXHIBIT "L2"
FINANCIAL STATEMENTS OF ESI ENERGY SERVICES INC. FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Consolidated Financial Statements

ESI Energy Services Inc.

For the Years Ended December 31, 2018 and 2017

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of ESI Energy Services Inc., Management's Discussion and Analysis and other information relating to ESI contained in this Annual Report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with accounting policies detailed in the notes to the consolidated financial statements and are in conformity with International Financial Reporting Standards (also referred to as "IFRS") using methods appropriate for the industry in which the Company operates. Where necessary, management made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements including estimates related to transactions and operations that were incomplete at year-end, the useful lives of assets, assumptions around future income tax calculations and the measurement of asset impairment losses. Financial information throughout this Annual Report is consistent with the consolidated financial statements except as noted.

Management ensures the integrity of the consolidated financial statements by maintaining a system of internal control. The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports is disclosed, processed and summarized and reported within specified time periods. Internal controls are monitored through self-assessments and are reinforced through a Code of Business Conduct, which sets forth the Company's commitment to conduct business with integrity, and within both the letter and the spirit of the law.

PricewaterhouseCoopers LLP, the Company's independent auditors, have conducted an examination of the consolidated financial statements and have had full access to the Audit Committee. Their report appears on page 3.

The Board of Directors, through its Audit Committee comprised of three independent directors as defined in National Instrument 52-110 – Audit Committees ("NI 52-110"), and one director who is exempt from the independence requirements of NI 52-110, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and the independent auditors to discuss auditing and financial matters and to gain assurance that management is carrying out its responsibilities.

On behalf of the Board of Directors

signed "*Robert R. Dunstan*"	signed *"Priyanka Bambaranda"*
Robert R. Dunstan President & Chief Executive Officer	Priyanka Bambaranda Chief Financial Officer

Independent auditor's report

To the Shareholders of ESI Energy Services Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ESI Energy Services Inc. and its subsidiaries (together, the "Company") as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of operations and comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

PricewaterhouseCoopers LLP
111 5 Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 19, 2019

Consolidated Statements of Financial Position

(CAD thousands) **As at**	*Note**		**December 31, 2018**		December 31, 2017
ASSETS					
Current					
Cash and cash equivalents	5	$	**10,657**	$	5,761
Short term investments	6		**505**		6,817
Accounts receivable	7		**4,036**		1,184
Finance lease receivable	8		**159**		-
Prepaid expenses			**113**		115
Inventory	4		**709**		-
Total current assets			**16,179**		13,877
Non-current assets:					
Intangible assets	9		**10,315**		-
Property and equipment	10		**23,420**		22,515
Total assets		**$**	**49,914**	**$**	36,392
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		$	**1,822**	$	1,002
Deferred revenue	4		**228**		114
Income tax payable			**143**		145
Current portion of long-term debt	11		**385**		535
Total current liabilities			**2,578**		1,796
Non-current liabilities:					
Long-term debt	11		**2,072**		2,348
Total liabilities			**4,650**		4,144
SHAREHOLDERS' EQUITY					
Share capital	12		**50,457**		40,457
Contributed surplus	12		**2,244**		2,076
Accumulated other comprehensive income			**4,969**		3,458
Deficit			**(12,406)**		(13,743)
Total shareholders' equity			**45,264**		32,248
Total liabilities and shareholders' equity		**$**	**49,914**	**$**	36,392
Commitments	15				

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

Approved by the Board of Directors

signed *"Harold R. Zimmer"*
Harold R. Zimmer
Director

signed "*Robert R. Dunstan*"
Robert R. Dunstan
Chief Executive Officer and Director

Consolidated Statements of Operations and Comprehensive Income

(CAD thousands)

	Note*	Year Ended December 31, 2018	December 31, 2017 (Revised Note 4.2)
REVENUE			
Sales	4	**$ 14,557**	$ 13,685
COSTS AND EXPENSES			
Cost of purchases		**640**	361
Operating and maintenance	19	**5,447**	4,394
Depreciation and amortization	10	**3,742**	3,759
Selling and administrative	19	**3,721**	3,732
Total costs and expenses		**13,550**	12,246
INCOME FROM OPERATIONS		**1,007**	1,439
Other items:			
Gain on disposal of property and equipment		**194**	159
Finance and other income		**300**	250
Finance costs		**(136)**	(166)
Foreign exchange gain (loss)	14	**492**	(409)
Income before income taxes		**1,857**	1,273
Current income tax expense	13	**81**	79
Net income		**1,776**	1,194
Items that may be reclassified subsequently to net income			
Foreign exchange gain (loss) on translation adjustments on foreign operations		**1,511**	(1,014)
Comprehensive income		**$ 3,287**	$ 180
Basic income per share	12	**0.04**	0.03
Diluted income per share	12	**0.04**	0.03

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

Consolidated Statements of Changes in Shareholders' Equity

(CAD thousands)	*Note* *	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at January 1, 2017		$ 40,457	1,598	(14,937)	4,472	$ 31,590
Share based compensation	12	-	478	-	-	478
Foreign currency translation adjustment		-	-	-	(1,014)	(1,014)
Net income		-	-	1,194	-	1,194
Balance, December 31, 2017		**$ 40,457**	**2,076**	**(13,743)**	**3,458**	**$ 32,248**
Balance at January 1, 2018		$ 40,457	2,076	(13,743)	3,458	$ 32,248
IFRS 9 opening deficit adjustment	4	-	-	(13)	-	(13)
Distribution to shareholders		-	-	(426)	-	(426)
Common shares issued	12	10,000	-	-	-	10,000
Share based compensation	12	-	168	-	-	168
Foreign currency translation adjustment		-	-	-	1,511	1,511
Net income		-	-	1,776	-	1,776
Balance, December 31, 2018		**$ 50,457**	**2,244**	**(12,406)**	**4,969**	**$ 45,264**

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

Consolidated Statements of Cash Flows

(CAD thousands)	note*	Year Ended December 31, 2018	December 31, 2017 (Revised Note 4.2)
Cash provided by (used in)			
OPERATING ACTIVITIES			
Net earnings		**$ 1,776**	$ 1,194
Items not involving cash:			
Depreciation	10	**3,742**	3,759
Share based compensation	12	**168**	478
Loss (gain) on disposal of equipment		**(194)**	(159)
Unrealized foreign currency loss (gain)		**(336)**	532
Cash flow from operating activities before changes in non-cash working capital		**5,156**	5,804
Net change in non-cash working capital	17	**(2,804)**	566
Cash flow from operating activities		**2,352**	6,370
INVESTING ACTIVITIES			
Proceeds on disposal of property & equipment		**531**	3,800
Purchase of property & equipment	10	**(3,518)**	(4,314)
Purchase of intangible assets	9	**(10,315)**	-
Sale proceeds from (Investments in) GICs		**6,312**	(2,526)
Net change in non-cash working capital	17	**105**	-
Cash flow used in investing activities		**(6,885)**	(3,040)
FINANCING ACTIVITIES			
Advance of long-term debt		**1,179**	422
Repayment of long-term debt		**(1,672)**	(2,762)
Repayment of finance lease obligation		**-**	(50)
Cash distribution to shareholders		**(391)**	-
Issuance of common shares	12	**10,000**	-
Net change in non-cash working capital	17	**-**	(470)
Cash flow from (used in) financing activities		**9,116**	(2,860)
Effect of exchange rate changes on cash and cash equivalents		**313**	(416)
Increase in cash and cash equivalents		**4,896**	54
Cash and cash equivalents, beginning of year		**5,761**	5,707
Cash and cash equivalents, end of year		**$ 10,657**	**$** 5,761

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

ESI Energy Services Inc.

Notes to the Consolidated Financial Statements

1. Reporting entity

1.1. *Description of business*

ESI Energy Services Inc. ("ESI" or the "Company") was incorporated as a numbered company under the Business Corporations Act (Alberta) ("ABCA") on February 22, 2001. The Company's Articles of Incorporation were amended, and the Company changed its name to "ESI Energy Services Inc." on September 12, 2001. These consolidated financial statements comprise ESI and its subsidiaries, all of which are wholly-owned (together referred to as the "Company").

The Company currently operates in western Canada as well as in the United States of America. The Company, through its operating subsidiaries, ESI Pipeline Services, Inc. ("ESIP"), ESI Energy Services (Australia) Pty Ltd., supplies (rents and sells) backfill separation machines ("Padding Machines") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors.

The Company maintains its registered corporate and head office at suite 500, 727 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 0Z5.

1.2. *Investment in Battery Minerals Resources Limited*

On May 17, 2018, The Company entered into an early stage Process Facility and Cobalt Supply Agreement (the "Agreement") with Battery Minerals Resources Limited ("BMR") for BMR's cobalt-focused mineral exploration claims located in Ontario. BMR is a privately owned Australian multi-commodity battery materials exploration company.

2. Basis of presentation

2.1. *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The comparative figures have been reclassified to conform to the current year financial statement presentation.

These consolidated financial statements were authorized for issue by the Board of Directors on March 19, 2019.

3. Significant accounting policies

3.1. *Basis of measurement*

The consolidated financial statements are prepared on a historical cost basis, except as specifically noted within these notes to the consolidated financial statements.

3.2. *Functional and presentation currency*

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. The functional currency of two of the subsidiary companies is the US dollar, and that of the parent and the other subsidiary company is the Canadian dollar.

3.3. *Basis of consolidation*

Subsidiaries

Included in the Company's consolidated financial statements are the financial statements of the Company and the entities it controls. Subsidiaries of the Company are ESI Pipeline Services Inc., and ESI Energy Services (Australia) Pty Ltd. all of which are wholly owned.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date control is obtained by the Company and deconsolidated from the date control ceases.

Transactions eliminated on consolidation

All intercompany transactions and balances are eliminated upon consolidation.

3.4. *Foreign currency*

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company or the respective subsidiary at the exchange rate in effect at the time of the transaction. Monetary items are then translated into the Company's functional currency at each reporting period at the exchange rates in effect at date of the statements of financial position. Non-monetary items are translated at historic rates. Revenues and expenses denominated in foreign currency are translated at rates in effect at the time of the transactions. Gains and losses on foreign currency transactions are included as a separate line item in the consolidated statements of operations and comprehensive income (loss).

Foreign currency translation

The Company's non-Canadian subsidiaries functional currency is the US dollar, and therefore, assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the financial statement date and revenues and expenses are translated at the average exchange rates for the period. Translation gains or losses are included in other comprehensive income (loss). When the settlement of an intercompany receivable or intercompany payable is neither planned nor likely foreseeable in the future, foreign exchange gains or losses arising on the translation of those intercompany balances is considered a part of the net investment in the foreign operation and are recognized in other comprehensive income (loss).

3.5. *Financial instruments*

The Company's financial assets include cash and cash equivalents, short term investments, accounts receivables and finance lease receivables. The Company's financial liabilities include accounts payable and accrued liabilities and long-term debt.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company applied IFRS 9 retrospectively but elected not to restate comparative information. As such, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy found in the annual Consolidated Financial Statements for the year ended December 31, 2017.

Policy applicable from January 1, 2018

Classification and measurement of financial assets and liabilities

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- Fair Value Through Other Comprehensive Income (FVOCI): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- fair value through profit or loss (FVTPL): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets.

On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. There is no subsequent reclassification of fair value changes to earnings following the derecognition of the investment. However, dividends that reflect a return on investment continue to be recognized in net earnings. This election is made on an investment-by-investment basis.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The differences between the two standards did not impact the Company at the time of transition.

Financial liabilities at FVTPL (other than financial liabilities designated at FVTPL) are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a new basis or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The adjustments for IFRS 9 were determined for all the financial assets on the consolidated statement of financial position.

The Company recognizes loss allowances for Expected Credit Losses (ECLs) on its financial assets measured at amortized cost. Due to the nature of its financial assets, ESI measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses.

Policy applicable before January 1, 2018

Classification and measurement of financial assets and liabilities

Prior to the adoption of IFRS 9, "Financial Instruments" ("IFRS 9") on January 1, 2018, the Company classified and measured financial assets under IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). There were three measurement categories into which the Company classified its financial assets:

• FVTPL: Assets were either 'held-for-trading' or had been 'designated at fair value through profit or loss'. The assets were measured at fair value with changes in fair value recognized in net earnings;

• Loans and Receivables: Included assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, these assets were measured at amortized cost at the settlement date using the effective interest rate method of amortization; and

• Available for Sale Financial Assets: Included investments in the equity of private companies that the Company did not have control or had significant influence over. These assets were measured at fair value, with changes in fair value recognized in OCI. When an active market was non-existent, fair value was determined using valuation techniques. When the fair value could not be reliably measured, such assets were carried at cost.

Financial liabilities were initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities were measured at amortized cost using the effective interest method. The Company derecognizes a financial liability once its contractual obligations were discharged, cancelled, or expired.

Impairment of financial assets

The Company assessed whether there were any indicators that its financial assets were impaired. An impairment loss was only recognized if there was objective evidence of impairment, the loss event had an impact on future cash flows and the loss can be reliably estimated. Evidence of impairment may include default or delinquency by a debtor or indicators that the debtor may enter bankruptcy. An impairment loss on a financial asset carried at amortized cost was calculated as the difference between the amortized cost and the present value of the future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account. Impairment losses on financial assets carried at amortized cost were reversed through net earnings in subsequent periods if the amount of the loss decreases.

3.6. *Inventory*

Inventory classified under current assets are valued at the lower of cost and net realizable value on a first-in, first-out basis. The cost of inventory includes all costs incurred in the normal course of business to bring each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any expected selling costs. If the carrying amount exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if circumstances which caused it no longer exist and the inventory is still on hand.

3.7. *Intangible assets*

Intangible assets are recorded at cost. Intangible assets which have a finite useful life are amortized on a straight-line basis over their term or estimated useful life. The amortization expense on intangible assets is recognized in the consolidated statements of operation and comprehensive income in depreciation and amortization. The estimated useful lives and amortization methods are reviewed annually and adjusted prospectively as appropriate. Any gain or loss arising on derecognition of an intangible asset is recognized in the consolidated statements of operation and comprehensive income within gain or loss on asset disposals. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

3.8. *Property, plant and equipment*

Capitalization, recognition and measurement

The capital cost of an asset is the aggregate of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. For acquired assets, the purchase price is the aggregate amount paid and the fair value of any other consideration given up to acquire the asset. Expenditures on major maintenance, inspection, and overhauls are capitalized when the item enhances the life or performance of an asset above its original condition. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the replacement item will flow to the Company, the replacement expenditure is capitalized and the carrying amount of the replaced asset is charged to the statement of operations and comprehensive income (loss). Routine costs incurred to repair or maintain property and equipment are expensed as incurred.

When an item of property and equipment is disposed of or when there are no net future economic benefits expected from the continued use of the asset, the asset is removed from the accounts (derecognized) and any gain or loss arising on derecognition (calculated as the difference between net disposal proceeds and the carrying amount of the item), is recognized in the statement of operations and comprehensive income (loss).

Depreciation

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Padding equipment componentized assets consists of padding equipment add-ons such as elevators and conveyors. Due to the nature of these assets they undergo more wear in the earlier years and are depreciated using the declining balance basis.

The method of depreciation and estimated useful lives of property, plant and equipment for current and comparative years are as follows:

Asset	Basis	Rate
Buildings	Straight-line	30-40 years
Padding equipment non-componentized	Straight-line	5-10 years
Padding equipment componentized	Declining balance	2.5-10 years
Pipe layers	Straight-line	5-10 years
Major overhauls	Declining balance	5-10 years
Oilfield service equipment	Straight-line	5-10 years
Office furniture & equipment	Straight-line	2-5 years
Shop equipment	Straight-line	2-5 years

Impairment evaluations

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the expected future cash flows of the relevant assets or Cash Generating Units ("CGUs"). For the purpose of assessing impairment, assets are grouped into CGUs that are the lowest levels for which there are separately identifiable cash flows. Impairment losses may be reversed in future periods if there are indicators of a reversal and the recoverable amount of a CGU has increased.

Asset impairment tests may also require the estimation of the recoverable amount of the non-financial asset or the CGU group, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions conducted at arm's length for similar assets, valuation appraisals, or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow mode which is derived from the Company's budget.

3.9. *Leased assets*

Leases on terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating leases are leases other than a finance lease. Operating lease payments are recognized an operating expense in the consolidated statements of income on a straight-line basis over the lease term.

3.10. *Revenue recognition*

Rental revenue from padding machines, pipe layers and oilfield service equipment is recognized with the passage of time under month to month contracts, starting when the equipment is delivered, recovery of the consideration is probable and the amount of revenue can be measured reliably.

Upon commencement of the rental contract, customers are invoiced in advance for equipment and spare parts, and consumables. Spare parts and consumables are invoiced in advance for the full value of the spare parts and consumables delivered. Payments for spare parts and consumables delivered are recorded as deferred revenue.

Revenue on the sale of spare parts and consumables related to rented or sold equipment is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Upon return of the rented equipment, the customer is refunded the value of any spare parts and consumables returned, less a restocking fee.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust any of the transaction prices for the time value of money. The Company also renders mobilization and other services. The revenue is recognized over time, as the services are rendered, which typically occurs within one or few days.

Policy Applicable after January 1, 2018

As part of the adoption of IFRS 15, "Revenue from Contracts with Customers" on January 1, 2018 the Company identified certain sales of spare parts, which are more appropriately reflected as inventory sales rather than disposals of property and equipment.

For the mobilization revenue, the Company concluded it would act as a principal, as a result of which presentation of mobilization revenue changed from net to gross effective from January 1, 2018.

Policy Applicable before January 1, 2018

Inventory including spare parts was considered as a property and equipment. And any gain or loss arising on disposal of spare parts was recognized in the consolidated statements of operation and comprehensive income within gain or loss on disposal of property and equipment.

Prior to the adoption of IFRS 15, mobilization revenue was recorded on a net basis.

3.11. *Earnings per share*

Basic earnings per share ("Basic EPS") are calculated by dividing net income attributable to the shareholders of the company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share ("Diluted EPS") are calculated by adjusting the weighted average number of common shares outstanding for dilutive common shares related to the company share based compensation plan. Net income attributable to the shareholder of the Company is the same for both the Basic and Diluted EPS calculations.

3.12. *Share-based compensation plans*

Compensation expense associated with options granted under the Company's share-based option plan is recognized in general and administrative expense over the vesting period of the options. Awards issued under the option plan are equity-settled awards, and therefore, the expense is offset to contributed surplus. The Company measures the fair value of options at the date of grant using a Black-Scholes option pricing model. For options with graded vesting terms, fair value is determined for each vesting period as if it were a separate award. An estimate of forfeitures is applied to the total options expected to vest that is trued up to actual forfeitures at each vesting date.

3.13. *Income taxes*

Income tax expense comprises current and deferred tax. It is recognized in the Statement of Income (Loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes

Current income taxes comprise the expected income tax payable or receivable on the taxable income or loss for the year and any adjustment to the income tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes

Deferred income taxes are recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction other than a business combination.

Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.14. *Use of judgments and estimates*

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Impairment

The Company tests impairment of long-lived assets with determinate useful lives when indications of impairment exist. Application of judgment is required in determining if indicators of impairment exist and the recoverable value.

An asset is considered impaired and written down only when the impairment test demonstrates that the carrying value is not recoverable. The determination of recoverable amounts on any given asset is subject to significant estimates regarding the timing and magnitude of cash flows and appropriate discount rates for the value in use method. Significant estimates relating to market value are needed when the fair value is used as the recoverable amount.

Leases and lease classification

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease. If an arrangement is determined to contain a lease, then the Company must classify the lease as either an operating or a finance lease. Classification as a finance lease involves judgment over lease terms as finance lease criteria, including assumptions over the useful life and fair value of the leased asset and the determination of bargain purchase options.

Depreciation

Depreciation methods are based on management's estimate of the most appropriate method to reflect the pattern of an asset's future economic benefit expected to be consumed by the Company. Among other factors, these estimates are based on industry standards and Company-specific history and experience.

Share-based payments

The Company determines the fair value of share-based payments using a Black-Scholes option-pricing model. There are a number of estimates used in the calculation such as the expected future forfeiture rate, the expected period the share-based compensation is outstanding and the future price volatility of the underlying security. The factors applied in the calculation are management's estimates based on historical information and future forecasts and may vary from expectations.

Deferred income taxes

The recoverability of deferred income taxes is based on a number of assumptions, including estimating the future periods in which temporary differences and other tax credits will reverse, and the general assumption that substantively enacted future tax rates at the balance sheet date will remain in effect when differences reverse.

Contingencies

Contingencies are subject to measurements of uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgement, including assessing whether a present obligation exists, assessing factors that may mitigate or reduce the obligation, and determining a reliable estimate of the amount of cash out flow required to settle the obligation. The Company is required to both determine whether loss is probable and whether the loss can be reasonably estimated. The uncertainty involved with the time and amount at which a contingency may be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

3.15. *Recent Accounting Pronouncements*

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS16"), which replaces IAS 17 - Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

Effective January 1, 2019 the Company will adopt IFRS 16 and has selected the modified retrospective transition approach. ESI has also elected to apply the optional exemptions for short-term and low-value leases.

IFRS 16 is expected to increase the Company' assets and liabilities, increase depreciation expense, increase interest, finance costs and reduce general and administrative expenses. Cash payments associated with operating leases are currently presented within operating activities; under IFRS 16, the cash flows will be allocated between financing activities for the repayment of the principal liability and operating activities for the financing expense portion. The overall impact to cash flow is unchanged.

4. Changes in accounting policies

Effective January 1, 2018, the Company adopted the following accounting pronouncements:

4.1. *Adoption of IFRS 9, "Financial Instruments"*

Effective January 1, 2018, the Company adopted IFRS 9, which replaced IAS 39. The Company applied the new standard retrospectively and, in accordance with the transitional provisions, comparative figures have not been restated. The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the Company's business model for managing the financial asset.

The Company's existing financial instruments as at December 31, 2018 were reviewed and assessed as follows:

(CAD thousands)

	Classification		Carrying Amount ($)	
Financial Instrument	**Previous – IAS 39**	**New – IFRS 9**	**IAS 39**	**IFRS 9**
• Cash and cash equivalents	Loans and receivables	Amortized cost	10,657	10,657
• Short term investments			505	505
• Accounts receivable			4,127	4,036
• Finance lease receivable			159	159
• Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost	1,822	1,822
• Current portion of long-term debt			385	385
• Long-term debt			2,072	2,072

The reclassifications of financial assets and liabilities did not impact the Company's consolidated balance sheet, consolidated statements of income, or consolidated statements of comprehensive income after the date of initial application.

Impairment of financial assets

IFRS 9 requires the Company to account for expected credit losses ("ECLs") and any changes at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. A loss allowance is required for ECLs on financial assets subsequently measured at amortized cost. The impact of the change in impairment methodology is disclosed below.

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring ECL, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and days past due. The loss allowance as at December 31, 2018 has been determined as follows:

(CAD thousands)

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.8%	1.5%	5%	6%	
Gross carrying amount ($)	1,318	1,768	49	861	3,996
Loss allowance ($)	11	26	2	52	91

The loss allowance provision for trade receivables as at December 31, 2018 reconciles to the opening loss allowance on January 1, 2018 as follows:

(CAD thousands)

Loss allowance as at December 31, 2017 – calculated under IAS 39	$	-
Amounts restated through opening retained earnings		(13)
Loss allowance as at January 1, 2018 – calculated under IFRS 9		(13)
Increase in provision for trade receivables during the year		(78)
Loss allowance as at December 31, 2018 - calculated under IFRS 9	**$**	**(91)**

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

Other receivables

In addition to trade receivables, Company accounts for indirect tax receivables from the government for $131,000. The Company assessed the allowance on the other receivables and determined it was insignificant.

Finance lease receivables

The Company recognized two finance lease receivables relate to the lease of fixed assets expiring in February 2019 and July 2019. As of December 31, 2018, finance lease receivable of $159,000 was recorded. The Company assessed the amount of allowance on finance lease receivable and determined it was insignificant.

Cash and short-term investments

Cash and cash equivalents, and short-term investments are subject to the impairment requirements under IFRS 9, the identified impairment loss was determined to be insignificant.

(CAD thousands)

		December 31, 2018
Cash		
AA Rating	$	10,657
Short term investments		
AA Rating	$	505

4.2. *Adoption of IFRS 15, "Revenue from Contracts from customers"*

The Company has adopted IFRS 15, on January 1, 2018 using the modified retrospective approach on contracts that were not completed as of January 1, 2018.

The Company identified and disaggregated revenues into the following categories:

(CAD thousands)

For the year ended December 31,	**2018**	2017 (Revised)
Machine Rental		
Padding machines	**$ 11,847**	$ 12,216
Pipe layers	**-**	119
Oilfield services equipment	**174**	271
Mobilization	**1,151**	120
Inventory sales	**366**	648
Machine sales	**710**	-
Other services	**309**	311
	$ 14,557	$ 13,685

Deferred revenue

The following table shows the movements in and out of deferred revenue account for the twelve-month period ended December 31, 2018.

(CAD thousands)

Deferred revenue as at January 1, 2018	$	114
Amount of revenue deferred during the period		531
Amount of revenue recognized during the period		(85)
Amount reversed on returned items		(347)
Foreign currency translation adjustment		15
Deferred revenue as at December 31, 2018	**$**	**228**

For the purpose of IFRS 15 assessment, the Company has reviewed its revenue streams and contracts and concluded on the following impacts:

For the mobilization revenue, the Company concluded it would act as a principal, as a result of which presentation of mobilization revenue changed from net to gross effective from January 1, 2018. For the twelve months ended December 31, 2018, the amounts of revenue and costs from mobilization comprised $1,151,000 and $1,016,000 respectively, compared to the revenue and costs of $1,322,000 and $1,202,000 respectively for the same period of 2017. The change in the accounting treatment did not have an impact on net profit of the Company.

As part of the adoption of IFRS 15, spare parts used continuously in the operations that do not meet the capitalization criteria were treated as a current asset from January 1, 2018. As at December 31, 2018, $709,000 (December 31, 2017 -Nil) of spare parts was recognized as an inventory. Comparative figures for gain or loss arising on sale of spare parts have been reclassified to conform to the current year financial statement presentation. This reclassification did not have an impact on previously reported net earnings. The consolidated statements of operations and comprehensive income (loss) for the comparative periods of three and twelve months ended December 31, 2017 have been revised to reflect that change. See the details of the revision below.

(CAD thousands)

Twelve months ended		**December 31, 2017**		**Revision**		**December 31, 2017 (Revised)**
Sales	$	13,037	$	648	$	13,685
Cost of purchase		-		361		361
Gain on disposal of property & equipment	$	446	$	(287)	$	159

Effective January 1, 2018, the IFRS 15 transition date, the Company elected to use the following practical expedients:

- The Company applied the requirements of the new revenue standard to a portfolio of similar contracts (or similar performance obligations) because the Company expects that the effects on the financial statements would not materially differ from applying the guidance to the individual contracts (or individual performance obligations).
- The Company did not adjust the promised amount of consideration for the effects of a significant financing component because the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less.
- where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance to date, revenue is recognized in the amount to which the Company has a right to invoice.

5. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

(CAD thousands)

		December 31, 2018		December 31, 2017
Cash	$	**2,873**	$	1,566
Deposits		**1**		184
GIC less than 90 days		**7,783**		4,011
	$	**10,657**	**$**	5,761

6. Short term investments

(CAD thousands)

		December 31, 2018		December 31, 2017
Investments				
Redeemable	$	**505**	$	252
Non-redeemable		**-**		6,565
	$	**505**	**$**	6,817

Short term investment of $505,000 consists of Redeemable Short-Term Investment Certificates held at one Canadian chartered bank at the rate of interest 2%.

7. Accounts receivable

Accounts receivable are comprised of the following;

(CAD thousands)

	Note*		**December 31, 2018**		December 31, 2017
Trade receivables		$	**3,996**	$	1,122
Loss allowance	4		**(91)**		-
Other receivables			**131**		62
		$	**4,036**	**$**	1,184

8. Finance leases receivable

(CAD thousands)

At December 31, 2018		Minimum lease payments from finance leases		Present value of minimum lease payments
Less than one year	$	159	$	154
Between one and five years		-		-
After five years		-		-
Unearned finance income		-		5
	$	159	$	159

During the year, the Company recognized two finance lease receivables which expire during 2019 with implicit rate of 0.83% per month. Finance income of $5,000 was recognized during the year. There is no allowance for uncollectable lease payments receivable or contingent rents recognized as income during the year.

9. Intangible assets

On July 17, 2018, the Company issued 6,666,667 shares of common stock at a price of $1.50 per share for aggregate proceeds of $10 million to one subscriber. The proceeds were used to acquire the right to participate in the financing, construction and operation of the cobalt processing facility. See note 1.2 "Investment in Battery Minerals Resources Limited".

Additional costs, including professional fees for legal services as well as on-going costs associated with technical support, totaling $305,000 were capitalized over the course of the year, bringing the total amount for intangible assets to $10,305,000 at December 31, 2018.

Patents include costs associated with filling patents on several product improvements to Ozzie's mini padder and micro-padder heads. These costs include testing and documenting these product improvements to the mini-padder and micro-padder heads plus on-going legal costs associated with registering these improvements as intellectual property in various legal jurisdictions.

(CAD thousands)

		December 31, 2018		December 31, 2017
Right to participate in the Agreement	$	**10,305**	$	-
Patents		**10**		
	$	**10,315**	**$**	-

10. Property and equipment

(CAD thousands)

		Padding Equipment		Pipe Layers		Land & Buildings		Other		Total
COST										
As at January 1, 2017	$	30,558	$	6,288	$	6,841	$	2,224	$	45,911
Additions		4,267		-		8		39		4,314
Disposals		(1,692)		(6,288)		-		(79)		(8,059)
Foreign currency translation adjustments		(1,708)		-		(211)		(146)		(2,065)
As at December 31, 2017	$	31,425	$	-	$	6,638	$	2,038	$	40,101
Additions		3,401		-		45		72		3,518
Disposals		(1,400)		-		-		(28)		(1,428)
Foreign currency translation adjustments		2,390		-		318		100		2,808
As at December 31, 2018	**$**	**35,816**	**$**	**-**	**$**	**7,001**	**$**	**2,182**	**$**	**44,999**
ACCUMULATED DEPRECIATION										
As at January 1, 2017	$	(12,921)	$	(2,826)	$	(1,597)	$	(1,818)	$	(19,162)
Depreciation		(3,415)		(146)		(127)		(71)		(3,759)
Disposals		1,372		2,972		-		74		4,418
Foreign currency translation adjustments		736		-		31		150		917
As at December 31, 2017	$	(14,228)	$	-	$	(1,693)	$	(1,665)	$	(17,586)
Depreciation		(3,555)		-		(127)		(60)		(3,742)
Disposals		1,063		-		-		28		1,091
Foreign currency translation adjustments		(1,146)		-		(102)		(94)		(1,342)
As at December 31, 2018	**$**	**(17,866)**	**$**	**-**	**$**	**(1,922)**	**$**	**(1,791)**	**$**	**(21,579)**
NET BOOK VALUE										
As at December 31, 2017	$	17,197	$	-	$	4,945	$	373	$	22,515
As at December 31, 2018	**$**	**17,950**	**$**	**-**	**$**	**5,079**	**$**	**391**	**$**	**23,420**

As at December 31, 2018, included in padding equipment are assets under construction with a cost of $987,000 (December 31, 2017 - $926,000). No depreciation was recorded for assets under construction.

11. Long-term debt

(CAD thousands)

		December 31, 2018		December 31, 2017
Mortgage – Leduc (i)	$	**2,348**	$	2,624
Finance agreements (ii)		**109**		258
Other		**-**		1
Total long-term debt		**2,457**		2,883
Less: current portion		**385**		535
Long-term debt	$	**2,072**	$	2,348

The Company has a mortgage outstanding with a Canadian chartered bank on its Leduc, AB property and minor obligations relating to the purchase of equipment. Further details are provided below:

i) Mortgage - Leduc consists of a mortgage on a property in Leduc, AB. The Company is required to pay monthly installments of $23,000 plus interest on the facility at a fixed rate of interest of 4.75% for a three-year term. The mortgage has a five-year term, expiring on October 31, 2022.

ii) Finance agreements include three loans relating to the purchase of six compact track loaders that were financed through a dealer in 2017 and 2018. The loans are denominated in US dollars. The first loan which was obtained in March 2017, bore interest at a rate of 1.99% per annum, and required total monthly payments of $5,000 was fully paid in February 2018. The second loan which was obtained in September 2017, bore interest at a rate of 2.25% per annum, and required total monthly payments of $22,000 was fully paid in September 2018. The third loan obtained in January 2018 bears interest at a rate of 2.25% per annum and requires total monthly payments of US$80,000 expired in January 2019.

iii) The Company has a financial debt covenant related to the Leduc mortgage consists of a minimum debt service coverage ratio of 1.25:1. The Company has a debt service coverage ratio of 10.17:1 and remains in compliance with the financial covenant as at December 31, 2018.
Debt Service Coverage is the ratio of cash flow available to service debt to interest expense and scheduled principal payments of funded debt. This ratio is the covenant under the Company's lending agreement and must exceed 1.25:1 at all times. Cash flow available to service debt is calculated on a rolling 12-month basis as net income (i) plus interest expense, deferred income taxes, depreciation, unrealized foreign currency losses, stock-based compensation, and any losses on disposal of fixed assets and (ii) less unrealized foreign currency gains and gains on disposal of fixed assets. Funded debt means all outstanding interest- bearing debt including capital leases, debt subject to scheduled repayment terms, and credit card debt.

12. Share capital

12.1. *Authorized*

The authorized capital of the Company consists of an unlimited number of common shares. There are 51,667,459 issued and outstanding common shares.

Issued and outstanding

	December 31, 2018		December 31, 2017	
	Number of Common Shares	***Amount $Thousands***	*Number of Common Shares*	*Amount $Thousands*
Issued and outstanding				
Opening	45,000,792	40,457	45,000,792	40,457
Issued	6,666,667	10,000	-	-
Issued and outstanding, end of period	**51,667,459**	**50,457**	45,000,792	40,457

On July 17, 2018, the Company completed a private placement of 6,666,667 common shares at a price of $1.50 per share for gross cash proceeds of $10,000,000 to one subscriber. Proceeds were used to make a one-time, non-refundable, subject to certain performance obligations by BMR, payment to BMR for the right to participate in the financing, construction and operation of the cobalt processing facility that will be supplied by feedstock mineral mined by BMR from its mining properties in northern Ontario.

12.2. *Stock option grant*

As of November 28, 2016, the Company had an aggregate of 1,300,000 stock options issued and outstanding. Pursuant to the Plan of Arrangement (the "Plan"), all ESI Options were surrendered by the holders for nominal consideration and cancelled immediately prior to the effective date of the Plan.

Pursuant to the Company's Equity Incentive Plan adopted February 27, 2017, an aggregate of 2,230,104 options have been granted to directors, officers and senior employees of the Company to purchase ESI common shares at an exercise price of $0.50 per share. The options granted vest over a period of two years and expire on February 27, 2022, five years after the grant date. During the twelve months ended December 31, 2018, unvested shares of 83,333 were forfeited and vested shares of 166,667 expired due to the resignation of a beneficiary.

On October 10, 2018, the Company granted 582,712 stock options to one officer and key employee to purchase ESI common shares at an exercise price of $0.50 per share. The options granted vest over a period of two years and expire on October 10, 2023, five years after the grant date.

	Number of Options	**Weighted Average Exercise Price $/Share**
Total Outstanding December 31, 2016	-	-
Granted February 2017	2,230,104	0.50
Exercised	-	-
Forfeited	-	-
Total Outstanding December 31, 2017	2,230,104	0.50
Granted	582,712	-
Forfeited	(83,333)	-
Expired	(166,667)	-
Total Outstanding December 31, 2018	**2,562,816**	**0.50**

No options were exercised during the twelve months ended December 31, 2018.

The following table summarize the total outstanding options as at December 31, 2018:

	Options Outstanding			Exercisable Options	
Exercise Price ($)	Number of Options	Remaining Contractual Life (Years)	Weighted Average Exercise Price ($)	Number of Options	Weighted Average Exercise Price ($)
0.50	1,980,104	3.4	0.50	1,320,070	0.50
0.50	582,712	4.7	0.50	194,237	0.50

Share-based compensation is a non-cash item and is measured in accordance with a prescribed formula. Share-based compensation expense recognized by the Corporation for the Stock Option Plan for the year ended December 31, 2018 was $168,000 (2017 - $478,000).

The fair values of stock options granted have been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Options granted on October 10, 2018	Options granted on February 27, 2017
Exercise price	$0.50	$.50
Share price	$0.20	$0.40
Expected life of options	5	5
Expected volatility (%)	165	100
Average risk-free interest rate (%)	2.27%	0.68%
Expected dividend yield (%)	0%	0%

12.3. ***Warrants***

The Company has 1,996,274 warrants outstanding. Each warrant is exercisable to purchase one common share at an exercise price of $0.86. The warrants were initially due to expire on October 19, 2018. In January 2018, the term of the warrants was extended to December 01, 2021.

At December 31, 2018, the outstanding share purchase warrants had a weighted-average remaining life of 3 years (December 31, 2017 – 0.08 years) The subsequent extension increases the weighted-average remaining life to 3.2 years.

12.4. ***Basic and diluted EPS***

	December 31, 2018		December 31, 2017	
	Number of Common Shares	***Earnings Per Share $***	*Number of Common Shares*	*Earnings Per Share $*
Weighted average number of common shares used in basic earnings per share	**48,069,285**	**0.04**	45,000,792	0.03
Dilution effect of options	**-**	**-**	-	-
Weighted average number of common shares used in diluted earnings per share	**48,069,285**	**0.04**	45,000,792	0.03

For the three and twelve - month periods ended December 31, 2018, 4,559,090 options and warrants were excluded from the calculation of diluted earnings per share as the effect would have been anti-dilutive (2017 – 4,226,378).

12.5. ***Contributed surplus***

(CAD thousands)

		December 31, 2018		December 31, 2017
Contributed surplus, beginning of period	$	**2,076**	$	1,598
Stock based compensation		**168**		478
Contributed surplus, end of period	**$**	**2,244**	$	2,076

13. Income Taxes

The components of income tax expense are:

(CAD thousands)

For the year ended December 31,		**2018**		**2017**
Current taxes expense (recovery)				
Current year	$	81	$	79
Deferred tax expense (recovery)				
Current year		-		-
Total income tax expense	$	81	$	79

The income tax expense differs from that expected by applying the combined federal, provincial and state income tax rate of 27% (2017 -27%) to income before income taxes for the following reasons:

(CAD thousands)

For the year ended December 31,	2018	2017
Income (loss) before income taxes	$ 1,857	$ 1,273
Effective income tax expense (recovery) at statutory rate	502	344
Permanent differences	48	131
Adjustment from prior year filings	(238)	(1,290)
Other	(232)	377
Change in unrecognized asset	1	517
Net provision for income taxes	$ 81	$ 79

(CAD thousands)

	December 31, 2018	December 31, 2017
Deferred tax balances		
Non-capital loss carry forwards	$ 7,909	$ 6,875
Property, plant and equipment	(2,427)	(1,664)
Unrealized foreign exchange loss (gain)	(234)	(136)
Other	178	84
Capital leases	-	14
Deferred Income Tax Asset not recognized	(5,426)	(5,173)
Deferred tax asset (liability)	$ -	$ -

The Company has incurred cumulative non-capital losses for Canadian income tax purposes of approximately $10.8 million (2017 - $9.4 million) that are available to reduce Canadian taxable income in future years and expire commencing in 2029.

On December 22, 2017, the United States passed the Tax Cut and Jobs Act which reduces the Federal corporate income tax rate from 35% to 21% starting January 1, 2018.

The Company's foreign subsidiaries have incurred cumulative non-capital losses for foreign income tax purposes of approximately USD$14.4 million (2017 - USD $11.8 million) that are available to reduce taxable income in future years. These losses expire between the years 2022 through 2032.

The deductible temporary difference does not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits they are from.

For the year ended December 31, 2018, $nil of deferred income tax recovery was recognized as compared to $nil in 2017.

14. Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, finance leases receivable, accounts payable and accrued liabilities, obligations under finance lease, line of credit and long-term debt.

Financial assets and liabilities are categorized using a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements for these assets and liabilities. The fair values of financial assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair values of financial assets and liabilities in Level 2 are based on inputs other than Level 1 quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). The fair values of Level 3 financial liabilities are not based on observable market data.
The fair values of financial instruments included in the consolidated statement of financial position, except long-term debt, approximate their carrying amounts due to the liquid nature of those instruments. The carrying value of long-term debt approximates its fair value.

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Interest rate risk
- Foreign currency risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

14.1. *Credit risk and customer concentration*

Credit risk arises from the potential that the Company may incur losses if the counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. This credit risk exposure is mitigated through the Company's due diligence on its contracted counterparties. The Company assesses the credit worthiness of its customers on an ongoing basis and monitors the amounts and aging of outstanding accounts receivable, and when necessary, records an allowance for doubtful amounts.

The following table summarizes the aging of the Company's accounts receivable:

(CAD thousands)

		December 31, 2018		December 31, 2017
Within 30 days	$	**1,437**	$	838
31 to 60 days		**1,742**		300
61 to 90 days		**47**		12
Over 90 days		**810**		34
	$	**4,036**	$	1,184

For the twelve months ended December 31, 2018, $11.1 million (December 31, 2017 - $13 million) of revenue was derived from nine (December 31, 2017 – Eleven) customers that represented 76%

(December 31, 2017 - 82%) of the Company's revenue. As at December 31, 2018, $3.0 million (December 31, 2017 - $0.3 million) from these customers was included in accounts receivable.

During the year, the Company recognized two finance lease receivables from two customers that relates to lease of fixed assets. As of December 31, 2018, finance lease receivable of $159,000 was recorded under current assets.

14.2. *Interest rate risk*

Interest rate risk arises from changes in market interest rates that affect the fair value or future cash flows from the Company's financial assets and liabilities. As at December 31, 2018, 100% (December 31, 2017 – 100%) of the Company's outstanding debt was subject to fixed rates of interest.

For the year ended December 31, 2018, a 1% change in interest rates would have had no impact on net loss and other comprehensive loss if the relevant financial instrument were to remain constant.

14.3. *Foreign currency risk*

Foreign currency risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets and liabilities. A portion of the Company's operations is denominated in United States dollars. The Company does not use derivative financial instruments to reduce its foreign currency exposure. Fluctuations in foreign exchange rates could negatively affect the results from operations. The Company does not have exposure to any highly inflationary foreign currencies.

For the twelve months ended December 31, 2018, a 1% change in the value of foreign currencies would have had the following impact on net loss and other comprehensive loss.

(CAD thousands)

		December 31, 2018		December 31, 2017
1% increase in the value of the US dollar	**$**	**27**	$	38
1% decrease in the value of the US dollar	**$**	**(27)**	$	(38)

Foreign exchange gain (loss)

The following table details the foreign exchange gain (loss) as presented on the consolidated statements of operations and comprehensive income.

(CAD thousands)

For the year ended December 31,		**2018**		2017
Unrealized foreign exchange gain (loss)	**$**	**336**	$	(532)
Realized foreign exchange gain		**156**		123
	$	**492**	$	(409)

14.4. *Liquidity risk*

Liquidity risk is the exposure of the Company to the risk of being unable to meet its financial obligations as they come due. The Company manages liquidity risk by monitoring and reviewing actual and forecasted cash flows to ensure there are available cash resources to meet these needs.

The Company expects that cash and cash equivalents, and cash flow from operations, together with existing and available credit facilities, will be sufficient to fund its presently anticipated requirements for investments in working capital and capital assets.

The following maturity analysis shows the remaining contractual maturities for the Company's financial liabilities, including future lease payments:

(CAD thousands)

December 31, 2018		**Within 1 year**		**1 to 5 years**
Accounts payable and accrued liabilities	$	1,822	$	
Deferred revenue		228		
Income tax payable		143		
Loans and borrowings		385		2,072
	$	**2,578**	**$**	**2,072**

(CAD thousands)

December 31, 2017		Within 1 year		1 to 5 years
Accounts payable and accrued liabilities	$	1,002	$	-
Deferred revenue		114		-
Income tax payable		145		-
Loans and borrowings		535		2,348
	$	1,796	$	2,348

15. Commitments

The Company has commitments under various operating lease agreements relating to premises and equipment aggregating approximately $190,000 and $135,000 (December 31, 2017 - $352,000 and $27,000) respectively.

The following table summarizes the Company's commitments as of December 31, 2018:

(CAD thousands)

2019	$	214
2020		99
2021		12
	$	**325**

16. Capital disclosures

The Company's objectives when managing capital are to exercise financial discipline, and to deliver positive returns to its shareholders. The Company may make future adjustments to its capital management strategy in light of changing economic conditions resulting from the challenges associated with operating in a cyclical, commodity-price influenced industry.

The Company considers its capital structure to include shareholders' equity, operating lines of credit and long-term debt, net of cash and cash equivalents. In order to maintain or adjust its capital structure, the Company may from time to time adjust its capital spending to manage the level of its borrowings or may revise the terms of its operating lines of credit to support future growth initiatives. The Company may also consider additional long-term borrowings or equity financing.

(CAD thousands)

		December 31, 2018		December 31, 2017
Long term debt	**$**	**2,457**	$	2,883
Shareholder's equity		**45,264**		32,248
Cash and cash equivalents		**(10,657)**		(5,761)
Total capitalization	**$**	**37,064**	$	29,370

17. Supplementary cash flow information

Change in non -cash working capital balances

(CAD thousands)

Changes in non-cash working capital		**2018**		2017
Current assets				
Accounts receivable	**$**	**(2,682)**	$	298
Finance receivable		**(147)**		-
Prepaid expenses		**8**		(28)
Inventory		**(676)**		-
Current liabilities				
Accounts payable and accrued liabilities		**710**		(322)
Income taxes payable (recoverable)		**(10)**		72
Deferred revenue		**98**		76
Net change in non-cash working capital		**(2,699)**		96
Changes in non-cash capital Relating to:				
Operating		**(2,804)**		566
Investing		**105**		-
Financing		**-**		(470)
	$	**(2,699)**	$	96

The following table provides a reconciliation of cash flows arising from financing activities:

(CAD thousands)

	Current Portion of Finance Lease	Long Term Portion of Finance Lease	Current Portion of Long-Term Debt	Long Term Debt
As at January 01, 2017	$ 30	$ 20	$ 2,022	$ 3,248
Changes from cash flows:				
Proceeds on Debt	-	-	-	422
Repayments – long-term debt	-	-	(2,022)	(740)
Repayments – finance lease obligation	(30)	(20)	-	-
Non-cash changes:				
Foreign exchange revaluation				(47)
Reclassification of the current portion	-	-	535	(535)
As at December 31, 2017	$ -	$ -	$ 535	$ 2,348
Changes from cash flows:				
Proceeds on long-term debt	-	-	1,179	-
Repayments – long-term debt	-	-	(1,396)	(276)
Non-cash changes				
Foreign exchange revaluation	-	-	67	-
As at December 31, 2018	$ -	$ -	$ 385	$ 2,072

18. Related party transactions

Principal subsidiaries

As at December 31,2018, details of ESI's principal operating subsidiary, which is 100% wholly owned, is as follows:

	Country of operation
ESI Pipeline Services, Inc.	United States

Compensation of key management personnel

Key management personnel compensation comprised the following:

(CAD thousands)

For the year ended December 31,	*Note**		**2018**		2017
Salaries and directors' fees		$	**1,048**	$	1,039
Share based compensation	11		**150**		478
		$	**1,198**	$	1,517

There have been no other transactions with key management and officers during the year. No amounts were owing from or owed to officers and directors of the company.

19. Expenses by nature

The Company presents certain expenses in the consolidated statement of net loss and comprehensive loss by function. For example, freight associated with a job site would be allocated to operating expenses whereas freight relating to office equipment would go to selling, general and administrative. The following table presents those expenses by nature.

(CAD thousands)

For the years ended December 31,				**2018**				**2017**
		Operating		*Selling and administrative*		Operating		*Selling and administrative*
Employee costs	$	**1,812**	**$**	**1,607**	$	1,608	$	1,648
Repairs and maintenance		**963**		**154**		1,027		112
Freight and consumables		**1,555**		**4**		745		5
Insurance		**-**		**354**		-		354
Professional services		**17**		**513**		1		318
Travel and promotion		**18**		**290**		107		253
Rent		**-**		**154**		-		154
Utilities and property taxes		**226**		**18**		230		7
Share based compensation		**-**		**168**		-		478
Other		**856**		**459**		676		403
	$	**5,447**	**$**	**3,721**	$	4,394	$	3,732

20. Segment information

The Company’s operating segments are differentiated by the geographic boundaries. The operations in the segments are as follows.

(CAD thousands)

December 31, 2018		**Canada**	**US**	**Total**
Total revenue	$	331	14,226	14,557
% of segment revenue		2	98	100
Total assets		23,529	26,385	49,914
% of segment assets		47	53	100

(CAD thousands)

December 31, 2017		**Canada**	**US**	**Total**
Total revenue	$	1,179	12,506	13,685
% of segment revenue		9	91	100
Total assets		17,210	19,182	36,392
% of segment assets		47	53	100

EXHIBIT "M"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF ESI ENERGY SERVICES INC.
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

Management's Discussion & Analysis

ESI Energy Services Inc.

For the Three and Nine Months Ended September 30, 2020

This management's discussion and analysis (MD&A) is current to November 3, 2020 and is management's assessment of the operations and financial results, together with the future prospects, of ESI Energy Services Inc. and its subsidiaries ("ESI" or the "Company"). This MD&A should be read in conjunction with our unaudited interim consolidated financial statements and related notes as at and for the three and nine-month periods ended September 30, 2020 and the Audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2019 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All figures are in Canadian dollars unless stated otherwise. Additional information relevant to ESI's activities, including ESI's news releases, can be found on SEDAR at www.sedar.com.

Description of business

ESI Energy Services Inc. ("ESI" or the "Company") was incorporated as a numbered company under the Business Corporations Act (Alberta) ("ABCA") on February 22, 2001. The Company's Articles of Incorporation were amended, and the Company changed its name to "ESI Energy Services Inc." on September 12, 2001. These consolidated financial statements comprise ESI and its subsidiaries, all of which are wholly owned (together referred to as the "Company").

The Company currently operates in western Canada as well as in the United States of America. The Company, together with its operating subsidiaries, ESI Pipeline Services, Inc. ("ESIPI") and ESI Energy Services (Australia) Pty Ltd., supplies (rents and sells) backfill separation machines ("Padding Machines") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors.

The Company maintains its registered corporate and head office at suite 500, 727 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 0Z5.

Performance Overview

Q3 2020 Highlights

Revenue for the three-month period ended September 30, 2020 increased by 7 percent to $4,703,000 compared to $4,392,000 during the same period in 2019. Most of this revenue was generated by padding machine rentals. Substantially all the padding revenue was generated in the United States.

Approximately 66 percent of the revenue generated during the three-month period ended September 30, 2020 came from padding machine rentals, 53 percent of which was from the large machines and 47 percent from the small machines. Activity levels for large padding machines were down from 45 padding months during the third quarter of 2019 to 23 padding months during the same period in 2020, a decrease of 49 percent. Activity levels for small padding machines were up by 118 percent to 48 padding months during the third quarter of 2020, compared with 22 padding months during the same period in 2019. Virtually all the revenue from small padding machines was generated from renewables (wind and solar) construction as well as approximately 15 percent of the large padder months. OPP-200 padding machines are used for both pipeline and renewables construction, whereas OPP-300 machines are used almost exclusively for large diameter pipeline construction.

Gross margin for the three-month period ended September 30, 2020 increased by 11 percent to $2,729,000 compared to $2,462,000 for the same period in 2019. This increase was primarily due to higher revenue in 2020 compared with 2019.

The Company generated a net income of $ 723,000 during the third quarter of 2020 which was lower by $219,000 compared to a net income of $942,000 during the same period in 2019. The decrease in net income during the third quarter of 2020 was primarily due to a foreign exchange loss of $122,000 in 2020 compared to a foreign exchange gain of $88,000 in 2019, accompanied with a higher depreciation in 2020.

EBITDA during the third quarter of 2020 was $1,845,000 compared to $1,517,000 during the same period in 2019, an increase of 22 percent or $328,000, primarily due to higher revenue.

Funds flow from operations was $1,869,000 during the third quarter of 2020, an increase of $300,000 compared to $1,569,000 during the same period in 2019. The increase was primarily due to an increase in revenue during the third quarter of 2020.

Q3 2020 YTD Highlights

Revenue for the nine-month period ended September 30, 2020 increased by 25 percent to $10,964,000 compared to $8,774,000 during the same period in 2019. Consistent with the first two quarters in 2020, virtually all this revenue was generated from padding revenue in the United States.

Approximately 71 percent of the revenue generated during the nine-month period ended September 30, 2020 came from padding machine rentals, 54 percent of which was from the large machines and 46 percent from the small machines. Activity levels for large padding machines were down from 80 padding months during the first nine months of 2019 to 61 padding months during the same period in 2020, a decrease of 24 percent. Activity levels for small padding machines were up by 125 percent to 119 padding months during the first nine months of 2020, compared to 53 padding months during the same period in 2019.

Gross margin for the nine-month period ended September 30, 2020 increased by $1,678,000 or 42 percent, to $5,642,000 from $3,964,000 during the same period in 2019. The increase was primarily due to higher revenue in 2020 compared to 2019.

Net loss for the nine-month period ended September 30, 2020 was $10,546,000 compared with a net loss of $701,000 during the same period in 2019. Net Income on an adjusted basis for the impairment charge on intangible assets for the nine-month period ended September 30, 2020 was $211,000.

EBITDA during the first nine months of 2020 was $2,918,000 compared to $1,133,000 during the same period in 2019, an increase of 158 percent or $1,785,000, primarily due to higher revenue by $2,190,000.

Funds flow from operations was $3,014,000 during the first nine months of 2020, an increase of $1,745,000 compared with a $1,269,000 during the same period in 2019. The increase in funds flow was primarily due to higher revenue during the first nine months of 2020.

Working capital decreased to $11,031,000 at September 30, 2020 compared to $12,734,000 at December 31, 2019. The decrease in working capital during the first nine months of 2020 was primarily due to increase in current portion of long-term debt and accounts payable associated with capital and operational expenditures.

Long-term debt and lease obligations increased by $437,000 to $2,283,000 at September 30, 2020 compared to $1,846,000 at December 31, 2019.

SELECTED FINANCIAL AND OPERATING INFORMATION

Financial Highlights

(CAD thousands, except per share amounts)

	Three Months Ended September 30				**Nine Months Ended September 30**			
	2020	2019	Change	%	**2020**	2019	Change	%
Revenue	4,703	4,392	311	7	10,964	8,774	2,190	25
Net income (loss)	723	942	(219)	(23)	(10,546)	(701)	(9,845)	(1,404)
Adjusted net income (loss) (1)	723	942	(219)	(23)	211	(701)	912	130
Earnings (loss) per share – basic	0.01	0.02	(0.01)	(50)	(0.20)	(0.01)	(0.19)	(1,900)
Earnings (loss) per share – diluted	0.01	0.02	(0.01)	(50)	(0.20)	(0.01)	(0.19)	(1,900)
EBITDA (1)	1,845	1,517	328	22	2,918	1,133	1,785	158
Funds flow (1)	1,869	1,569	300	19	3,014	1,269	1,745	138
Cash flow from operating activities	2,192	748	1,444	193	3,607	2,397	1,210	50
Capital spending							-	
Additions	(2,191)	(720)	(1,471)	204	(5,410)	(2,373)	(3,037)	128
Proceeds of sale	76	183	(107)	(58)	76	1,353	(1,277)	(94)

(1) Adjusted Net income (loss), EBITDA and Funds flow are non-GAAP measures. See commentary in "Non-Standard and Additional GAAP Items".

Operating Highlights

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change	%	**2020**	2019	Change	%
FLEET (1)	**Months**	Months			**Months**	Months		
Large padders	23	45	(22)	(49)	61	80	(19)	(24)
OPP-300	15	20	(5)	(25)	31	35	(4)	(11)
OPP-200	8	25	(17)	(68)	30	45	(15)	(33)
Small padders	48	22	26	118	119	53	66	125
Mini-padders	37	13	24	185	86	33	53	161
Micro-padders	11	9	2	22	33	20	13	65
Screening buckets	65	8	57	713	116	14	102	729
Oilfield services	Nil	1	(1)	(100)	Nil	13	(13)	(100)
UTILIZATION (2)	**%**	**%**			**%**	**%**		
Large padders	25	48	(23)	(48)	22	28	(6)	(21)
OPP-300	26	36	(10)	(28)	18	21	(3)	(14)
OPP-200	23	68	(45)	(66)	28	40	(12)	(30)
Small padders	70	39	31	79	63	29	34	117
Mini-padders	77	31	46	148	65	25	40	160
Micro-padders	54	63	(9)	(14)	60	44	16	36
Screening buckets	75	30	45	150	60	22	38	173
Oilfield services	Nil	3	(3)	(100)	Nil	9	(9)	(100)

(1) *Each machine is billed based on a padder month which typically consists of 24 billing days.*

(2) *Due to machine downtime as a result of transport, repairs and maintenance and movement between jobs, it is not possible to achieve a 100 percent utilization rate.*

Financial Position

(CAD thousands, except ratios)

	September 30, 2020	December 31, 2019
Working capital	11,031	12,734
Long-term debt and finance lease (1)	2,283	1,846
Total assets	37,646	45,679
Debt service coverage (2)	2:88:1	3.67:1

(1) *Excludes current portion.*

(2) *Debt Service Coverage is the ratio of cash flow available to service debt to interest expense and scheduled principal payments of funded debt. This ratio is the covenant under the Company's lending agreement and must exceed 1.25:1 at all times. Cash flow available to service debt is calculated on a rolling 12-month basis as net income (i) plus interest expense, deferred income taxes, depreciation, unrealized foreign currency losses, stock-based compensation, and any losses on disposal of fixed assets and (ii) less unrealized foreign currency gains and gains on disposal of fixed assets. Funded debt means all outstanding interest- bearing debt including capital leases, debt subject to scheduled repayment terms, and credit card debt. See note 9 to the financial statements and the section in this MD&A entitled "Liquidity and Capital Resources" for further discussion related to this covenant.*

Cyclical and Seasonal Nature of ESI's Operations

The Company's business is dependent on the expenditures of oil and natural gas producers, pipeline owners and pipeline and renewable energy (wind and solar) construction contractors which are primarily driven by the current and anticipated prices of oil, natural gas and renewable energy.

The North American mainline pipeline construction industry is typically seasonal, with pipeline construction commencing in the first quarter of the year and peaking during the second and third quarters. The Canadian mainline cross-country pipeline construction season tends to end during the third quarter of the year due to seasonal road bans (temporary restrictions on road usage) and restricted access to agricultural lands. Pipeline construction typically recommences in May and continues through until late December when the industry shuts down for Christmas break.

The global pipeline construction industry is influenced by fluctuations in oil and gas prices, weather conditions, and demand for oil and gas in emerging markets as well as environmental and regulatory issues. Domestic activity levels are also influenced by demand for residential and industrial construction requiring sewer and water pipelines, natural gas distribution and fiber optic cable.

Oil and natural gas markets have been historically volatile, and they are likely to remain so for the foreseeable future. Significant fluctuations in oil and natural gas prices may result from relatively minor changes in supply and demand factors, geo-political events, environmental factors and other uncertainties. Significant reductions in commodity prices can result in cost pressure on the projects undertaken by the Company's customers. This, in turn, can have a negative impact on the Company's profitability in terms of cost pressure and/or cancellation of projects.

Variability in the weather can also result in uncertainty and unpredictability in equipment activity and utilization rates which then can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Modest increases in utilization rates for padding machines can have a significant positive impact on ESI's profitability due to the Company's proportionately high fixed cost base.

Revenue, Operating Expenses and Gross Margin

(CAD thousands)

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Change	%	**2020**	2019	Change	%
Revenue								
Machine rental								
Large padder	1,632	2,942	(1,310)	(45)	4,197	5,327	(1,130)	(21)
Small padder	1,456	583	873	150	3,566	1,598	1,968	123
Screening buckets	644	84	560	667	1,116	183	933	510
Oilfield services	Nil	12	(12)	(100)	Nil	95	(95)	(100)
Other	28	Nil	28	N/A	28	Nil	28	N/A
Mobilization	340	419	(79)	(19)	914	770	144	19
Inventory sales	295	85	210	247	682	302	380	126
Machine sales	211	204	7	3	211	304	(93)	(31)
Other services	97	63	34	54	250	195	55	28
	4,703	**4,392**	**311**	**7**	**10,964**	**8,774**	**2,190**	**25**
Cost of purchase	267	201	66	33	489	407	82	20
Operating and maintenance expenses	1,707	1,729	(22)	(1)	4,833	4,403	430	10
Gross margin	**2,729**	**2,462**	**267**	**11**	**5,642**	**3,964**	**1,678**	**42**
Depreciation	1,019	861	158	18	2,928	2,660	268	10
Gross Profit/(Loss)	**1,710**	**1,601**	**109**	**7**	**2,714**	**1,304**	**1,410**	**108**

Three months ended September 30, 2020

During the third quarter of 2020, revenue increased to $4,703,000 from $4,392,000 during the third quarter of 2019, an increase of $311,000 or 7 percent. The revenue increase was primarily attributable to an increase in small padding machine rentals by $873,000 and an increase in screening bucket rentals by $560,000. The combined padding rental revenue from the large and small machines during the third quarter of 2020 decreased by 12 percent, or by $437,000 to $3,088,000, compared to $3,525,000 during the same period in 2019.

Overall, the utilization rate for large padding machines decreased by 48 percent, while the small padding machines increased by 79 percent during the third quarter 2020 compared with the same period in 2019.

The utilization rate for large padding machines decreased to 25 percent during the third quarter of 2020, down from 48 percent during the same period in 2019. This decrease in utilization rate was due to a decrease in machine activity levels for both the OPP-300 and OPP-200 padding machines, with OPP-200 padding machines recording ~~a~~ significant decrease in activity level by 68 percent. The utilization rate for OPP-300 padding machines during the third quarter was 26 percent, compared with 36 percent during the same period in 2019, while the utilization rate for OPP-200 padding machines during the third quarter was 23 percent compared with 68 percent during the same period in 2019.

Utilization rate for small padding machines during the third quarter increased by 79 percent from 39 percent in 2019 to 70 percent in 2020. Mini-padder utilization rate increased by 148 percent from 31 percent in 2019 to 77 percent in 2020. The Micro-padder utilization rate during the third quarter of 2020 was 54 percent compared with 63 percent during the same period in 2019.

Utilization rate for screening buckets increased to 75 percent during the third quarter of 2020, up from 30 percent during the same period in 2019. Higher utilization rate for screening buckets as well as higher market penetration, as they were only introduced in mid-2018, were driven by increased levels of renewables construction in the United States.

The utilization rate for oilfield services equipment was nil during the third quarter of 2020 compared to 3 percent during the same period in 2019 due to the Company's decision to exit the business in the fourth quarter of 2019.

Revenue from large padding machine rental during the third quarter of 2020 decreased by 45 percent to $1,632,000 from $2,942,000 during the same period in 2019. Revenue from small padding machine rentals increased by 150 percent from $583,000 to $1,456,000 during the third quarter of 2020. Rental Revenue from screening buckets during the third quarter of 2020 increased by $560,000 to $644,000 up from $84,000 during the same period in 2019.

Operating and maintenance expenses are primarily fixed with few variable components. Operating and maintenance expenses were $1,707,000 during the third quarter of 2020 compared to $1,729,000 during the same period in the prior year, a slight decrease of 1 percent. Operating and maintenance expense as a percentage of revenue during the third quarter of 2020 was 36 percent compared with 39 percent during the same period in 2019.

Gross margin was $2,729,000 during the third quarter of 2020 compared with $2,462,000 during the same period in 2019, an increase of 11 percent. Gross margin as a percentage of revenue during the three-month period ending September 30, 2020 was 58 percent, compared to 56 percent during the same period in 2019. The increase in gross margin was primarily due to increase in revenue.

Depreciation expense was $1,019,000 during the third quarter of 2020 compared with $861,000 during the same period of the prior year, an increase of 18 percent. Higher depreciation during the third quarter of 2020 was due to new additions to the rental fleet in 2020.

Nine months ended September 30, 2020

Revenue for the nine-month period ended September 30, 2020 was $10,964,000 compared with $8,774,000 during the same period in 2019, a 25 percent increase. The revenue increase was primarily attributable to increase in small padding machine rentals by $1,968,000 and in screening buckets by $933,000, offset by a $1,130,000 decrease in large padding machine rentals. The combined padding rental revenue from the large and small machines increased by $838,000 to $7,763,000 during the nine-month period ended September 30, 2020, compared to $6,925,000 during the same period in 2019, an increase of 12 percent.

The utilization rate for large padders for the nine-month period ended September 30, 2020 was 22 percent compared to 28 percent during the same period in 2019, a decrease of 21 percent. This decrease in utilization rate was due to a decrease in machine activity levels for both the OPP-300 and OPP-200 padding machines. The utilization rate during first nine months of 2020 for OPP-300 padding machines was 18 percent, compared with 21 percent during the same period in 2019, while that for OPP-200 was 28 percent compared with 40 percent during the same period in 2019.

The utilization rate for small padders for the nine-month period ended September 30, 2020 was 63 percent, up from 29 percent during the same period of the prior year. Most of this activity was driven by green energy (solar and wind-power) projects.

Mini-padder utilization rate increased by 160 percent from 25 percent in 2019 to 65 percent in 2020. The Micro-padder utilization rate during the nine-month period ended September 30, 2020 was 60 percent compared to 44 percent during the same period of 2019.

Utilization rate for screening buckets increased to 60 percent during the first nine months of 2020, up from 22 percent during the same period in 2019.

The utilization rate for oilfield services equipment was nil during the first nine months of 2020 compared to 9 percent during the same period in 2019.

Approximately 54 percent of the padding machine rental revenue was generated from the large machines and 46 percent from the small machines during the nine-month period ended September 30, 2020, as compared to 77 percent from large machines and 23 percent from small machines during the same period in 2019.

Rental revenue from screening buckets increased to $1,116,000 for the nine-month period ended September 30, 2020, compared with $183,000 during the same period in 2019. This sizable increase in padding bucket revenue was driven by an increased fleet size of buckets as well as greater market penetration.

Operating and maintenance expenses for nine months ended September 30, 2020 were $4,833,000 compared to $4,403,000 during the same period in 2019, an increase of 10 percent. The increase was primarily due to higher machine repairs and maintenance and consumables. Operating and maintenance expense as a percentage of revenue during the first nine months of 2020 was 44 percent compared to 50 percent during the same period in 2019.

Gross margin was $5,642,000 during the first nine months of 2020, a 42 percent increase from $3,964,000 during the same period in 2019. The increase was primarily due to a higher revenue of $2,190,000 in 2020. Gross margin as a percentage of revenue was 51 percent during the nine-month period ended September 30, 2020 compared to 45 percent during the same period in 2019.

Depreciation expense during the nine-month period ended September 30, 2020 was $2,928,000 compared to $2,660,000 during the same period in 2019, an increase of 10 percent, due to new additions to the rental fleet.

Selling, General and Administrative Expenses

(CAD thousands)

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Change	%	**2020**	2019	Change	%
Selling, general and administrative expenses	918	911	7	1	2,733	2,816	(83)	(3)

Selling, general and administrative expense was $918,000 during the third quarter of 2020 compared to $911,000 during the third quarter of 2019, a slight increase of 1 percent. For the first nine months of 2020, selling, general and administrative expense was $2,733,000 compared with $2,816,000 during the same period in 2019, a $83,000 or 3 percent decrease primarily due to a decrease in travel cost in 2020.

Other Income (Expense)

(CAD thousands)

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Change	%	**2020**	2019	Change	%
Impairment of intangible asset	Nil	Nil	Nil	N/A	(10,757)	Nil	(10,757)	N/A
Finance and other cost	(33)	(24)	(9)	38	(83)	(93)	10	(11)
Finance and other income	57	76	(19)	(25)	190	229	(39)	(17)
Gain on disposal of capital assets	29	112	(83)	(74)	29	860	(831)	(97)
Foreign exchange gain (loss)	(122)	88	(210)	(239)	105	(185)	290	(157)

An impairment charge of $10,757,000 was recorded during the first nine months of 2020. This impairment charge was associated with certain intangible assets relating to a commitment by the Company to enter into a Process Facility and Cobalt Supply Agreement between ESI and BMR dated May 17, 2018. BMR went into default under the terms of the agreement during the first quarter of 2020 which resulted in ESI writing down the entire cost of their investment.

Finance and other cost were $33,000 during the third quarter of 2020, compared to $24,000 during the same period in 2019. For the nine-month period ended September 30, 2020, finance and other cost decreased by 11 percent over the same period in 2019 from $93,000 to $83,000.

Finance and other income consist primarily of interest income. For the third quarter of 2020, finance and other income was $57,000 compared to $76,000 during the same period in 2019, a decrease of 25 percent. For the nine-month period ended September 30, 2020, finance and other income was $190,000 compared to $229,000 during the same period in 2019, a decrease of 17 percent. The decrease was due to low interest rate as an economic impact of Covid-19 pandemic in 2020.

Disposal of capital assets during the third quarters of 2020 and 2019 resulted to gains of $29,000 and $ 112,000, respectively. During the first nine months of 2020, the gain on disposal of capital assets remained at $29,000 compared to a gain of $860,000 during the same period in 2019.

The Company recorded a foreign exchange gain of $105,000 during the nine-month period ended September 30, 2020 compared with a loss of $185,000 for the same period in 2019. The foreign exchange gain of $105,000 during first nine months of 2020 included an unrealized foreign exchange gain of $89,000 and a realized foreign exchange gain of $16,000. Foreign exchange loss of $185,000 for the same period in 2019 included an unrealized foreign exchange loss of $114,000 and a realized foreign exchange loss of $71,000. Unrealized foreign currency gains and losses were primarily the result of translation of US dollar denominated payables, receivables and short-term investments within Canadian entities.

Income Taxes

(CAD thousands)

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Change	%	**2020**	2019	Change	%
Current tax expense	**Nil**	Nil	Nil	N/A	11	Nil	11	N/A

Current income tax expense for the first nine months of 2020 was $11,000 compared to nil during the same period in 2019.

Net Income, Funds Flow and Cash Flow from Operating Activities

(CAD thousands)

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Change	%	**2020**	2019	Change	%
Net income (loss)	723	942	(219)	(23)	(10,546)	(701)	(9,845)	1,404
Funds flow [(1)]	1,869	1,569	300	19	3,014	1,269	1,745	138
Cash flow from operating activities	2,192	748	1,444	193	3,607	2,397	1,210	50

(1) Funds flow from operations is a non-GAAP measure. See commentary in "Non-Standard and Additional GAAP Items".

Net income of $723,000 was recorded during the third quarter of 2020 which was a 23 percent or $219,000 decrease compared to the net income of $942,000 during the same period in 2019. The year-to-date net loss as at September 30, 2020 was $10,546,000 compared to the net loss of $701,000 during the same period in 2019, an increase of $9,845,000. The increase in net loss was primarily due to an impairment of an intangible asset of $10,757,000 recorded during the first quarter of 2020.

Funds flow from operations was $1,869,000 during the third quarter of 2020, a $300,000 increase from funds flow of $1,569,000 during the same period in 2019. Funds flow from operations during the first nine months of 2020 was $3,014,000 compared to $1,269,000 during the same period in 2019. The increase in funds flow was primarily due to higher revenue in 2020.

Cash flow from operating activities was $2,192,000 during the third quarter of 2020 compared with $748,000 during the same period of 2019. Cash flow from operating activities was $3,607,000 during the first nine months of 2020 compared with $2,397,000 during the same period in 2019. The increase in cash flow from operations during the first nine months of 2020 was primarily attributable to increased revenue.

COVID-19 and Global Macroeconomic Conditions

As the impact of COVID-19 pandemic and the plunging world of oil prices lingers, so does the economic hardship for customers, businesses and global communities resulting from the dramatic decline in global economic activity. In this time of uncertainty, the Company has continued to work hard and remain focused towards achieving our original business goals and objectives.

Our priority has been to protect the health and well-being of our employees. Following the precautions and restrictions enacted by all levels of government where we operate and considering the unique circumstances at each of our operating sites, we continue to proactively implement a number of measures to ensure a safe working environment for all of our employees.

We:

- allow employees who may be at high risk from COVID-19 to work remotely from home;
- conduct all meetings by phone or videoconference where possible;
- suspended all business travel;
- put in place screening protocols for access to our facilities that align with the directives of government and public health authorities;
- implement additional protective measures in the workplace, including increased sanitization and physical distancing.

In response to the oil price decline during the first quarter of 2020, the Company is continuing to diversify its activities into the area renewable energy as well as broaden its existing product line by adding additional products and applications such as crushing and material handling. The Company considered the impact from COVID-19 as an impairment indicator and conducted the impairment test for property and equipment. No impairment charges were recognized during the nine months ended September 30, 2020 based on the result of the impairment test.

Capital Expenditure

(CAD thousands)

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Change	%	**2020**	2019	Change	%
Intangible Assets								
BMR	Nil	93	(93)	(100)	102	270	(168)	(62)
Patents	9	5	4	80	23	22	1	5
Other	110	Nil	110	N/A	110	Nil	110	N/A
Property & Equipment								
Padding equipment	2,098	580	1,518	262	4,908	1,956	2,952	151
Other	89	21	68	324	169	157	12	8
Inventory	(115)	21	(136)	(648)	98	(32)	130	(406)
	2,191	**720**	**1,471**	**204**	**5,410**	**2,373**	**3,037**	**128**
Proceeds on dispositions	(76)	(183)	107	(58)	(76)	(1,353)	1,277	(94)
	2,115	**537**	**1,578**	**294**	**5,334**	**1,020**	**4,314**	**423**

Cash used for capital expenditures totaled $2,191,000 during the third quarter of 2020 compared to $720,000 for the same period in 2019, and $5,410,000 during the first nine months of 2020 compared to $2,373,000 during the same period in 2019.

Two Micro-padders, three Mini-padders, four loaders, two slingers and several Allu buckets were added to the rental fleet during the first nine months of 2020. Other capital expenditures were related to the purchase of a vacuum lift system as well as an intellectual property license to manufacture and market the vacuum lift system in North America, a plasma table, ongoing retrofitting of large padding machines and the continued upgrading and development of mini and micro-padder heads.

Liquidity and Capital Resources

(CAD thousands)

	September 30, 2020	December 31, 2019
Working capital [(1)]	11,031	12,734
Cash and short-term investment	10,755	11,256

[(1)] *Calculated as current assets less current liabilities.*

Working capital decreased to $11,031,000 at September 30, 2020 from $12,734,000 at December 31, 2019. Cash and short-term investment balances decreased to $10,755,000 at September 30, 2020 from $11,256,000 at December 31, 2019. Available cash was used to finance working capital, capital expenditures and the repayment of long-term debt.

The Company manages its capital structure and adjusts in light of changes in economic conditions and the risk characteristics of the underlying assets and business of the Company. In order to maintain or adjust the capital structure, the Company may sell assets, reduce capital expenditures or draw on its credit facilities.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to augment existing resources in order to meet growth requirements.

Share Capital

The authorized capital of the Company consists of an unlimited number of common shares. There were 51,667,459 issued and outstanding common shares as at September 30, 2020 and 2019.

Changes in Contractual Obligations

The following table reflects the Company's anticipated payment of contractual obligations related to continuing operations as at September 30, 2020.

(CAD thousands)

	2020	2021	2022	2023	Thereafter
Operating facility and equipment leases	2	10	2	1	-
Trade and other payables	1,657	-	-	-	-
Deferred revenue	134	-	-	-	-
Loans and borrowings	1,050	956	289	276	762
Lease obligations	66	-	-	-	-
Total	**2,909**	**966**	**291**	**277**	**762**

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at September 30, 2020, other than the commitments under various lease agreements relating to equipment that were not classified as right-of-use assets under IFRS 16. The company had not created and was not party to any special purpose or off-balance sheet entries for the purpose of raising capital, incurring debt or operating its business.

Summary of Quarterly Results

The following table shows key selected quarterly financial information for the Company.

(CAD thousands, except per share amount)

2020, 2019 and 2018 Three Months Ended	Mar 31	Jun 30	Sept 30	Dec 31	Total
2020					
Revenue	1,999	4,262	4,703		**10,964**
Net income (loss)	(11,588)	319	723		**(10,546)**
Earnings (loss) per share-basic and diluted ($)	(0.22)	0.01	0.01		**(0.20)**
Funds flow from operations	(339)	1,484	1,869		**3,014**
Cash flow from operations	532	883	2,192		**3,607**
2019					
Revenue (Revised)	1,890	2,492	4,392	2,295	**11,069**
Net income (loss)	(1,495)	(148)	942	(1,018)	**(1,719)**
Earnings (loss) per share-basic and diluted ($)	(0.03)	(0.01)	0.02	(0.02)	**(0.03)**
Funds flow from operations (Revised)	(519)	219	1,569	503	**1,772**
Cash flow from operations (Revised)	1,708	(59)	748	170	**2,567**
2018					
Revenue (Revised)	1,582	3,040	5,102	4,833	**14,557**
Net income (loss)	(1,348)	(258)	1,404	1,978	**1,776**
Earnings (loss) per share-basic and diluted ($)	(0.03)	(0.01)	0.03	0.05	**0.04**
Funds flow from operations	(426)	276	2,510	2,796	**5,156**
Cash flow from operations	(636)	(417)	587	2,818	**2,352**

Revenue can be significantly affected by seasonality and the status of projects over which the Company has no control. During the first quarter of 2018, demand for large machines was slow to get under way which resulted in lower revenue during first quarter. Subsequently, there was a significant increase in demand for large machines which drove revenue higher during the second, third and fourth quarters of 2018. Revenue dropped off significantly during the first and second quarters of 2019 for large machines as pipeline projects neared completion. Revenue increased during the third quarter as demand for small padding machines started to increase, although it decreased again in the fourth quarter. Decreased demand for large padding machines resulted in a decreased revenue during the whole year of 2019. Increased demand for small padding machines resulted in an increased revenue during the first three quarters of 2020. Increased demand for screening buckets also contributed to higher revenue during the third quarter of 2020.

Cash flow from (used in) operating activities is a result of the underlying operations of the Company plus or minus net changes in non-cash working capital. Cash flow during 2018 showed the same pattern as revenue except in the first quarter of 2018. In the third and fourth quarters of 2018 cash flow increased primarily due to higher padding revenue. Lower revenue resulted in a decrease of cash flow in the first and second quarters of 2019. Higher revenue resulted in a favorable cash flow in third quarter of 2019. Cash flow decreased during the fourth quarter of 2019 as padding revenue started to decrease. It increased again in the first and second quarters of 2020, with a significant increase in the third quarter due to higher revenue.

Net income (loss) is determined by revenue as noted above and by non-cash items. Various other items such as gains and losses on the disposal of capital assets, foreign exchange gains and losses, and provisions for doubtful accounts also have an impact on the reported net income (loss). Lower revenue resulted in an increase in the net loss in the first quarter of 2018. Net loss decreased in the second quarter of 2018 primarily due to higher revenue. Net income in the third and fourth quarters of 2018 increased as padding revenue started to increase. The decline in revenue and the increased foreign exchange losses during the first quarter of 2019 resulted in a net loss during the period. A gain on the disposal of property and equipment resulted to a decrease in the net loss in the second and third quarter of 2019 compared to the preceding quarter. The decline in padding rental revenue in the fourth quarter of 2019 resulted in a net loss during the period. The impairment charges on intangible asset related to BMR during the first quarter of 2020 resulted to a significant increase in net loss during the period. The increase in revenue from padding machines and screening buckets during the first three quarters of 2020 resulted to a net income during that period which reduced the year-to-date net loss.

Non-Standard and Non-GAAP Items

We reference measures that are not recognized under International Financial Reporting Standards. These measures include adjusted net income, EBITDA and funds flow. ESI's method of calculating these measures may differ from that of other organizations and, accordingly, these may not be comparable to that of the other organizations.

Adjusted net income (loss)

Adjusted net income (loss) means the Company's net earnings from continuing operations for the year adjusted to remove the effects of extraordinary, unusual or non-recurring items, items that are outside the scope of the Company's core, on-going business activities, non-operating items, spending for acquisitions, divestitures and impairment of acquired intangible assets.

The following is a reconciliation of net earnings to adjusted net income (loss).

CAD thousands)

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2020	2019	**2020**	2019
Net income (loss)	723	942	(10,546)	(701)
Add				
Impairment of intangible asset - BMR	Nil	Nil	10,757	Nil
Adjusted net income (loss)	723	942	211	(701)

EBITDA

EBITDA, defined as earnings before finance income and expense, income taxes, depreciation and amortization, gain or loss on disposal of property and equipment, and unrealized foreign currency gain or loss, is not a financial measure that is recognized under IFRS. However, management believes that EBITDA is a useful measure as it gives an indication of the results from the Company's principal business activities prior to consideration of how activities are financed, and the impact of foreign exchange, taxation and non-cash charges for depreciation and amortization. Investors should be cautioned, however, that EBITDA should not be construed as an alternative measure to net earnings determined in accordance with GAAP.

The following is a reconciliation of net earnings to EBITDA.

(CAD thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Net income (loss)	723	942	(10,546)	(701)
Add (Deduct):				
Depreciation	1,019	861	2,928	2,660
Impairment of intangible asset-BMR	Nil	Nil	10,757	Nil
Provision for income taxes	Nil	Nil	11	Nil
Finance and other cost	33	24	83	93
Finance and other income	(57)	(76)	(190)	(229)
Loss (gain) on disposal of property & equipment	(29)	(112)	(29)	(860)
Unrealized foreign currency loss (gain)	154	(135)	(89)	114
Other non-cash items	2	13	(7)	56
EBITDA as reported	**1,845**	**1,517**	**2,918**	**1,133**

Net income (loss) is determined by revenue as noted above but also by non-cash items. Various other items such as gains and losses on the disposal of capital assets, foreign exchange gains and losses, and provisions for doubtful accounts also have an impact on the reported net income (loss).

EBITDA for the three months ended September 30, 2020 was $1,845,000 compared to $1,517,000 for the same period in the prior year. EBITDA for the nine months ended September 30, 2020 was $2,918,000 compared with $1,133,000 for the same period in 2019. The primary reason for the increase in EBITDA during nine-month period ended September 30, 2020 was the higher level of revenue of $10,964,000, compared with $8,774,000 during the same period in 2019. Changes in the levels of revenue are discussed in an earlier section of this MD&A.

Funds flow from Operations

Funds from operations is calculated as cash flow from operating activities, as presented in the consolidated statement of cash flow, prior to any increases or decreases in working capital. This is not a measure recognized under GAAP. Management believes funds flow is a useful measure as it provides an indication of the funds generated by the Company's principal business and eliminates the impact of seasonal fluctuations and lack of comparability between periods of non-cash working capital balances, which consist primarily of highly liquid balances. However, this financial measure should not be construed as an alternative measure to cash flows from operating activities determined in accordance with GAAP.

The following is a reconciliation of cash flows from operating activities to funds flow from operations.

(CAD thousands, except per share amount)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Funds flow from (used in) operations	1,869	1,569	3,014	1,269
Add (Deduct):				
Changes in non-cash working capital	323	(821)	593	1,128
Cash flow from (used in) operating activities	2,192	748	3,607	2,397
Funds flow per share ($)	0.04	0.03	0.06	0.02

The changes in funds flow reflect the changes in revenue discussed above.

Forward-Looking Statements

From time to time, ESI makes forward-looking statements. These statements include, but are not limited to, comments regarding ESI's objectives and strategies, financial condition, results of operations, the outlook for the industry and risk management.

By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that the predictions and other forward-looking statements will not be realized. Readers of this MD&A are cautioned not to place undue reliance on these statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by factors such as: the level of pipeline construction carried on by ESI's customers, world crude oil prices and North American natural gas prices, weather, access to capital markets, and government policies. We caution that the foregoing list of factors is not exhaustive, and that investors and others should carefully consider the foregoing factors as well as other uncertainties and events prior to making a decision to invest in ESI shares. Except as required by law, the Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by it or on its behalf.

Management's Responsibility for Financial Information

As at September 30, 2020, management evaluated, under the supervision of the President and Chief Executive Officer (the "CEO") and the Chief Financial Officer ("CFO"), the effectiveness of the Company's disclosure controls and procedures ("DC&P") as defined under National Instrument 51-109. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P was effective at September 30, 2020.

No changes were made to the Company's internal control over financial reporting ("ICFR") during the quarter ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

As in prior quarters, ESI's Audit Committee has reviewed this document, including the attached interim financial statements.

EXHIBIT "N1"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF ESI ENERGY SERVICES INC.
FOR THE YEAR ENDED DECEMBER 31, 2019

Management's Discussion & Analysis

ESI Energy Services Inc.

For the Three and Twelve Months Ended December 31, 2019

This Management's Discussion and Analysis (MD&A) is current to March 17, 2020 and is management's assessment of the operations and financial results, together with the future prospects, of ESI Energy Services Inc. and its subsidiaries ("ESI" or the "Company"). This MD&A should be read in conjunction with our Audited Consolidated Financial Statements for the years ended December 31, 2019 and 2018 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All figures are in Canadian dollars unless stated otherwise. Additional information relevant to ESI's activities, including ESI's news releases, can be found on SEDAR at www.sedar.com.

Description of business

ESI Energy Services Inc. (" ESI" or the "Company") was incorporated as a numbered company under the Business Corporations Act (Alberta) ("ABCA") on February 22, 2001. The Company's Articles of Incorporation were amended, and the Company changed its name to "ESI Energy Services Inc." on September 12, 2001. These Consolidated Financial Statements comprise ESI and its subsidiaries, all of which are wholly owned (together referred to as the "Company").

The Company currently operates in western Canada as well as in the United States of America. The Company, together with its operating subsidiaries, ESI Pipeline Services, Inc. ("ESIPSI") and ESI Energy Services (Australia) Pty Ltd., supplies (rents and sells) backfill separation machines ("Padding Machines") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors.

The Company maintains its registered corporate and head office at suite 500, 727 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 0Z5.

Performance Overview

Q4 2019 Highlights

Revenue for the three-month period ended December 31, 2019 decreased by 53 percent to $2,295,000 compared to $4,833,000 during the same period in 2018. Most of this revenue was generated by padding machine rentals. Substantially all the padding revenue was generated in the United States. Activity levels for padding machines in Canada remained slow.

Approximately 74 percent of the revenue generated during the three-month period ended December 31, 2019 came from padding machine rentals. Activity levels for large padding machines were down from 60 padding months during the fourth quarter of 2018 to 17 padding months during the fourth quarter of 2019, a decrease of 72 percent. Activity levels for small padders were up by 38 percent to 18 padding months during the fourth quarter of 2019, compared with 13 padding months during the same period in 2018.

Gross margin for the three-month period ended December 31, 2019 decreased by 70 percent to $1,075,000 compared to $3,631,000 for the same period in 2018. This decrease was primarily due to lower rental revenue from large padding machines in 2019 compared with 2018.

The Company generated net loss of $1,018,000 during the fourth quarter of 2019 compared with net income of $1,978,000 reported during the same period in 2018, a decrease of 151 percent. The net loss during the fourth quarter of 2019 compared with net income for the same period in 2018 was primarily due to a 73 percent decrease in rental revenue from large padding machines.

Funds flow from operations was $503,000 during the fourth quarter of 2019, a decrease of 82 percent compared to $2,796,000 during the same period in 2018. The decrease was primarily due to lower rental revenue from large padding machines during the fourth quarter of 2019.

2019 YTD Highlights

Revenue for the twelve-month period ended December 31, 2019 decreased by 24 percent to $11,069,000 compared to $14,557,000 during the same period in 2018. Consistent with the first nine months of 2019, virtually all this revenue was generated from padding revenue in the United States. Activity levels for padding machines and oilfield services in Canada remained slow.

78 percent of the revenue generated during the year ended December 31, 2019 came from padding machine rentals, most of it from large padding machines. Activity levels for large padding machines were down from 161 padding months in 2018 to 97 padding months during the same period in 2019, a decrease of 40 percent. Activity levels for small padders were up by 69 percent to 71 padding months in 2019, compared to 42 padding months during the same period in 2018.

Gross margin for the twelve-month period ended December 31, 2019 decreased by 41 percent to $5,039,000 from $8,470,000 during the same period in 2018. The decrease was primarily due to lower rental revenue from large padding machines in 2019 compared with 2018.

Net loss of $1,719,000 was reported during the twelve months of 2019, which was $3,495,000 lower than the net income of $1,776,000 during the same period in 2018. The increase in net loss was primarily due to 41 percent decrease in rental revenue from large padding machines. The increase in foreign exchange loss was offset by the higher gain on disposal of property and equipment during 2019.

Funds flow from operations was $1,772,000 for the year ended December 31, 2019, a decrease of 66 percent compared to $5,156,000 during the same period in 2018. The decrease in funds flow was primarily due to lower rental revenue from large padding machines during 2019.

Working capital decreased by $867,000 to $12,734,000 at December 31, 2019 compared to $13,601,000 at December 31, 2018. The decrease in working capital during 2019 was primarily attributable to a decrease of $2,386,000 in accounts receivable during 2019.

Long term debt decreased by $232,000 to $1,840,000 at December 31, 2019 compared to $2,072,000 at December 31, 2018.

SELECTED FINANCIAL AND OPERATING INFORMATION

Financial Highlights

(CAD thousands, except per share amounts)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Change	%	**2019**	2018	Change	%
Revenue	2,295	4,833	(2,538)	(53)	11,069	14,557	(3,488)	(24)
Net income (loss)	(1,018)	1,978	(2,996)	(151)	(1,719)	1,776	(3,495)	(197)
Earnings (loss) per share – basic	(0.02)	0.04	(0.06)	(150)	(0.03)	0.04	(0.07)	(179)
Earnings (loss) per share – diluted	(0.02)	0.04	(0.06)	(150)	(0.03)	0.04	(0.07)	(179)
EBITDA(1)	536	2,834	(2,298)	(81)	1,669	5,073	(3,404)	(67)
Funds flow(1)	503	2,796	(2,293)	(82)	1,772	5,156	(3,384)	(66)
Cash flow from operating activities	170	2,818	(2,648)	(94)	2,567	2,352	215	9
Capital spending								
Additions	(656)	(736)	80	(11)	(3,029)	(13,833)	10,804	(78)
Proceeds of sale	97	142	(45)	(32)	1,450	531	919	173

(1) EBITDA and Funds flow are non-GAAP measures. See commentary in "Non-Standard and Additional GAAP Items".

Operating Highlights

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2019	2018	Change	%	**2019**	2018	Change	%
FLEET (1)	**Months**	**Months**			**Months**	**Months**		
Large padders	17	60	(43)	(72)	97	161	(64)	(40)
OPP-300	7	34	(27)	(79)	42	105	(63)	(60)
OPP-200	10	26	(16)	(62)	55	56	(1)	(2)
Small padders	18	13	5	38	71	42	29	69
Mini-padders	17	12	5	42	50	33	17	52
Micro-padders	1	1	Nil	N/A	21	9	12	133
Screening buckets	17	Nil	17	N/A	32	2	30	1,500
Oilfield services	Nil	6	(6)	(100)	13	20	(7)	(35)
UTILIZATION (2)	**%**	**%**			**%**	**%**		
Large padders	18	64	(46)	(72)	26	43	(17)	(40)
OPP-300	12	63	(51)	(81)	18	49	(31)	(63)
OPP-200	28	66	(38)	(58)	37	36	1	3
Small padders	32	20	12	60	30	19	11	58
Mini-padders	41	23	18	78	30	19	11	58
Micro-padders	6	9	(3)	(33)	38	19	19	100
Screening buckets	49	Nil	49	N/A	27	4	23	575
Oilfield services	Nil	12	(12)	(100)	7	10	(3)	(30)

(1) *Each machine is billed based on a padder month which typically consists of 24 billing days.*

(2) *Due to machine downtime as a result of transport, repairs and maintenance and movement between jobs, it is not possible to achieve a 100 percent utilization rate.*

Financial Position

(CAD thousands, except ratios)

	December 31, 2019	December 31, 2018
Working capital	**12,734**	13,601
Long-term debt and capital lease(1)	**1,846**	2,072
Total assets	**45,679**	49,914
Debt service coverage (2)	**3.67:1**	10.17:1

(1) *Excludes current portion.*

(2) *Debt Service Coverage is the ratio of cash flow available to service debt to interest expense and scheduled principal payments of funded debt. This ratio is the covenant under the Company's lending agreement and must exceed 1.25:1 at all times. "Debt Service Coverage" means, for any period, the ratio of (i) EBITDA, to (ii) Interest Expense and scheduled principal payments in respect of Funded Debt. "EBITDA" means, for any period, net income (excluding extraordinary items) from continuing operations plus, to the extent deducted in determining net income, Interest Expense and income taxes expensed during the period, and depreciation, depletion and amortization deducted for the period. "Funded Debt" means, in respect of Borrower, all outstanding non-postponed interest-bearing debt including capital leases, debt subject to scheduled repayment terms and letters of credit/guarantees, plus (to the extent not included in Equity), the redemption amount of any preferred shares of Borrower which are redeemable at the option of the holder; and the amount of any convertible debentures issued. See note 11 to the financial statements.*

Cyclical and Seasonal Nature of ESI's Operations

The Company's business is dependent on the expenditures of oil and natural gas producers, pipeline owners and pipeline and renewable energy (wind and solar) construction contractors which are primarily driven by the current and anticipated prices of oil, natural gas and renewable energy.

The North American mainline pipeline construction industry is typically seasonal, with pipeline construction commencing in the first quarter of the year and peaking during the second and third quarters. The Canadian mainline cross-country pipeline construction season tends to end during the third quarter of the year due to seasonal road bans (temporary restrictions on road usage) and restricted access to agricultural lands. Pipeline construction typically recommences in May and continues through until late December when the industry shuts down for Christmas break.

The global pipeline construction industry is influenced by fluctuations in oil and gas prices, weather conditions, and demand for oil and gas in emerging markets as well as environmental and regulatory issues. Domestic activity levels are also influenced by demand for residential and industrial construction requiring sewer and water pipelines, natural gas distribution and fiber optic cable.

Oil and natural gas markets have been historically volatile, and they are likely to remain so for the foreseeable future. Significant fluctuations in oil and natural gas prices may result from relatively minor changes in supply and demand factors, geo-political events, environmental factors and other uncertainties. Significant reductions in commodity prices can result in cost pressure on the projects undertaken by the Company's customers. This, in turn, can have a negative impact on the Company's profitability in terms of cost pressure and/or cancellation of projects.

Variability in the weather can also result in uncertainty and unpredictability in equipment activity and utilization rates which then can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Modest increases in utilization rates for padding machines can have a significant positive impact on ESI's profitability due to the Company's proportionately high fixed cost base.

Revenue, Operating Expenses and Gross Margin

(CAD thousands)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Change	%	**2019**	2018	Change	%
Revenue								
Machine rental								
Padding machines								
Large padders	1,098	4,010	(2,912)	(73)	6,425	10,810	(4,385)	(41)
Small padders	594	348	246	71	2,192	1,022	1,170	114
Screening buckets	226	-	226	N/A	409	15	394	2,627
Oilfield services	-	71	(71)	(100)	95	174	(79)	(45)
Mobilization	243	205	38	19	1,013	1,151	(138)	(12)
Inventory sales	85	138	(53)	(38)	387	366	21	6
Machine sales	-	-	-	-	304	710	(406)	(57)
Other services	49	61	(12)	(20)	244	309	(65)	(21)
	2,295	**4,833**	**(2,538)**	**(53)**	**11,069**	**14,557**	**(3,488)**	**(24)**
Cost of purchase	34	76	(42)	(55)	441	640	(199)	(31)
Operating and maintenance expenses	1,186	1,126	60	5	5,589	5,447	142	3
Gross margin	**1,075**	**3,631**	**(2,556)**	**(70)**	**5,039**	**8,470**	**(3,431)**	**(41)**
Depreciation	941	1,007	(66)	(7)	3,601	3,742	(141)	(4)
Gross Profit/(Loss)	**134**	**2,624**	**(2,490)**	**(95)**	**1,438**	**4,728**	**(3,290)**	**(70)**

Three months ended December 31, 2019

During the fourth quarter of 2019, revenue decreased to $2,295,000 from $4,833,000 in the fourth quarter of 2018, a decrease of 53 percent. The revenue decrease was primarily attributable to a decrease in rental revenue from large padding machines.

Overall, the utilization rates for large padding machines decreased by 72 percent, while the small padding machines increased by 60 percent during the fourth quarter 2019 compared with the same period in 2018.

The utilization rate for large padding machines decreased to 18 percent during the fourth quarter of 2019, down from 64 percent during the same period in 2018. The decrease in utilization rates for large padding machines was due to a decrease in both OPP-300 and OPP-200 activity level during the fourth quarter of 2019. The utilization rate for OPP-300 padding machines during the fourth quarter was 12 percent compared with 63 percent during the same period in 2018, and the utilization rate for OPP-200 padding machines during the fourth quarter was 28 percent, compared with 66 percent during the same period in 2018.

Utilization rates for small padding machines during the fourth quarter increased by 60 percent from 20 percent in 2018 to 32 percent in 2019. Mini-padder utilization rates increased by 78 percent from 23 percent in 2018 to 41 percent in 2019. Micro-padder utilization rate during the fourth quarter of 2019 was 6 percent compared with 9 percent during the same period in 2018.

Utilization rates for screening buckets increased to 49 percent during the fourth quarter of 2019, up from zero percent during the same period in 2018.

The utilization rate for oilfield services equipment was zero percent during the fourth quarter of 2019 compared to 12 percent during the same period in 2018. The Company decided to exit from oilfield services business in the fourth quarter of 2019.

Revenue from pipeline padding rental during the fourth quarter of 2019 decreased by 61 percent to $1,692,000 from $4,358,000 during the same period in 2018. Screening buckets rental revenue during the fourth quarter of 2019 increased to $226,000. Oilfield services rental revenue during the fourth quarter of 2019 was nil due to Company's decision to exit the business during the fourth quarter of 2019.

Operating and maintenance expenses are primarily fixed with a small variable component. Operating and maintenance expenses were $1,186,000 during the fourth quarter of 2019 compared to $1,126,000 during the same period in the prior year, an increase of 5 percent. The increase was primarily due to product testing expenses associated with configuration of new screens to mini and micro padders. Operating and maintenance expense as a percentage of revenue during the fourth quarter of 2019 was 52 percent compared with 23 percent during the same period in 2018.

Gross margin was $1,075,000 during the fourth quarter of 2019 compared with $3,631,000 during the same period in 2018, a decrease of 70 percent. Gross margin as a percentage of revenue during the fourth quarter of 2019 was 47 percent, compared to 75 percent during the same period in 2018. The decrease in gross margin was primarily caused by the decrease in large padder rental revenue.

Depreciation expense was $941,000 during the fourth quarter of 2019 compared with $1,007,000 during the same period of the prior year, a decrease of 7 percent.

Twelve months ended December 31, 2019

Revenue for the twelve-month period ended December 31, 2019 was $11,069,000 compared with $14,557,000 during the same period in 2018, a 24 percent decrease.

The utilization rate for large padders for the year ended December 31, 2019 was 26 percent compared to 43 percent during the same period in 2018, a decrease of 40 percent. The decrease in the utilization rate for large padders was caused by a number of startup and regulatory delays for mainline pipeline construction projects in the United States. Utilization rates for large padding machines are driven by large diameter mainline pipeline construction activity. There are a number of large diameter mainline pipelines in Canada which have been announced but continue to be delayed as a result of environmental, regulatory and political issues. The decline in commodity prices has also contributed to mainline pipeline construction delays in Canada as the economics of a number of these major projects are being revisited.

The utilization rate for small padders for the twelve-month period ended December 31, 2019 was 30 percent, up from 19 percent during the same period of the prior year, an increase of 58 percent. Most of this activity was driven by green energy (solar and wind-power) projects. Mini-padder utilization rates increased by 58 percent from 19 percent in 2018 to 30 percent in 2019. The Micro-padder utilization rate during the twelve-month period ended December 31, 2019 was 38 percent compared with 19 percent during the same period of 2018, an increase of 100 percent.

Utilization rates for screening buckets increased to 27 percent during the year of 2019, up from 4 percent in 2018.

The utilization rate for oilfield services equipment was 7 percent for the twelve-month period ended December 31, 2019, down from 10 percent during the same period in 2018.

During the twelve-month period ended December 31, 2019, revenue from pipeline padding machine rental decreased by 27 percent to $8,617,000 from $11,832,000 during the same period in 2018. Screening buckets rental revenue increased to $409,000 for the twelve-month period ended December 31, 2019, up from $15,000 in the same period in 2018. Oilfield services revenue decreased to $95,000 for the twelve-month period ended December 31, 2019, from $174,000 in the same period in 2018.

Operating and maintenance expenses as a percentage of revenue was 50 percent in 2019 compared to 37 percent during the same period in 2018.

Gross margin was $5,039,000 for the year ended December 31, 2019, a 41 percent decrease from $8,470,000 during the same period in 2018. The decrease was primarily due to lower rental revenue from large padding machines. Gross margin as a percentage of revenue was 46 percent during 2019 compared with 58 percent during the same period in 2018.

Depreciation expense for the twelve-month period ended December 31, 2019 was $3,601,000 compared to $3,742,000 for the corresponding period in 2018. Lower depreciation for the year of 2019 was primarily due to the disposition of certain fixed assets and assets becoming fully depreciated.

Selling, General and Administrative Expenses

(CAD thousands)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Change	%	**2019**	2018	Change	%
Selling, general and administrative expenses	**831**	905	(74)	(8)	**3,647**	3,721	(74)	(2)

Selling, general and administrative expense was $831,000 during the fourth quarter of 2019 compared to $905,000 during the fourth quarter of 2018, a decrease of 8 percent. On a year to year basis there was a 2 percent decrease in selling, general and administrative expenses in 2019 compared with 2018.

Other Income (Expense)

(CAD thousands)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Change	%	**2019**	2018	Change	%
Finance and other cost	(29)	(30)	1	(3)	(122)	(136)	14	(10)
Finance and other income	80	73	7	10	309	300	9	3
Gain (loss) on disposal of capital assets	(202)	(28)	(174)	621	658	194	464	239
Foreign exchange gain (loss)	(86)	325	(411)	(126)	(271)	492	(763)	(155)

Finance and other charges were $29,000 during the fourth quarter of 2019, compared to $30,000 during the same period in 2018. For the twelve-month period ended December 31, 2019, finance and other charges decreased by 10 percent over the same period of the prior year from $136,000 to $122,000 due to lower levels of long-term debt.

Finance and other income consist primarily of interest income. For the fourth quarter of the 2019, finance and other income was $80,000 compared with $73,000 during the same period in 2018, an increase of 10 percent. Finance and other income for the twelve-month period ended December 31, 2019 was $309,000 compared with $300,000 during the same period in 2018.

The Company recorded a gain on disposal of fixed assets of $658,000 during the year of 2019 compared with a gain of $194,000 during the same period in 2018.

The Company recorded a foreign exchange loss of $271,000 during the twelve-month period ended December 31, 2019 compared with gain of $492,000 for the same period in 2018. The foreign exchange loss of $271,000 during twelve months of 2019 includes an unrealized foreign exchange loss of $200,000 and a realized foreign exchange loss of $71,000. The foreign exchange gain of $492,000 for the same period in 2018 includes an unrealized foreign exchange gain of $336,000 and a realized foreign exchange gain of $156,000. Unrealized foreign currency gains and losses are primarily the result of translation of US dollar denominated payables, receivables and short-term investments within Canadian entities.

Income Taxes

(CAD thousands)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Change	%	**2019**	2018	Change	%
Current tax expense	**84**	81	3	4	**84**	81	3	4

Current income tax expense for the year ended December 31, 2019 was $84,000 compared with an expense of $81,000 during 2018.

Net Income, Funds Flow and Cash Flow from Operating Activities

(CAD thousands)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Change	%	**2019**	2018	Change	%
Net income (loss)	(1,018)	1,978	(2,996)	(151)	(1,719)	1,776	(3,495)	(197)
Funds flow (1)	503	2,796	(2,293)	(82)	1,772	5,156	(3,384)	(66)
Cash flow from operating activities	170	2,818	(2,648)	(94)	2,567	2,352	215	9

(1) Funds flow from operations is a non-GAAP measure. See commentary in "Non-Standard and Additional GAAP Items".

Net loss of $1,018,000 was incurred during the fourth quarter of 2019 which was 151 percent or $2,996,000 lower than the net income of $1,978,000 during the same period in 2018. The year-to-date net loss as at December 31, 2019 was $1,719,000, a 197 percent or $3,495,000 increase compared with the net income of $1,776,000 during the same period in 2018. The increase in net loss was primarily due to a decrease in revenue by $3,488,000 during the year of 2019.

Funds flow from operations was $503,000 during the fourth quarter of 2019, an 82 percent decrease from funds flow of $2,796,000 during the same period in 2018. Funds flow from operations during the twelve-month ended December 31, 2019 was $1,772,000 compared to $5,156,000 during the same period in 2018. The decrease in funds flow was primarily due to lower revenue in 2019.

Cash flow from operating activities was $170,000 during the fourth quarter of 2019 compared with $2,818,000 during the same period of 2018. Cash flow from operating activities was $2,567,000 during the twelve-months of 2019 compared with $2,352,000 during the same period in 2018. The decrease in cash flow from operations during the twelve-month ended December 31, 2019 was attributable to the net loss of $1,719,000 which was offset by a decrease in accounts receivable.

Investment in Battery Minerals Resources Limited

On May 17, 2018, The Company entered into an early stage Process Facility and Cobalt Supply Agreement (the "Agreement") with Battery Minerals Resources Limited ("BMR") for BMR's cobalt-focused mineral exploration claims located in Ontario. BMR is a privately-owned Australian multi-commodity battery materials exploration company.

In November 2019, Battery Minerals Resources Limited (Australia) and its Canadian subsidiary Battery Mineral Resources Ltd. (Canada), a British Columbia corporation ("BMR Canada''), commenced a voluntary administration process under the Corporations Act, 2001 (Cth) Australia. As a result of this process, the shares and assets of the Canadian subsidiary, BMR Canada, were rolled into a private Canadian company which will eventually be merged with a publicly-listed Canadian shell company, Fusion Gold, the shares of which are listed on the TSX Venture Exchange ("TSXV").

The new company will be renamed Battery Mineral Resources Inc. or such other similar name as New Battery ("New BMR") may direct which is acceptable to the TSXV. New BMR will be approximately 75 per cent jointly-owned by Yorktown Partners and Weston LLC. The merger between New BMR and Fusion Gold should be completed by the end of March 2020. It is our understanding that New BMR will be raising additional equity in the form of common shares and flow-through shares concurrent with the merger between New BMR and Fusion Gold.

New BMR is continuing with its winter drilling program which did not get underway until late January 2020 due to weather conditions. It is hoped that the winter drilling program will be able to continue up until the end of March 2020. A follow-up reserve report prepared by SKR Consulting (Canada) Inc., a global mining engineering firm, is expected to be available by late May 2020. We do not expect to have any definitive drilling results in the form of a formal NI 43-101 before the end of May or June 2020;

It is expected that the net proceeds of the concurrent financing will be used by New BMR for continued mineral exploration activities across its mineral properties, including drilling and resource development and general operating expenses.

Capital Expenditure

(CAD thousands)	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Change	%	**2019**	2018	Change	%
Intangible Assets								
BMR	76	95	(19)	(20)	346	10,305	(9,959)	(97)
Patents	1	10	(9)	(90)	23	10	13	130
Other intangible	20	-	20	N/A	20	-	20	N/A
Property & Equipment								
Padding equipment	900	96	804	838	2,856	3,533	(677)	(19)
Other	(7)	43	(50)	(116)	150	148	2	1
Inventory	(334)	492	(826)	(168)	(366)	(163)	(203)	125
	656	**736**	**(80)**	**(11)**	**3,029**	**13,833**	**(10,804)**	**(78)**
Proceeds on dispositions	(97)	(142)	45	(32)	(1,450)	(531)	(919)	173
	559	**594**	**(35)**	**(6)**	**1,579**	**13,302**	**(11,723)**	**(88)**

Cash used for capital expenditures totaled $559,000 during the fourth quarter of 2019 compared to $594,000 for the same period in 2018, and $1,579,000 on a year to date basis in 2019 compared with $13,302,000 in 2018. During the year of 2019, two compact track-loaders and two vehicles were purchased. Other capital expenditures for padding machines, in both the three and twelve-month periods ended December 31, were related to the ongoing retrofitting of large padding machines and the development and construction of Mini and Micro-padder heads.

The Company sold certain padding machines, oilfield services equipment and related inventory and two vehicles during the year ended December 31, 2019 for combined proceeds of $1,450,000. The Company entered into two "rent to purchase" contract to sell a small padding machine and an Allu bucket during the third and fourth quarters of 2019. These two contracts also have been recorded as a dispositions of capital assets.

Risk Factors

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected. The risk factors described below should be carefully considered by readers, including investors considering a purchase of securities of ESI, along with all other information set forth in this MD&A and the Audited Consolidated Financial Statements.

Risks Relating to ESI'S Business

Dependence on Oil and Gas

ESI's business is dependent on the expenditures of oil and natural gas producers, pipeline Owners and pipeline and Renewables Contractors which are primarily driven by the current and anticipated prices of oil, natural gas and Green Energy. The demand for ESI's services is primarily influenced by current and anticipated prices of crude oil, natural gas and Green Energy. Weakness in oil and gas prices may cause ESI's customers to reduce their capital spending on both development of new energy sources as well as production from existing operations, thereby reducing the demand for ESI's services.

Historically, the markets for oil, natural gas and Renewables have been volatile, and they are likely to remain so. Fluctuations in oil, natural gas and Renewables prices may result from relatively minor changes in the supply and demand for oil and natural gas, Green Energy, market uncertainty, and other factors that are beyond ESI's control. These factors make it extremely difficult to predict future oil and natural gas price movements with any certainty. Declines in oil and natural gas prices could reduce the amount of oil and natural gas that ESI's customers can produce economically, and as a result, the demand for ESI's products and services could be materially diminished. Any slowdown of this nature could significantly and adversely affect ESI's business.

Anticipated major projects may not materialize

Notwithstanding forecast estimates regarding new investment and growth in the North American Mainline and Small Diameter Pipeline construction market, planned and anticipated projects in the oil sands and/or major shale gas or shale oil plays may not occur, as happened in 2017 and 2016 when producers cancelled or postponed a number of projects as a result of escalating costs and deteriorating crude oil and natural gas prices. The underlying assumptions on which the projects are based are subject to significant uncertainties, and actual investments in the oil sands, shale oil and shale gas plays could be significantly less than estimated. Projected investments and new projects may be and have been postponed or cancelled for any number of reasons, including but not limited to:

- changes in the perception of the economic viability of these projects;
- changes to government regulations or environmental standards;
- elimination of government subsidies to promote the development of Green Energy;
- shortage of skilled workers;
- cost overruns on announced projects;
- shortage of pipeline capacity to transport production to major markets;
- cancellation of proposed major mainline oil and gas pipelines, liquid natural gas plants and/or crude oil export terminals;
- lack of sufficient governmental infrastructure to support growth;
- environmental laws and regulations that may expose the Contractors and/or the Company to liabilities arising out of their operations or the operations of their customers; and
- unanticipated short-term shutdowns of customers' operating facilities may result in temporary cessation or cancellation of projects in which ESI is participating.

Additionally, ESI may not be successful in being awarded the work it pursues on major projects due to:

• competitive pressures within the market as a result of the increased capacity within the major facilities construction market;

• changes in commercial terms sought by customers whereby excessive risk is being transferred to the constructors;

• the customer's labour strategy may not be aligned with that which ESI offers; and

• the construction schedule sought by the customer may not be aligned with ESI's existing commitments.

ESI's market industries are highly competitive and there are relatively few barriers to entry.

The pipeline equipment rental market is highly competitive, and there are relatively few barriers to entry for companies wishing to offer one or a number of the rental products that ESI provides. ESI's competitors include a number of large heavy equipment manufacturing companies as well as a number of mining and pipeline equipment manufacturing companies that have significant financial resources. In the period from 2011 through 2019 significant competitive capacity was added to the market as a result of a downturn in demand for pipeline construction activity in North America. With reduced current customer activity levels, there is now a situation of increased capacity serving reduced markets for the products and services which ESI offers.

ESI's ability to generate revenue and earnings will depend upon its ability to: continue offering state of the art Padding Machines, featuring leading edge technology, performance and safety features; enhance and maintain its strategic customer alliances; win bids and successfully complete awarded projects within estimated times and costs; as well as obtain call-out work on a regular basis. Given the current competitive environment, there is no certainty that ESI will be awarded projects at the levels of revenues and profitability it has experienced in the past.

ESI may not be able to attract or retain the management personnel or skilled labour necessary to remain competitive in its industry.

The success of the Company will depend on the continued support from its directors and officers to develop its business and operations, and the ability of the Company to attract the skilled and experienced managers and trades people which are required to conduct its operations. Recruiting, training and retaining these individuals is critical to the Company's continued ability to meet customer requirements and generate increasing levels of revenue. Going forward, the Company will have to devote significant resources and planning to the recruiting, retention and training of skilled personnel in order to secure the required levels of staffing and skills necessary to support anticipated levels of work. ESI utilizes available manpower forecasts and aligns them with specific recruitment strategies to meet its manpower requirements presently and in the future. Competition for qualified managers and trades people as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact its operations.

ESI has pursued and will continue to pursue strategic acquisitions and opportunities. ESI's business may be affected if it cannot effectively and successfully achieve these objectives.

ESI's business involves certain operating risks and its insurance may not be adequate to cover all insurable losses it might incur in its operations.

ESI's operations are subject to many hazards and risks, including the following:
• damage to facilities;
• damage to the environment; and
• losses arising from accidents or damage caused by ESI's employees or equipment.

If any of these significant events occur, they could result in the suspension of ESI's operations and the operations of others; damage to, or destruction of ESI's equipment and the property of others; and injury or death to personnel. While ESI maintains insurance at levels that are customary in its industry to protect against these risks, ESI's insurance may not be adequate to cover all losses that might be incurred in its operations. Moreover, ESI may be subject to the risk that it will be unable to maintain or obtain insurance of the type and limits desired at reasonable rates. If ESI were to incur a significant loss for which it was not fully insured, it could adversely affect ESI's financial position.

Environmental concerns – general impact on customers' operations

Environmental concerns and issues may result in future laws and regulations applicable to the oil and gas and/or pipeline industry's environmental impacts. In particular, the development of Alberta's oil sands resource and its greenhouse gas ("GHG") emissions, water usage, air quality and tailings processing and reclamation may be affected by future legislation and regulation which could either limit development or increase the costs of development of these projects as well as related pipeline projects. Such outcomes could have a negative impact on ESI's business. Since November 2011, in response to environmental concerns over Alberta's oil sands as well as concerns expressed by environmental groups and indigenous people over the possibility of pipeline leaks, the TransCanada Keystone XL Pipeline project has been delayed by almost 9 years by the United Sates federal and state government regulators. Similarly, the Enbridge Northern Gateway Pipeline project in western Canada has been cancelled by Canadian federal and provincial government regulators. In the United States, the Enbridge Line 3 Pipeline was temporarily blocked by the state of Minnesota for a period of one year, pending a further environmental review. In addition, final completion of the Mountain Valley Pipeline, spanning several states on the east coast, has been stalled due to legal issues regarding the permitting process while the Atlantic Coast Pipeline has been indefinitely delayed for the same reasons.

At this point however, the Company is unable to predict the impact of emissions reduction legislation on its customers' operations and long-term capital expenditure plans, and by extension, the impact, whether negative or positive, on the operations of ESI itself.

No Established market for the Company's shares

There is currently no established trading market through which ESI shares may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future.

Current Global Financial Condition

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by both equity and/or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future. Access to financing has been negatively affected by the ongoing global economic downturn as well as the recent Coronavirus outbreak which has been recently declared a pandemic by the World Health Organization. As such, the Company is subject to liquidity risks in meeting its development and future operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors are likely to have a negative impact on the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management.

Recent Accounting Pronouncements

New Accounting Standards and Interpretations not yet Adopted

A number of new standards, amendments to accounting standards and interpretations are effective for annual periods beginning or after January 1, 2020 and have not been applied in preparing the Consolidated Financial Statements for the year ended December 31, 2019. These standards and interpretations are not expected to have a material impact on the Company's Consolidated Financial Statements.

Changes in Accounting Policies

Adoption of IFRS 16, "Leases"

Effective January 1, 2019, the Company adopted IFRS 16," Leases" ("IFRS 16"). This standard has been adjusted using the modified retrospective approach.

On adoption, Management elected to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than twelve months as at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a ROU asset if the underlying asset is of a low dollar value; and
- Account for lease and non-lease components as a single lease component for lease liabilities related to server.

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Liquidity and Capital Resources

(CAD thousands)	**December 31, 2019**	December 31, 2018
Working capital [(1)]	**12,734**	13,601
Cash and short-term investment	**11,256**	11,162

[(1)] Calculated as current assets less current liabilities.

Working capital at December 31,2019 was $12,734,000 compared with $13,601,000 at December 31, 2018.

Cash and short-term investment balances increased to $11,256,000 at December 31, 2019 from $11,162,000 at December 31, 2018. Collection of outstanding accounts receivable increased the cash and short-term investment at December 31, 2019. Available cash was used to finance working capital, capital expenditures and the repayment of long-term debt.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets and business of the Company. In order to maintain or adjust the capital structure, the Company may sell assets, reduce capital expenditures or draw on its credit facilities.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to augment existing resources in order to meet growth requirements.

Share Capital

The authorized capital of the Company consists of an unlimited number of common shares. There are 51,667,459 issued and outstanding common shares. On July 17, 2018, the Company issued 6,666,667 shares of common stock at a price of $1.50 per share for aggregate proceeds of $10 million to one subscriber. The proceeds were used to acquire the right to participate in the financing, construction and operation of a cobalt processing facility.

During 2018, unvested shares of 83,333 were forfeited and vested shares of 166,667 expired due to the resignation of a beneficiary. Additional stock options in the amount of 582,712 were granted to one officer and key employee on October 10, 2018. Each option is exercisable to purchase one common share at an exercise price of $0.50 per share. The options vest over a period of two years and expire on October 10, 2023, five years after the grant date. No options were granted, forfeited or exercised during the twelve months ended December 31, 2019.

The Company has 1,996,274 warrants outstanding. Each warrant is exercisable to purchase one common share at an exercise price of $0.86. The warrants expire on December 1, 2021.

Changes in Contractual Obligations

The following table reflects the Company's anticipated payment of contractual obligations related to continuing operations as at December 31, 2019.

(CAD thousands)	**2020**	**2021**	**2022**	**2023**	**2024**
Operating facility and equipment leases	13	10	2	1	-
Loans and borrowings	359	294	294	284	968
Lease obligations	84	6	-	-	-
Trade and other payables	673	-	-	-	-
Deferred revenue	169	-	-	-	-
Income tax payable	79	-	-	-	-
Total	**1,377**	**310**	**296**	**285**	**968**

Subsequent Event

The global impact of the COVID-19 Virus as well as recent declines in spot prices for oil and gas as a result of a price war between Saudi Arabia and Russia have resulted in significant declines in global stock markets and has fostered a great deal of uncertainty as to the health of the global economy over the next 12 to 18 months.

As such, companies such as ours are subject to liquidity risks in maintaining their revenues and earnings as well as ongoing and future development and operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors are likely to have a negative impact on the Company's ability to raise equity and/or obtain loans and other credit facilities in the future or on terms favorable to the Company and its management.

Companies such as ours that are involved directly or indirectly in providing goods and services to the oil and gas sector will be affected by the impact of COVID-19 as well as other economic factors impacting the oil and gas sector.

Our impairment test for property and equipment is generally based on a fair value less costs of disposal model. Accordingly, as required by IFRS we have not reflected these subsequent conditions in the measurement of property and equipment at December 31, 2019.

Impairment indicators for our property and equipment could exist at March 31, 2020, if current conditions persist. We continue to work on revisions to our Company's forecasts and development plans in light of the current conditions and will use these updated assumptions / forecasts in our impairment indicator analysis and for impairment tests, if such tests are required.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at December 31, 2019, other than the commitments under various lease agreements relating to equipment that are not classified as right-of-use assets under IFRS 16. See note 16 to the Consolidated Financial Statements. The company has not created and is not party to any special purpose or off-balance sheet entries for the purpose of raising capital, incurring debt or operating its business.

Summary of Quarterly Results

The following table shows key selected quarterly financial information for the Company.

(CAD thousands)

2019 and 2018 Three Months Ended	**Mar.31**	**Jun. 30**	**Sept. 30**	**Dec.31**	**Total**
2019					
Revenue	1,890	2,492	4,392	2,295	**11,069**
Net Income (loss)	(1,495)	(148)	942	(1,018)	**(1,719)**
Earnings (loss) per share-basic and diluted ($)	(0.03)	(0.01)	0.02	(0.02)	**(0.03)**
Funds flow from operations	(519)	219	1,569	503	**1,772**
Cash flow from operations	1,708	(59)	748	170	**2,567**
2018					
Revenue (Revised)	1,582	3,040	5,102	4,833	**14,557**
Net Income (loss)	(1,348)	(258)	1,404	1,978	**1,776**
Earnings (loss) per share-basic and diluted ($)	(0.03)	(0.01)	0.03	0.05	**0.04**
Funds flow from operations (Revised)	(426)	276	2,510	2,796	**5,156**
Cash flow from operations (Revised)	(636)	(417)	587	2,818	**2,352**

Revenue can be significantly affected by seasonality and the status of projects over which the Company has no control. During the first quarter of 2018, demand for large machines was slow to get under way which resulted in lower revenue during first quarter. Subsequently, there was a significant increase in demand for large machines which drove revenue higher during the second, third and fourth quarters of 2018. Revenue dropped off significantly during the first and second quarters of 2019 for large machines as pipeline projects neared completion. Revenue increased during the third and fourth quarters of 2018 as demand for small padding machines started to increase. Decreased demand for large padding machines resulted in a decreased revenue during the whole year of 2019.

Cash flow from (used in) operating activities is a result of the underlying operations of the Company plus or minus net changes in non-cash working capital. Cash flow during 2018 showed the same pattern as revenue except in the first quarter of 2018. In the third and fourth quarters of 2018 cash flow increased primarily due to higher padding revenue. Lower revenue resulted in a decrease of cash flow in the first and second quarters of 2019. Higher revenue resulted in a favorable cash flow in third quarter of 2019. Cash flow decreased during the fourth quarter of 2019 as padding revenue started to decrease.

Net income (loss) is determined by revenue as noted above but also by non-cash items. Various other items such as gains and losses on the disposal of capital assets, foreign exchange gains and losses, and provisions for doubtful accounts also have an impact on the reported net income (loss). Lower revenue resulted in an increase in the net loss in the first quarter of 2018. Net loss decreased in the second quarter of 2018 primarily due to higher revenue. Net income in third and fourth quarters of 2018 increased as padding revenue started to increase. The decline in revenue and the increased foreign exchange losses during the first quarter of 2019 resulted in a net loss in the period. A gain on the disposal of property and equipment resulted to a decrease in the net loss in the second and third quarter of 2019 compared to the preceding quarter. The decline in padding rental revenue in fourth quarter of 2019 resulted in a net loss in the period.

Non-Standard and Non-GAAP Items

We reference measures that are not recognized under International Financial Reporting Standards. These measures include EBITDA and funds flow.

EBITDA

EBITDA, defined as earnings before finance income and expense, income taxes, depreciation and amortization, gain or loss on disposal of property and equipment, and unrealized foreign currency gain or loss, is not a financial measure that is recognized under IFRS. However, management believes that EBITDA is a useful measure as it gives an indication of the results from the Company's principal business activities prior to consideration of how activities are financed, and the impact of foreign exchange, taxation and non-cash charges for depreciation and amortization. Investors should be cautioned, however, that EBITDA should not be construed as an alternative measure to net earnings determined in accordance with GAAP. ESI's method of calculating EBITDA may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies. The following is a reconciliation of net earnings to EBITDA.

(CAD thousands)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2019	2018	**2019**	2018
Net income (loss)	(1,018)	1,978	(1,719)	1,776
Add (Deduct):				
Depreciation	941	1,007	3,601	3,742
Income tax expense	84	81	84	81
Non-cash operating costs	286	-	286	-
Finance and other cost	29	30	122	136
Finance and other income	(80)	(73)	(309)	(300)
Loss (gains) on disposal of property, plant & equipment	202	28	(658)	(194)
Unrealized foreign currency loss (gains)	86	(275)	200	(336)
Other non-cash items	6	58	62	168
EBITDA as reported	**536**	**2,834**	**1,669**	**5,073**

Net income (loss) is determined by revenue as noted above but also by non-cash items. Various other items such as gains and losses on the disposal of capital assets, foreign exchange gains and losses, and provisions for doubtful accounts also have an impact on the reported net income (loss).

EBITDA for the three months ended December 31, 2019 was $536,000 compared to $2,834,000 for the same period in the prior year. EBITDA for the twelve months ended December 31, 2019 was $1,669,000 compared with a $5,073,000 for the same period in 2018. The primary reason for the decrease in EBITDA during twelve-month period ended December 31, 2019 was the lower level of revenue of $11,069,000, compared with $14,557,000 during the same period in 2018. Changes in the levels of revenue are discussed in an earlier section of this MD&A.

The $3,404,000 decrease in EBITDA during the twelve-month period ended December 31, 2019 was partially offset by an increase in gains on disposal of fixed assets of $464,000. These gains on disposal of fixed assets are indicative of the managements successful efforts to grow the company's revenue by both rental and sales of padding machines.

Funds flow from Operations

Funds from operations is calculated as cash flow from operating activities, as presented in the consolidated statement of cash flow, prior to any increases or decreases in working capital. This is not a measure recognized under GAAP. Management believes funds flow is a useful measure as it provides an indication of the funds generated by the Company's principal business and eliminates the impact of seasonal fluctuations and lack of comparability between periods of non-cash working capital balances, which consist primarily of highly liquid balances. However, this financial measure should not be construed as an alternative measure to cash flows from operating activities determined in accordance with GAAP. ESI's method of calculating funds from operations may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

The following is a reconciliation of cash flows from operating activities to funds flow from operations.

(CAD thousands)	**Three Months Ended December 31**		**Twelve Months Ended December 31**	
	2019	2018	**2019**	2018
Funds flow from operations	503	2,796	1,772	5,156
Add (Deduct):				
Changes in non-cash working capital	(333)	22	795	(2,804)
Cash flow from operating activities	170	2,818	2,567	2,352
Funds flow per share	0.01	0.05	0.03	0.10

The changes in funds flow reflect the changes in revenue discussed above.

Forward-Looking Statements

From time to time, ESI makes forward-looking statements. These statements include, but are not limited to, comments regarding ESI's objectives and strategies, financial condition, results of operations, the outlook for the industry and risk management.

By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that the predictions and other forward-looking statements will not be realized. Readers of this MD&A are cautioned not to place undue reliance on these statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by factors such as: the level of pipeline construction carried on by ESI's customers, world crude oil prices and North American natural gas prices, weather, access to capital markets, and government policies. We caution that the foregoing list of factors is not exhaustive, and that investors and others should carefully consider the foregoing factors as well as other uncertainties and events prior to making a decision to invest in ESI shares. Except as required by law, the Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by it or on its behalf.

Management's Responsibility for Financial Information

As at December 31, 2019, management evaluated, under the supervision of the President and Chief Executive Officer (the "CEO") and the Chief Financial Officer ("CFO"), the effectiveness of the Company's disclosure controls and procedures ("DC&P") as defined under National Instrument 51-109. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P was effective at December 31, 2019.

No changes were made to the Company's internal control over financial reporting ("ICFR") during the quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

As in prior quarters, ESI's Audit Committee has reviewed this document, including the attached Consolidated Financial Statements.

EXHIBIT "N2"
MANAGEMENT’S DISCUSSION AND ANALYSIS OF ESI ENERGY SERVICES INC.
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Management's Discussion & Analysis

ESI Energy Services Inc.

For the three and Twelve months ended December 31, 2018 and 2017

This management's discussion and analysis (MD&A) is current to March 19, 2019 and is management's assessment of the operations and financial results, together with the future prospects, of ESI Energy Services Inc. and its subsidiaries ("ESI" or the "Company"). This MD&A should be read in conjunction with our Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All figures are in Canadian dollars unless stated otherwise. Additional information relevant to ESI's activities, including ESI's news releases, can be found on SEDAR at www.sedar.com.

Description of business

ESI Energy Services Inc. was incorporated as a numbered company under the Business Corporations Act (Alberta) ("ABCA") on February 22, 2001. The Company's Articles of Incorporation were amended, and the Company changed its name to "ESI Energy Services Inc." on September 12, 2001. These consolidated financial statements comprise ESI and its subsidiaries, all of which are wholly-owned (together referred to as the "Company").

The Company currently operates in western Canada and the United States of America. The Company, through its operating subsidiaries, ESI Pipeline Services, Inc. and ESI Energy Services (Australia) Pty Ltd. supplies (sells and rents) backfill separation machines ("Padding Machines") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors.

On May 17, 2018, the Company entered into an early stage Process Facility and Cobalt Supply Agreement (the "Agreement") with Battery Minerals Resources Limited ("BMR") for BMR's cobalt-focused mineral exploration claims located in Ontario. BMR is a privately-owned Australian multi-commodity battery materials exploration company.

The Company maintains its registered corporate and head office at suite 500, 727 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 0Z5.

Performance Overview

Q4 2018 Highlights

Revenue for the three-month period ended December 31, 2018 increased by 112 percent to $4,833,000 compared to $2,279,000 during the same period in 2017. Most of this revenue was generated by large padding machine rentals. Virtually all the padding revenue was generated in the United States.

Approximately 90 percent of the revenue generated during the three-month period ended December 31, 2018 came from padding machine rentals. Activity levels for large padding machines increased by 186 percent from 21 padding months during the fourth quarter of 2017 to 60 padding months during the fourth quarter of 2018. Activity levels for small padders were down by 32 percent to 13 padding months during the fourth quarter of 2018, compared with 19 padding months during the same period in 2017.

Gross margin for the three-month period ended December 31, 2018 increased by 184 percent to $3,631,000 compared to $1,278,000 for the same period last year. This increase was primarily due to a 135 percent increase in padding machine rental revenue.

Net income during the fourth quarter of 2018 increased by $2,556,000 from a net loss of $578,000 during the same period in 2017 to net income of $1,978,000. The increase in net income during the fourth quarter of 2018 was primarily due to a 135 percent increase in padding machine rental revenue.

Funds flow from operating activities was $2,796,000 for the three-month period ended December 31, 2018 compared with $514,000 during the same period in 2017, an increase of 444 percent. The increase was primarily due to the reasons noted above.

2018 YTD Highlights

Revenue for the twelve-month period ended December 31, 2018 increased by 6 percent to $14,557,000 compared to $13,685,000 during the same period in 2017. Consistent with the twelve months of 2017, virtually all this revenue was generated from large padding revenue in the United States in 2018. Activity levels for padding machines and oilfield services in Canada remained slow.

Over 81 percent of the revenue generated during the year ending December 31, 2018 came from padding machine rentals, most of it from large padding machines. Activity levels for large padding machines were up from 151 padding months in 2017 to 161 padding months during the same period in 2018, an increase of 7 percent. Activity levels for small padding machines in 2018 decreased by 51 percent, from 86 padding months in 2017 to 42 padding months.

Gross margin for the year ended December 31, 2018 decreased by 5 percent to $8,470,000 compared with $8,930,000 during the same period in 2017. The decrease was primarily due to a decrease in padding machine rental revenue in 2018.

The increase in operating and maintenance expenses was primarily due to a presentation difference between two accounting periods as the result of a change in an accounting policy in which freight charges are being included in operating and maintenance expenses on a gross basis under IFRS 15 effective January 1, 2018.

Net income increased during the twelve months ended December 31, 2018 to $1,776,000 from net income of $1,194,000 during the same period in 2017. The increase in net income during the year was primarily due to a $492,000 foreign exchange gain in 2018 compared with a $409,000 foreign exchange loss in 2017.

Funds flow from operations was $5,156,000 for the year ended December 31, 2018 compared with $5,804,000 during the same period in 2017, a decrease of 11 percent. The decrease was primarily due to a 5 percent decrease in gross margin in 2018 compared with 2017.

Working capital increased by $1,520,000 to $13,601,000 in 2018 compared with $12,081,000 at December 31, 2017. The increase in working capital during 2018 was primarily attributable to increased accounts receivables primarily driven by higher levels of revenue during the fourth quarter as well as the presentation difference of inventory between two accounting periods as the result of a change in accounting treatment effective January 1, 2018. Long-term debt was $276,000 lower at December 31, 2018 compared to December 31, 2017.

SELECTED FINANCIAL AND OPERATING INFORMATION

Financial Highlights

(CAD thousands, except per share amounts)

	Year ended December 31		
	2018	**2017**	**2016**
Revenue	14,557	13,685	8,101
Net income (loss)	1,776	1,194	(5,124)
Earnings (loss) per share – basic	0.04	0.03	(0.11)
Earnings (loss) per share – diluted	0.04	0.03	(0.11)
Long-term portion of long term debt	2,072	2,348	3,248
Total assets	49,914	36,392	38,297

(CAD thousands, except per share amounts)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	Change	%	**2018**	2017	Change	%
Revenue	**4,833**	2,279	2,554	112	**14,557**	13,685	872	6
Net income (loss)	**1,978**	(578)	2,556	442	**1,776**	1,194	582	49
Earnings (loss) per share – basic	**0.05**	(0.01)	0.06	600	**0.04**	0.03	0.01	33
Earnings (loss) per share – diluted	**0.05**	(0.01)	0.06	600	**0.04**	0.03	0.01	33
EBITDA[(1)]	**2,834**	608	2,226	366	**5,073**	5,799	(726)	(13)
Funds flow[(1)]	**2,796**	514	2,282	444	**5,156**	5,804	(648)	(11)
Cash flow from operating activities	**2,818**	594	2,224	374	**2,352**	6,370	(4,018)	(63)
Capital expenditures								
Additions	**(736)**	(1,887)	1,151	(61)	**(13,833)**	(4,314)	(9,519)	221
Proceeds on dispositions	**142**	65	77	118	**531**	3,800	(3,269)	(86)

[(1)] EBITDA and Funds flow are non-GAAP measures. See commentary in "Non-Standard and Additional GAAP Items".

Operating Highlights

	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	Change	%	**2018**	2017	Change	%
FLEET [(1)]	**Months**	Months			**Months**	Months		
Large padders	**60**	21	39	186	**161**	151	10	7
OPP-300	**34**	11	23	209	**105**	69	36	52
OPP-200	**26**	10	16	160	**56**	82	(26)	(32)
Small padders	**13**	19	(6)	(32)	**42**	86	(44)	(51)
Mini-padders	**12**	17	(5)	(29)	**33**	74	(41)	(55)
Micro-padders	**1**	2	(1)	(50)	**9**	12	(3)	(25)
Pipe layers	**Nil**	Nil	Nil	N/A	**Nil**	5	(5)	(100)
Oilfield services	**6**	6	Nil	Nil	**20**	33	(13)	(39)
UTILIZATION [(2)]	**%**	**%**			**%**	**%**		
Large padders	**64**	**24**	40	167	**43**	42	1	2
OPP-300	**63**	**23**	40	174	**49**	34	15	44
OPP-200	**66**	**25**	41	164	**36**	53	(17)	(32)
Small padders	**20**	**36**	(16)	(44)	**19**	44	(25)	(57)
Mini-padders	**23**	**39**	(16)	(41)	**19**	44	(25)	(57)
Micro-padders	**9**	**23**	(14)	(61)	**19**	40	(21)	(53)
Pipe layers	**Nil**	Nil	Nil	N/A	**Nil**	3	(3)	(100)
Oilfield services	**12**	**12**	Nil	Nil	**10**	17	(7)	(41)

[(1)] *Each machine is billed based on a padder month which typically consists of 24 billing days.*

[(2)] *Due to machine downtime as a result of transport, repairs and maintenance and movement between jobs, it is not possible to achieve a 100 percent utilization rate.*

Financial Position

(CAD thousands, except ratios)

	December 31, 2018	December 31, 2017
Working capital	**13,601**	12,081
Long-term debt (1)	**2,072**	2,348
Total assets	**49,914**	36,392
Debt service coverage (2)	**10.17:1**	8.10:1

(1) *Excludes current portion.*

(2) *Debt Service Coverage is the ratio of cash flow available to service debt to interest expense and scheduled principal payments of funded debt. This ratio is the covenant under the Company's lending agreement and must exceed 1.25:1 at all times. Cash flow available to service debt is calculated on a rolling 12-month basis as net income (i) plus interest expense, deferred income taxes, depreciation, unrealized foreign currency losses, stock-based compensation, and any losses on disposal of fixed assets and (ii) less unrealized foreign currency gains and gains on disposal of fixed assets. Funded debt means all outstanding interest- bearing debt including capital leases, debt subject to scheduled repayment terms, and credit card debt. See note 11 to the financial statements and the section in this MD&A entitled "Liquidity and Capital Resources" for further discussion related to this covenant.*

Cyclical and Seasonal Nature of ESI's Operations

The Company's business is dependent on the expenditures of oil and natural gas producers, pipeline owners and pipeline and renewable energy (wind and solar) construction contractors which are primarily driven by the current and anticipated prices of oil, natural gas and renewable energy.

The North American mainline pipeline construction industry is typically seasonal, with pipeline construction commencing in the first quarter of the year and peaking during the second and third quarters. The Canadian mainline cross-country pipeline construction season tends to end during the second quarter of the year due to seasonal road bans (temporary restrictions on road usage) and restricted access to agricultural lands. Pipeline construction typically recommences in May and continues through until late December when the industry shuts down for Christmas break.

The global pipeline construction industry is influenced by fluctuations in oil and gas prices, weather conditions, and demand for oil and gas in emerging markets as well as environmental and regulatory issues. Domestic activity levels are also influenced by demand for residential and industrial construction requiring sewer and water pipelines, natural gas distribution and fiber optic cable.

Oil and natural gas markets have been historically volatile, and they are likely to remain so for the foreseeable future. Significant fluctuations in oil and natural gas prices may result from relatively minor changes in supply and demand factors, geo-political events, environmental factors and other uncertainties. Significant reductions in commodity prices can result in cost pressure on the projects undertaken by the Company's customers. This, in turn, can have a negative impact on the Company's profitability in terms of cost pressure and/or cancellation of projects.

Variability in the weather can also result in uncertainty and unpredictability in equipment activity and utilization rates which then can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Modest increases in utilization rates for padding machines can have a significant positive impact on ESI's profitability due to the Company's proportionately high fixed cost base.

Revenue, Operating Expenses and Gross Margin

(CAD thousands)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	**2017**	**Change**	**%**	**2018**	**2017**	**Change**	**%**
Revenue								
Machine rental								
Padding machines	**4,358**	1,857	2,501	135	**11,847**	12,216	(369)	(3)
Pipeline Layer	**-**	-	-	-	**-**	119	(119)	(100)
Oilfield services	**71**	52	19	37	**174**	271	(97)	(36)
Mobilization	**205**	55	150	273	**1,151**	120	1,031	859
Inventory sales	**138**	246	(108)	(44)	**366**	648	(282)	(44)
Machine sales	**-**	-	-	-	**710**	-	710	100
Other services	**61**	69	(8)	(12)	**309**	311	(2)	(1)
	4,833	2,279	2,554	**112**	**14,557**	13,685	872	6
Cost of purchase	**76**	141	(65)	(46)	**640**	361	279	77
Operating and maintenance expenses	**1,126**	860	266	31	**5,447**	4,394	1,053	24
Gross margin	**3,631**	1,278	2,353	**184**	**8,470**	8,930	(460)	(5)
Depreciation	**1,007**	896	111	12	**3,742**	3,759	(17)	(1)
Gross Profit/(Loss)	**2,624**	382	2,242	**587**	**4,728**	5,171	(443)	(9)

Three months ended December 31, 2018

During the fourth quarter of 2018, revenue increased to $4,833,000 from $2,279,000 in 2017, an increase of 112 percent. The revenue increase was primarily attributable to an increase in rental revenue from padding machines. Padding rental revenue increased by $2,501,000 during the fourth quarter of 2018 to $4,358,000, compared with $1,857,000 during the same period in 2017, an increase of 135 percent. Oilfield services rental revenue during the fourth quarter of 2018 was up by 37 percent to $71,000 compared with $52,000 during the fourth quarter of 2017.

Overall, the utilization rates for large padding machines increased by 167 percent during the fourth quarter of 2018 compared with the same period in 2017, while the utilization rate for small padding machines decreased by 44 percent during the fourth quarter of 2018 compared with the same period in 2017. Utilization rates for oilfield services remained unchanged during the fourth quarter of 2018.

The utilization rate for large padding machines increased to 64 percent during the fourth quarter of 2018, up from 24 percent during the same period in 2017. The utilization rate for OPP-300 padding machines during the fourth quarter was 63 percent compared with 23 percent during the same period in 2017, while the utilization rate for OPP-200 padding machines was 66 percent, compared with 25 percent during the same period in 2017. Overall the increase in utilization rates for large padding machines during the three-month period ended December 31, 2018 was 167 percent.

Utilization rates for small padding machines during the fourth quarter decreased by 44 percent from 36 percent in 2017 to 20 percent in 2018. Mini-padder rates decreased by 41 percent from 39 percent in 2017 to 23 percent in 2018. The micro-padder utilization rate during the fourth quarter of 2018 was 9 percent compared with 23 percent during the same period in 2017. The decrease in small padding machine utilization rates was caused by a decline in renewables construction activity in the United States during the fourth quarter of 2018 compared with the same period in 2017. The decrease in renewables construction activity was likely due to a new US tariff on imported solar panels which went into effect on February 7, 2018. The tariff levied on all foreign produced solar panels is set initially at 30% for year one with a 5% declining rate per year over the four-year term for which the tariffs are in effect. The first 2.5 gigawatts of cells imported each year are exempts from tariffs.

Operating and maintenance expenses are primarily fixed with a small variable component. Operating and maintenance expenses were $1,126,000 during the fourth quarter of 2018 compared to $860,000 during the same period in the prior year, an increase of 31 percent. The increase was primarily due to a presentation difference between two accounting periods as a result of a change in an accounting policy in which freight charges are being included in operating and maintenance expense on a gross basis under IFRS 15 effective January 1, 2018. Operating and maintenance expense as a percentage of revenue during the fourth quarter of 2018 was 23 percent compared with 38 percent during the same period in 2017 due to the reason stated above.

Gross margin was $3,631,000 during the fourth quarter of 2018 compared with $1,278,000 during the same period in 2017, an increase of 184 percent. Gross margin as a percentage of revenue during the fourth quarter of 2018 was 75 percent, compared with 56 percent during the same period in 2017. The increases in gross margin and gross margin as a percentage of revenue during the fourth quarter of 2018 were primarily attributable to a 135 percent increase in padding machines rental revenue during the period.

Depreciation expense was $1,007,000 during the fourth quarter of 2018 compared with $896,000 during the same period in the prior year, an increase of 12 percent.

Gross profit for the fourth quarter of 2018 increased by $2,242,000, an increase of 587 percent, the increase was due to reasons stated above.

Twelve months ended December 31, 2018

Revenue for the twelve-month period ended December 31, 2018 was $14,557,000, compared with $13,685,000 during the prior year, a 6 percent increase. The increase in revenue during 2018 was primarily attributable to increase in mobilization revenue as the result of a change in accounting treatment for mobilization revenue effective January 01, 2018. Most of the increase in revenue was generated by rental revenue from padding machines.

The utilization rate for large padding machines for the twelve-month period ended December 31, 2018 was 43 percent compared with 42 percent during the same period in 2017, an increase of 2 percent. Utilization rates for large padding machines are driven by large diameter mainline pipeline construction activity which did not get underway until late in the second quarter of 2018. However, it carried on until the fourth quarter of the year. Most of the large diameter mainline pipeline projects scheduled to get underway in Canada during 2018 continued to be delayed. They are not expected to get under way until at the least the second half of 2019, due to environmental, regulatory and political issues. The decline in commodity prices has also contributed to mainline pipeline construction delays in Canada as the economics of a number of these major projects are being revisited. Large diameter mainline construction is currently at full capacity in the United States. The pipeline construction industry in the United States is currently struggling with shortages of both manpower and equipment. The utilization rate for small padding machines for the twelve -month period ended December 31, 2018 was 19 percent, down from 44 percent during the same period of the prior year. The lower utilization rate was driven by higher tariffs on imported solar panels which had a negative impact on solar projects. Mini-padder utilization rates decreased by 57 percent from 44 percent in 2017 to 19 percent in 2018. The micro-padder utilization rate during the twelve-month period ended December 31, 2018 was 19 percent compared with 40 percent during the same period in the prior year.

The utilization rate for oilfield services equipment was 10 percent during the twelve-month period ended December 2018, down from 17 percent during the same period in 2017. The lower utilization rate for oilfield services is indicative of the substantially reduced activity levels for oilfield services in western Canada which was due to depressed prices for oil and gas globally as well as access markets due to pipeline capacity constraints.

During the twelve-month period ended December 31, 2018, revenue from pipeline padding decreased to $11,847,000 from $12,216,000 in 2017. While activity levels for large padding machines remained relatively unchanged, the timing of mainline pipeline construction activity changed over the course of the year. Construction did not get underway until the last half of 2018, compared with the previous year when activity got under way during the first half of the year and dropped off during the months of November and December. The change in the timing of activity levels was due to weather and regulatory delays in the United States. Oilfield services revenue decreased to $174,000 during the year ended December 31, 2018, down from $271,000 during the same period in 2017.

Operating and maintenance expenses as a percentage of revenue was 37 percent during 2018 versus 32 percent in 2017. Operating and maintenance expenses increased by $1,053,000 or 24 percent over the same period of the prior year, compared with a slight increase in revenue of $872,000 or 6 percent during 2018. The reason for this difference in the percentage increase in operating costs versus revenue is due to the fact that operating costs are relatively fixed.

Gross margin was $8,470,000 for the year ended December 31,2018, down from $8,930,000 during the corresponding period in 2017, a decrease of 5 percent. Gross margin as a percentage of revenue was 58 percent during 2018 compared with 65 percent during the same period in 2017. The decrease in gross margin was due to a lower machine rental revenue in 2018.

Depreciation expense for the twelve-month period ended December 31, 2018 was $3,742,000 compared with $3,759,000 in 2017.

Gross profit was $4,728,000 during the year ended December 31, 2018, down from $5,171,000 during the same period in 2017. The decrease was due to the reasons stated above.

Selling, General and Administrative Expenses

(CAD thousands)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	Change	%	**2018**	2017	Change	%
Selling, general and administrative expense	**905**	873	32	4	**3,721**	3,732	(11)	(1)

Selling, general and administrative expense was $905,000 during the fourth quarter of 2018 compared to $873,000 during the fourth quarter of 2017, an increase of 4 percent.

Selling, general and administrative expense for the twelve-month period ended December 31, 2018 was $3,721,000 compared with $3,732,000 during the same period in 2017. The decrease was primarily due to lower stock-based compensation cost in 2018.

A provision for expected credit loss on trade receivables in the amount of $91,000 was provided for during the twelve-month period ended December 31, 2018 in response to a change in accounting policies for receivables effective January 1, 2018. The Company considers trade receivables greater than 90 days as past due. As at December 31, 2018, the majority, or 78% of the aged receivables, were less than 90 days old. Based on a combination of historical experience, current information, and management judgment, the Company has a high level of confidence in the collectability of these receivables and believes that its exposure to this credit risk is limited.

Other Income (Expense)

(CAD thousands)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	Change	%	**2018**	2017	Change	%
Finance costs	**(30)**	(33)	3	(9)	**(136)**	(166)	30	(18)
Finance and other income	**73**	70	3	4	**300**	250	50	20
Gain (loss) on disposal of capital assets	**(28)**	(17)	(11)	65	**194**	159	35	22
Foreign exchange gain (loss)	**325**	24	301	1,254	**492**	(409)	901	220

Finance costs include Interest and finance charges. Finance costs were $30,000 during the fourth quarter of 2018, compared to $33,000 during the same period in 2017. For the twelve-month period ended December 31, 2018, interest and finance charges decreased by 18 percent to $136,000 due to lower levels of long-term debt.

Finance and other income consist primarily of interest income. During the fourth quarter of 2018, finance and other income was $73,000 compared with $70,000 during the same period in 2017, an increase of 4 percent. On a year-to-date basis, finance and other income increased by 20 percent. Finance and other income for the twelve-month period ended December 31, 2018 was $300,000 compared with $250,000 during the same period in 2017.

The Company entered into two “rent to buy” contract with customers during 2018. These contracts have been treated as disposition of capital asset and gain on disposition of $299,000 was recorded in 2018. The Company recorded a net gain on disposal of fixed assets of $194,000 during the twelve-month ended December 31, 2018 with a gain of $159,000 during the same period in 2017. The net gain was primarily due to a gain recorded on disposal of two mini-padders and Allu bucket in 2018.

The Company recorded a foreign exchange gain of $325,000 during the three-month period ended December 31, 2018 compared with a gain of $24,000 for the same period in 2017. The foreign exchange gain of $492,000 in 2018 includes an unrealized foreign exchange gain of $336,000 and a realized foreign exchange gain of $156,000. Foreign exchange loss of $409,000 for the same period in 2017 includes an unrealized foreign exchange loss of $532,000 and a realized gain of 123,000. Unrealized foreign currency gains and losses are primarily the result of translation of US dollar denominated payables, receivables and short-term investments within Canadian entities.

Income Taxes

(CAD thousands)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	Change	%	**2018**	2017	Change	%
Current tax expense	**Nil**	131	(131)	(100)	**81**	79	2	3

Current income tax expense for the fourth quarter of 2018 was nil compared with the expense of $131,000 during the same period in 2017. Current income tax expense for the year ended December 31, 2018 was $81,000 compared with an expense of $79,000 during 2017.

Net Income, Funds Flow and Cash Flow from Operating Activities

(CAD thousands)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	Change	%	**2018**	2017	Change	%
Net income (loss)	**1,978**	(578)	2,556	(442)	**1,776**	1,194	582	49
Funds flow (1)	**2,796**	514	2,282	444	**5,156**	5,804	(648)	(11)
Cash flow from operating activities	**2,818**	594	2,224	374	**2,352**	6,370	(4,018)	(63)

(1) Funds flow from operations is a non-GAAP measure. See commentary in "Non-Standard and Additional GAAP Items".

Net income increased to $1,978,000 for the fourth quarter of 2018, up from a net loss of $578,000 during the fourth quarter of 2017, an increase of $2,556,000. Net income was $1,776,000 for the twelve-month period ended December 31, 2018 compared with net income of $1,194,000 during the same period in 2017, an increase of 49 percent. The net income recorded during the twelve-month period ended December 31, 2018 was generated primarily by rental revenue from large padding machines.

Funds flow from operations was $2,796,000 during the fourth quarter of 2018, compared with $514,000 for the same period in 2017, an increase of 444 percent. Funds flow from operations was $5,156,000 during the twelve-month period ended December 31, 2018 compared with $5,804,000 during the same period in 2017, a 11 percent decrease. The decrease in funds flow from operations was primarily due to a $336,000 unrealized foreign exchange gain which was the reason for an increase in net income during the year ended December 31, 2018.

Cash flow from operating activities was $2,818,000 during the fourth quarter of 2018 compared with 594,000 during the same period of 2017. Cash flow from operating activities was 2,352,000 during the twelve months ended December 31, 2018 compared with a $6,370,000 during the same period in 2017. The decrease in cash flow from operations during 2018 was primarily due to increased accounts receivables driven by higher levels of revenue during the fourth quarter as well as an increase in inventory, stated under Q4 YTD highlights on page 3.

Capital Expenditures

(CAD thousands)	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	Change	%	**2018**	2017	Change	%
Intangible assets								
BMR	**95**	Nil	95	N/A	**10,305**	Nil	10,305	N/A
Patents	**10**	Nil	10	N/A	**10**	Nil	10	N/A
Property & equipment								
Padding equipment	**96**	1,570	(1,474)	(94)	**3,533**	3,916	(383)	(10)
Other	**43**	12	31	258	**148**	54	94	174
Inventory	**492**	305	187	61	**(163)**	344	(507)	(147)
Total expenditures	**736**	1,887	(1,151)	(61)	**13,833**	4,314	9,519	221
Proceeds on dispositions	**(142)**	(65)	(77)	118	**(531)**	(3,800)	(3,269)	(86)
Net expenditures	**594**	1,822	(1,228)	(67)	**13,302**	514	12,788	2,488

On July 17, 2018, the Company issued 6,666,667 shares of common stock at a price of $1.50 per share for aggregate proceeds of $10 million to one subscriber. The proceeds were used to acquire the right to participate in the financing, construction and operation of the cobalt processing facility. Additional costs, including professional fees for legal services as well as on-going costs associated with technical support, totaling $305,000 were capitalized over the course of the year, bringing the total amount for intangible assets to $10,305,000 at December 31, 2018.

Patents include costs associated with filling patents on several product improvements to Ozzie's mini padder and micro-padder heads. These costs include testing and documenting these product improvements to the mini-padder and micro-padder heads plus on-going legal costs associated with registering these improvements as intellectual property in various legal jurisdictions.

Cash used for net capital expenditures totaled $594,000 during the fourth quarter of 2018 compared to $1,822,000 for the same period in 2017, and $13,302,000 on a year- to- date basis in 2018 compared with $514,000 in 2017. During the year ended December 31, 2018, one padding machine, four loaders and seven Allu buckets were purchased. Other capital expenditures for padding machines, in both the three and twelve-month periods ended December 31, 2018 were related to the ongoing retrofitting of large padding machines and the development and construction of Mini and micro-padder heads. During the year ending December 31, 2018, the Company sold two mini-padders, Allu bucket and related parts for combined net proceeds of $531,000. The $3,269,000 decrease in proceeds of disposition between the two years was primarily due to a sale of 8 pipelayers recorded during the year ended December 31, 2017.

Risk Factors

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected. The risk factors described below should be carefully considered by readers, including investors considering a purchase of securities of ESI, along with all other information set forth in this MD&A and the audited financial statements.

Risks Relating to ESI'S Business

Dependence on Oil and Gas

ESI's business is dependent on the expenditures of oil and natural gas producers, pipeline Owners and pipeline and Renewables Contractors which are primarily driven by the current and anticipated prices of oil, natural gas and Green Energy. The demand for ESI's services is primarily influenced by current and anticipated prices of crude oil, natural gas and Green Energy. Weakness in oil and gas prices may cause ESI's customers to reduce their capital spending on both development of new energy sources as well as production from existing operations, thereby reducing the demand for ESI's services.

Historically, the markets for oil, natural gas and Renewables have been volatile, and they are likely to remain so. Fluctuations in oil, natural gas and Renewables prices may result from relatively minor changes in the supply and demand for oil and natural gas, Green Energy, market uncertainty, and other factors that are beyond ESI's control. These factors make it extremely difficult to predict future oil and natural gas price movements with any certainty. Declines in oil and natural gas prices could reduce the amount of oil and natural gas that ESI's customers can produce economically, and as a result, the demand for ESI's products and services could be materially diminished. Any slowdown of this nature could significantly and adversely affect ESI's business.

Anticipated major projects may not materialize

Notwithstanding forecast estimates regarding new investment and growth in the North American Mainline and Small Diameter Pipeline construction market, planned and anticipated projects in the oil sands and/or major shale gas or shale oil plays may not occur, as happened in 2017 and 2016 when producers cancelled or postponed a number of projects as a result of escalating costs and deteriorating crude oil and natural gas prices. The underlying assumptions on which the projects are based are subject to significant uncertainties, and actual investments in the oil sands, shale oil and shale gas plays could be significantly less than estimated. Projected investments and new projects may be and have been postponed or cancelled for any number of reasons, including but not limited to:

- changes in the perception of the economic viability of these projects;
- changes to government regulations or environmental standards;
- elimination of government subsidies to promote the development of Green Energy;
- shortage of skilled workers;
- cost overruns on announced projects;
- shortage of pipeline capacity to transport production to major markets;
- cancellation of proposed major mainline oil and gas pipelines, liquid natural gas plants and/or crude oil export terminals;
- lack of sufficient governmental infrastructure to support growth;
- environmental laws and regulations that may expose the Contractors and/or the Company to liabilities arising out of their operations or the operations of their customers; and
- unanticipated short term shutdowns of customers' operating facilities may result in temporary cessation or cancellation of projects in which ESI is participating.

Additionally, ESI may not be successful in being awarded the work it pursues on major projects due to:

- competitive pressures within the market as a result of the increased capacity within the major facilities construction market;
- changes in commercial terms sought by customers whereby excessive risk is being transferred to the constructors;
- the customer's labour strategy may not be aligned with that which ESI offers; and
- the construction schedule sought by the customer may not be aligned with ESI's existing commitments.

ESI's market industries are highly competitive and there are relatively few barriers to entry.

The pipeline equipment rental market is highly competitive, and there are relatively few barriers to entry for companies wishing to offer one or a number of the rental products that ESI provides. ESI's competitors include a number of large heavy equipment manufacturing companies as well as a number of mining and pipeline equipment manufacturing companies that have significant financial resources. In the period from 2011 through 2016 significant competitive capacity was added to the market as a result of a downturn in demand for pipeline construction activity in North America. With reduced current customer activity levels, there is now a situation of increased ~~competitive~~ capacity serving reduced markets for the products and services which ESI offers.

ESI's ability to generate revenue and earnings will depend upon its ability to: continue offering state of the art Padding Machines, featuring leading edge technology, performance and safety features; enhance and maintain its strategic customer alliances; win bids and successfully complete awarded projects within estimated times and costs; as well as obtain call-out work on a regular basis. Given the current competitive environment, there is no certainty that ESI will be awarded projects at the levels of revenues and profitability it has experienced in the past.

ESI may not be able to attract or retain the management personnel or skilled labour necessary to remain competitive in its industry.

The success of the Company will depend on the continued support from its directors and officers to develop its business and operations, and the ability of the Company to attract the skilled and experienced managers and trades people which are required to conduct its operations. Recruiting, training and retaining these individuals is critical to the Company's continued ability to meet customer requirements and generate increasing levels of revenue. Going forward, the Company will have to devote significant resources and planning to the recruiting, retention and training of skilled personnel in order to secure the required levels of staffing and skills necessary to support anticipated levels of work. ESI utilizes available manpower forecasts and aligns them with specific recruitment strategies to meet its manpower requirements presently and in the future. Competition for qualified managers and trades people as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact its operations.

ESI has pursued and will continue to pursue strategic acquisitions. ESI's business may be affected if it cannot effectively complete and successfully these objectives.

ESI's business involves certain operating risks and its insurance may not be adequate to cover all insurable losses it might incur in its operations.

ESI's operations are subject to many hazards and risks, including the following:

- damage to facilities;
- damage to the environment; and
- losses arising from accidents or damage caused by ESI's employees or equipment.

If any of these significant events occur, they could result in the suspension of ESI's operations and the operations of others; damage to, or destruction of ESI's equipment and the property of others; and injury or death to personnel.
While ESI maintains insurance at levels that are customary in its industry to protect against these risks, ESI's insurance may not be adequate to cover all losses that might be incurred in its operations. Moreover, ESI may be subject to the risk that it will be unable to maintain or obtain insurance of the type and limits desired at reasonable rates. If ESI were to incur a significant loss for which it was not fully insured, it could adversely affect ESI's financial position.

Environmental concerns – general impact on customers' operations

Environmental concerns and issues may result in future laws and regulations applicable to the oil and gas and/or pipeline industry's environmental impacts. In particular, the development of Alberta's oil sands resource and its greenhouse gas ("GHG") emissions, water usage, air quality and tailings processing and reclamation may be affected by future legislation and regulation which could either limit development or increase the costs of development of these projects as well as related pipeline projects. Such outcomes could have a negative impact on ESI's business.
Since November 2011, in response to environmental concerns over Alberta's oil sands as well as concerns expressed by environmental groups and indigenous people over the possibility of pipeline leaks, the TransCanada Keystone XL Pipeline project has been delayed by almost 6 years by the United Sates federal and state government regulators.

Similarly, the Enbridge Northern Gateway Pipeline project in western Canada has been delayed by Canadian federal and provincial government regulators. In the United States, the Enbridge Line 3 Pipeline has been temporarily blocked by the state of Minnesota for a period of at least one year, pending a further environmental review. In addition, the Atlantic Coast Pipeline, spanning several states on the east coast, has been indefinitely delayed due to legal issues regarding the permitting process.

At this point however, the Company is unable to predict the impact of emissions reduction legislation on its customers' operations and long-term capital expenditure plans, and by extension, the impact, whether negative or positive, on the operations of ESI itself.

No Established market for the Company’s shares

There is currently no established trading market through which ESI shares may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future.

Current Global Financial Condition

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by both equity and/or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future. Access to financing has been negatively effected by the ongoing global economic downturn. As such, the Company is subject to liquidity risks in meeting its development and future operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors ~~may~~ are likely to have a negative impact on the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management.

Standards issued but not yet adopted

IFRS 16 – “Leases”

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS16”), which replaces IAS 17 - Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

Effective January 1,2019, the Company adopts IFRS 16 and has selected the modified retrospective transition approach. ESI has also elected to apply the optional exemptions for short-term and low-value leases.

Recently Adopted Accounting Pronouncements

IFRS 9 – “Financial Instruments”

Effective January 1, 2018, the Company adopted IFRS 9 using the modified retrospective approach. Comparative information is not restated and continues to be reported under the previous financial instrument standards in effect during those periods. IFRS 9 introduces new requirements for:

- the classification and measurement of financial assets and financial liabilities, and
- the recognition and measurement of impairment for financial assets.
- IFRS 9 introduces a simplified hedge accounting model.

IFRS 15 – “Revenue from contracts with customers”

The Company adopted IFRS 15 Revenue from Contracts with Customers on January 1, 2018 using the modified retrospective approach on contracts that were not completed as of January 1, 2018. For the mobilization revenue, the Company concluded it would act as a principal, as a result of which presentation of mobilization revenue changed from net to gross effective from January 1, 2018.

As part of the adoption of IFRS 15, spare parts used continuously in the operations that do not meet the capitalization criteria were treated as a current asset from January 1, 2018. As at December 31, 2018, $709,000 (December 31, 2017 -Nil) of spare parts was recognized as an inventory. Comparative figures for gain or loss arising on sale of spare parts have been reclassified to conform to the current year financial statement presentation. This reclassification did not have an impact on previously reported net earnings.

Liquidity and Capital Resources

(CAD thousands)

	December 31, 2018	December 31, 2017
Working capital [(1)]	**13,601**	12,081
Cash and short-term investment	**11,162**	12,578

[(1)] Calculated as current assets less current liabilities.

Working capital at December 31, 2018 was $13,601,000 compared with $12,081,000 at December 31, 2017, an increase of $1,520,000. Cash and short-term investment balances decreased to $11,162,000 at December 31, 2018 from $12,578,000 at December 31, 2017. Available cash was used to finance working capital, capital expenditures and the repayment of long-term debt.

The Company manages its capital structure in response to changes in economic conditions and the risk characteristics of the underlying assets and business of the Company. The Company may sell assets, reduce capital expenditures or draw on its credit facilities from time to time as required.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to augment existing resources to meet growth requirements.

Share Capital

The authorized capital of the Company consists of an unlimited number of common shares. There are 51,667,459 issued and outstanding common shares.

The Company granted options under its equity incentive plan to acquire 2,230,104 common shares on February 27, 2017. Each option is exercisable to purchase one common share at an exercise price of $0.50 per share. The options vest over a period of two years and expire on February 27, 2022, five years after the grant date. During 2018, unvested shares of 83,333 were forfeited and vested shares of 166,667 expired due to the resignation of a beneficiary. Additional stock options in the amount of 582,712 were granted to two officers on October 10, 2018. Each option is exercisable to purchase one common share at an exercise price of $0.50 per share. The options vest over a period of two years and expire on October 10, 2023, five years after the grant date.

On July 17, 2018, the Company issued 6,666,667 shares of common stock at a price of $1.50 per share for aggregate proceeds of $10 million to one subscriber. The proceeds were used to acquire the right to participate in the financing, construction and operation of the cobalt processing facility.

The Company has 1,996,274 warrants outstanding. Each warrant is exercisable to purchase one common share at an exercise price of $0.86. The warrants expire on December 1, 2021.

Changes in Contractual Obligations

The following table reflects the Company's anticipated payment of contractual obligations related to continuing operations as at December 31, 2018.

(CAD thousands)

	2019	2020	2021	2022	Thereafter
Operating facility and equipment leases	214	99	12	-	-
Loans and borrowings	385	276	276	276	1,244
Trade and other payables	1,822	-	-	-	-
Deferred revenue	228	-	-	-	-
Income tax payable	143	-	-	-	-
Total	**2,792**	**375**	**288**	**276**	**1,244**

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at December 31, 2018 and 2017, other than operating leases. The Company has not created and is not party to any special purpose or off-balance sheet entries for the reason of raising capital, incurring debt, or operating its business.

Summary of Quarterly Results

The following table shows key selected quarterly financial information for the Company.

(CAD thousands)

2018, and 2017 Three Months Ended

	Mar.31	Jun. 30	Sept. 30	Dec.31	Total
2018					
Revenue	1,582	3,040	5,102	4,833	14,557
Net Income (loss)	(1,348)	(258)	1,404	1,978	1,776
Earnings (loss) per share-basic and diluted ($)	(0.03)	(0.01)	0.03	0.05	0.04
Funds flow from operations	(426)	276	2,510	2,796	5,156
Cash flow from operations	(636)	(417)	587	2,818	2,352
2017					
Revenue (Revised)	2,225	4,252	4,929	2,279	13,685
Net Income (loss)	(1,052)	862	1,962	(578)	1,194
Earnings (loss) per share-basic and diluted ($)	(0.02)	0.02	0.04	(0.01)	0.03
Funds flow from operations (Revised)	313	1,991	2,986	514	5,804
Cash flow from operations (Revised)	827	1,089	3,860	594	6,370

Revenue can be significantly affected by seasonality and the status of projects over which the Company has no control. During the first quarter of 2017, demand for large machines was slow to get under way which resulted in lower revenue during first quarter. Subsequently, there was a significant increase in demand for large machines which drove revenue higher during the second and third quarters of 2017. Revenue dropped off significantly during the fourth quarter of 2017 and first quarter of 2018 for large machines as pipeline projects neared completion. Revenue increased during the second, third and fourth quarters of 2018 as demand for large padding machines started to increase.

Cash flow from (used in) operating activities is a result of the underlying operations of the Company plus or minus net changes in non-cash working capital. Cash flow during the first quarter of 2017 showed the same pattern as revenue, however, the pattern reversed in the second and third quarters of 2017 as revenue started to increase. In the second and third quarters of 2017 cash flow increased primarily due to higher padding revenue. It decreased again in the fourth quarter in tracking lower padding revenue. Lower revenue also resulted in a decrease of cash flow in the first quarters of 2018. Cash flow increased during the second, third and fourth quarters of 2018 as padding revenue started to increase.

Net income (loss) is determined by revenue as noted above but also by non-cash items. Various other items such as gains and losses on the disposal of capital assets, foreign exchange gains and losses, and provisions for doubtful accounts also have an impact on the reported net income (loss). Lower revenue resulted in an increase in the net loss in the first quarter of 2017 and an increase the net income during the second and third quarters of 2017. The decline in revenue during the fourth quarter of 2017 resulted in a net a net loss in the period. The net loss decreased during the second quarter of 2018 due to an increase in revenue during the second quarter of 2018. Increased revenue resulted in an increase of net income for the third and fourth quarters of 2018

Non-Standard and Non-GAAP Items

We reference measures that are not recognized under International Financial Reporting Standards. These measures include EBITDA and funds flow.

EBITDA

EBITDA, defined as earnings before finance income and expense, income taxes, depreciation and amortization, gain or loss on disposal of property and equipment, and unrealized foreign currency gain or loss, is not a financial measure that is recognized under IFRS. However, management believes that EBITDA is a useful measure as it gives an indication of the results from the Company's principal business activities prior to consideration of how activities are financed, and the impact of foreign exchange, taxation and non-cash charges for depreciation and amortization. Investors should be cautioned, however, that EBITDA should not be construed as an alternative measure to net earnings determined in accordance with GAAP. ESI's method of calculating EBITDA may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies. The following is a reconciliation of net earnings to EBITDA.

(CAD thousands)	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	**2018**	2017
Net income (loss)	**1,978**	(578)	**1,776**	1,194
add (deduct):				
Depreciation	**1,007**	896	**3,742**	3,759
Provision for income taxes	**81**	131	**81**	79
Finance cost	**30**	33	**136**	166
Finance and other income	**(73)**	(70)	**(300)**	(250)
Loss (gains) on disposal of property, plant & equipment	**28**	17	**(194)**	(159)
Unrealized foreign exchange loss (gains)	**(275)**	99	**(336)**	532
Other non-cash items	**58**	80	**168**	478
EBITDA as reported	**2,834**	608	**5,073**	5,799

EBITDA for the three months ended December 31, 2018 was $2,834,000 compared to $608,000 for the same period in the prior year. EBITDA for the twelve months ended December 31, 2018 was $5,073,000 compared with $5,779,000 for the same period in 2017. The primary reason for the decrease in EBITDA during twelve-month period ended December 31, 2018 was the higher unrealized foreign exchange gain in the amount of $336,000, compared with an unrealized foreign exchange loss of $532,000 during the same period in 2017. ESI's method of calculating EBITDA may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

Funds flow from Operations

Funds from operations is calculated as cash flow from operating activities, as presented in the consolidated statement of cash flow, prior to any increases or decreases in working capital. This is not a measure recognized under GAAP. Management believes funds flow is a useful measure as it provides an indication of the funds generated by the Company's principal business and eliminates the impact of seasonal fluctuations and lack of comparability between periods of non-cash working capital balances, which consist primarily of highly liquid balances. However, this financial measure should not be construed as an alternative measure to cash flows from operating activities determined in accordance with GAAP. ESI's method of calculating funds from operations may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

The following is a reconciliation of cash flows from operating activities to funds flow from operations.

(CAD thousands)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	**2018**	2017
Funds flow from operations	**2,796**	514	**5,156**	5,804
add (deduct):				
Changes in non-cash working capital	**22**	80	**(2,804)**	566
Cash flow from (used in) operating activities	**2,818**	594	**2,352**	6,370
Funds flow per share	**0.05**	0.01	**0.10**	0.13

The changes in funds flow reflect the changes in gross margin discussed above.

Forward-Looking Statements

From time to time, ESI makes forward-looking statements. These statements include, but are not limited to, comments regarding ESI's objectives and strategies, financial condition, results of operations, the outlook for the industry and risk management.

By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that the predictions and other forward-looking statements will not be realized. Readers of this MD&A are cautioned not to place undue reliance on these statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by factors such as: the level of pipeline construction carried on by ESI's customers, world crude oil prices and North American natural gas prices, weather, access to capital markets, and government policies. We caution that the foregoing list of factors is not exhaustive, and that investors and others should carefully consider the foregoing factors as well as other uncertainties and events prior to making a decision to invest in ESI shares. Except as required by law, the Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by it or on its behalf.

Management's Responsibility for Financial Information

As at December 31, 2018, management evaluated, under the supervision of the President and Chief Executive Officer (the "CEO") and the Chief Financial Officer ("CFO"), the effectiveness of the Company's disclosure controls and procedures ("DC&P") as defined under National Instrument 51-109. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P was effective at December 31, 2018.

No changes were made to the Company's internal control over financial reporting ("ICFR") during the quarter ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

As in prior quarters, ESI's Audit Committee has reviewed this document, including the attached interim financial statements.

EXHIBIT "O"
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE RESULTING ISSUER

Pro forma **financial statement of financial position of the Resulting Issuer as at September 30, 2020.**

[See attached]

BATTERY MINERAL RESOURCES CORP.
(Formerly known as FUSION GOLD LTD.)
(Resulting Issuer)

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Expressed in Canadian Dollars)

September 30, 2020

BATTERY MINERAL RESOURCES CORP.
(Formerly known as Fusion Gold Ltd.)
(Resulting Issuer)
Notes to Unaudited Pro-Forma Consolidated Financial Statements

Unaudited Pro-Forma Consolidated Statement of Financial Position as at September 30, 2020

	Battery Mineral Resources Corp. September 30, 2020	Fusion Gold Ltd. September 30, 2020	Pro Forma Adjustments September 30, 2020	Note Ref.	Pro Forma Consolidated September 30, 2020
ASSETS					
Current assets					
Cash	$ 74,957	$ 93,859	$ (350,000)	3(a)	
			1,750,000	3(b)	
			5,069,594	3(e)	$ 6,638,410
Receivables	158,260	6,382	-		164,642
Prepaids	19,679	-	-		19,679
Total current assets	252,896	100,241	6,469,594		6,822,731
Non-current assets					
Equipment	95,828	-	-		95,828
Exploration advances	120,000	-	-		120,000
Exploration and evaluation assets	22,659,692	-	130,000	3(c)	
	-	-	585,000	3(d)	23,374,692
Assets included in disposal group classified as held for sale	33,891,717	-	(5,683,420)	3(e)	28,208,297
Total non-current assets	56,767,237	-	(4,968,420)		51,798,817
TOTAL ASSETS	$ 57,020,133	$ 100,241	$ 1,501,174		$ 58,621,548
LIABILITIES					
Current liabilities					
Trade and other payables	$ 603,706	$ 12,092	$		$ 615,798
Deferred revenue	-	-			-
Income taxes payable	183,000	-	-		183,000
Flow-through liability	-	-	22,059	3(b)	22,059
Total current liabilities	786,706	12,092	22,059		820,857
Non-current liabilities					
Liabilities included in disposal group classified as held for sale	5,190,000	-	-		5,190,000
TOTAL LIABILITIES	5,976,706	12,092	22,059		6,010,857
SHAREHOLDERS' EQUITY					
Share capital	35,239,267	320,477	(320,477)	3(a)	
	-	-	2,015,000	3(a)	
	-	-	1,750,000	3(b)	
	-	-	(22,059)	3(b)	
	-	-	130,000	3(c)	
	-	-	585,000	3(d)	39,697,208
Contingently issuable shares	11,250,000	-	-		11,250,000
Contributed surplus	10,000,000	-	-		10,000,000
Subscriptions receivable	-	-	-		-
Reserves	-	21,891	(21,891)	3(a)	
	-	-	39,400	3(a)	39,400
Cumulative translation adjustment on Assets included in disposal group	(197,099)	-	-		(197,099)
Non-controlling interest on Assets included in disposal group	3,099,785	-	(613,826)	3(e)	2,485,959
Deficit	(8,348,526)	(254,219)	254,219	3(a)	
	-	-	(2,316,251)	3(a)	(10,664,777)
TOTAL SHAREHOLDERS' EQUITY	51,043,427	88,149	1,479,115		52,610,691
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 57,020,133	$ 100,241	$ 1,501,174		$ 58,621,548

The accompanying notes are integral part of these pro-forma consolidated financial statements.

Unaudited Pro-Forma Consolidated Statement of Loss and Comprehensive Loss for the nine months ended September 30, 2020

	Battery Mineral Resources Corp.	Fusion Gold Ltd.	Pro Forma Adjustments	Note Ref.	Pro Forma Consolidated
EXPENSES					
Consulting fees	$ 7,458	-	-		$ 7,458
Depreciation of equipment	8,616	-	-		8,616
Director fees	72,257	-	-		72,257
Foreign exchange gain	23,193	-	-		23,193
General and administration	82,736	27,700	-		110,436
Listing and filing fees	-	7,300	-		7,300
Management fees	360,903	-	-		360,903
Operating and maintenance	-	-	-		-
Professional fees	596,575	102,941	-		699,516
Property examination costs	150,706	-	-		150,706
Selling and administrative	-	-	-		-
Total expenses	1,302,444	137,941	-		1,440,385
Loss from operations	(1,302,444)	(137,941)	-		(1,440,385)
Impairment of exploration and evaluation assets	(2,393,158)	-	-		(2,393,158)
Recognition of flow-through premium	549,564	-	-		549,564
Listing expense	-	-	(2,316,251)	3(a)	(2,316,251)
Loss before discontinued operations	(3,146,038)	(137,941)	(2,316,251)		(5,600,230)
Discontinued operation income	401,611	-	-		401,611
Attributable to non-controlling interest	48,626	-	-		48,626
Discontinued operations for the period	450,237	-	-	-	450,237
Loss and comprehensive loss for the period	(2,695,801)	(137,941)	(2,316,251)	-	(5,149,993)
Basic and diluted income per ordinary share					$ (0.04)
Basic and diluted weighted average number of ordinary shares outstanding					137,338,965

The accompanying notes are integral part of these pro-forma consolidated financial statements.

Unaudited Pro-Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2019

	Period from November 26 to December 31, Battery Mineral Resources Corp.	Fusion Gold Ltd.	Pro Forma Adjustments	Note Ref.	Pro Forma Consolidated
REVENUE					
Sales	$ -	$ -	$ -		$ -
EXPENSES					
Consulting fees	1,755	-	-		1,755
Cost of purchases	-		-		-
Depreciation of equipment	912	-	-		912
Director fees	4,846	-	-		4,846
Foreign exchange gain	15,115	-	-		15,115
General and administration	9,966	37,630	-		47,596
Listing and filing fees	-	11,294	-		11,294
Management fees	39,650	-	-		39,650
Operating and maintenance	-		-		-
Professional fees	133,203	132,514	-		265,717
Property examination costs	-	-	-		-
Selling and administrative	-	-	-		-
Total expenses	205,447	181,438	-		386,885
Loss from operations	(205,447)	(181,438)	-		(386,885)
Impairment of exploration and evaluation assets	(46,072)	-			(46,072)
Impairment of intangible asset	-	-	-		-
Finance and other income	-	-	-		-
Finance and other costs	-	-	-		-
Foreign exchange gain (loss)	-	-	-		-
Gain on disposal of property and equipment	-	-	-		-
Other income	-	150,000	-		150,000
Recognition of flow-through premium	-	-	-		-
Listing expense	-	-	(2,192,426)	3(a)	(2,192,426)
Loss before discontinued operations	(251,519)	(31,438)	(2,192,426)		(2,475,383)
Discontinued operation income	1,678,744	-	-		1,678,744
Attributable to non-controlling interest	203,256	-	-		203,256
Discontinued operations for the period	1,882,000	-	-		1,882,000
Loss and comprehensive loss for the period	1,630,481	(31,438)	(2,192,426)		(593,383)
Basic and diluted loss per ordinary share					$ (0.00)
Basic and diluted weighted average number of ordinary shares outstanding					137,338,965

The accompanying notes are integral part of these pro-forma consolidated financial statements.

1. Basis of Presentation

The accompanying unaudited pro-forma consolidated financial statements of Battery Mineral Resources Corp. ("BMR" or the "Company") have been prepared by management in connection with the proposed transactions between BMR, a private mineral exploration company, Fusion Gold Ltd. ("Fusion"), a capital pool company listed on the TSX Venture Exchange ("TSXV"). Pursuant to the transaction agreement between BMR and Fusion, BMR will complete a three-cornered amalgamation with Fusion and its subsidiary company, resulting in a reverse takeover transaction ("RTO") of Fusion by BMR. Accordingly, the ongoing financial statements will be those of BMR and the consolidated entities (the "Resulting Issuer").

The unaudited pro-forma consolidated financial statements to which these notes relate have been prepared for inclusion in the filing statement of BMR dated February 5, 2021 (the "Filing Statement") to be filed by BMR in conjunction with the Transaction (as defined herein). All capitalized terms used but not defined herein have the meaning ascribed thereto in the Filing Statement.

It is management's opinion that the unaudited pro-forma consolidated financial statement include all adjustments necessary for the fair presentation, in all material respects, of the transactions described in notes 2, 3 and 4 in accordance with IFRS, applied on a basis consistent with BMR's accounting policies, except as otherwise noted. The unaudited pro-forma consolidated financial statements are not necessarily indicative of the financial position that would have resulted if the Transaction had occurred on September 30, 2020.

Upon completion of the Transaction, the Resulting Issuer is expected to have 135,476,856 common shares (Note 4) issued and outstanding.

The unaudited pro-forma consolidated financial statements of the Resulting Issuer have been compiled from (a) the unaudited condensed interim consolidated financial statements of BMR as at September 30, 2020 (which includes the assets of ESI on a consolidated basis), (b) the unaudited condensed interim consolidated financial statements of Fusion as at September 30, 2020, (c) the audited consolidated financial statements of BMR for the period ended December 31, 2019, (d) the audited consolidated financial statements of Fusion for the year ended December 31, 2019, and (e) additional information set out in Note 2 and 3 hereof.

The unaudited pro-forma consolidated Statement of Financial Position has been prepared as if the Transaction described in Note 2 hereof had occurred on September 30, 2020, and represents the related assets and liabilities included in the September 30, 2020 unaudited condensed interim consolidated financial statements of BMR and Fusion together with subsequent material adjustments. The unaudited pro-forma consolidated Statements of Loss and Comprehensive Loss have been prepared as if the Transaction described in Note 2 hereof had occurred on January 1, 2019.

The unaudited pro-forma consolidated financial statements have been compiled using the significant accounting policies as set out in BMR's annual consolidated financial statements for the period ended December 31, 2019, and those accounting policies expected to be adopted by the Resulting Issuer.

Actual amounts recorded upon approval of the Transaction will differ from those recorded in the unaudited pro-forma consolidated financial statements of BMR. Completion of the Transaction is subject to a number of conditions, including, but not limited to, final approval of the TSXV.

These unaudited pro-forma consolidated financial statements are expressed in Canadian dollars.

2. The Transaction

Amalgamation with Fusion

On December 23, 2019, Fusion entered into a definitive amalgamation agreement with BMR, 1234525 B.C. Ltd., a newly incorporated wholly owned subsidiary of Fusion, and Weston Energy LLC ("Weston"). This agreement was amended on March 25, 2020, May 14, 2020, August 31, 2020, December 29, 2020 and a further time on January 31, 2021; together the definitive amalgamation agreement and the amendments are referred to hereinafter as the "New Definitive Agreement".

The New Definitive Agreement (i) extends the time for completion of the Transaction from August 31, 2020 to March 1, 2021 and (ii) increases the expense reimbursement fee from $250,000 to $350,000 (payable by Battery to Fusion in the event the Transaction is not completed by December 31, 2020 for any reason other than as a result of the failure of Fusion to fulfil a material condition or obligation under the Definitive Agreement).

Pursuant to the New Definitive Agreement, Fusion will acquire all of the issued and outstanding securities of BMR, by way a three cornered amalgamation under the British Columbia Business Corporations Act pursuant to which BMR and Fusion Subco will amalgamate, shareholders of BMR will exchange their shares of BMR for shares of Fusion on a one-for-one basis on a post-consolidation basis (as defined below) and BMR will become a wholly-owned subsidiary of Fusion (together with the related transactions and corporate procedures set out in the New Definitive Agreement, the "Transaction").

In connection with the Transaction, Fusion intends to consolidate its common shares on a 2:1 basis (the "Consolidation"). In addition, on closing of the Transaction, Fusion will change its name to "Battery Mineral Resources Inc." or such other similar name as BMR may direct and which is acceptable to the TSXV and other applicable regulatory authorities. Fusion and BMR anticipate that, on closing of the Transaction, the Resulting Issuer will meet the TSXV's initial listing requirements for a Tier 1 or Tier 2 mining issuer.

Completion of the Transaction is subject to the satisfaction of certain conditions set forth in the New Definitive Agreement, including but not limited to: (i) receipt of all requisite regulatory approvals, orders, notices and consents to implement the Transaction including those of the TSXV; (ii) no material change occurring to the business of any of the parties; (iii) completion of the Concurrent Financing (as defined below); (iv) approval, by special resolution, of the shareholders of BMR (v) Fusion having affected the name change referred to above and the share consolidation; (vi) the satisfaction of obligations under the New Definitive Agreement relating to each of the parties; (vii) the delivery by each of the parties of customary closing documents; and (viii) completion of the Transaction on or before March 1, 2021.

In connection with the Transaction, BMR proposes to complete a "best efforts" private placement of: (i) flow-through common shares of BMR at a price of $0.68 per share; and (ii) common shares of BMR at a price of $0.65 per share, to raise aggregate gross proceeds of $1,750,000. Shares issued under the private placement shall be immediately exchanged for one post-consolidation common share of Fusion upon closing of the Transaction (together, the "Concurrent Financing").

3. Pro-Forma Assumptions and Adjustments

The unaudited pro-forma consolidated financial statements reflect the following assumptions and adjustments:

a) As consideration to acquire 100% of the shares of BMR, Fusion will issue 128,618,485 post-consolidation common shares. Pursuant to the Transaction, existing Fusion shareholders will retain 3,100,000 post-consolidation common shares valued at $2,015,000. Existing Fusion shareholders will also retain 75,000 post-consolidation options valued at $39,400 using the Black-Scholes option pricing model.

The Transaction will be considered to be an RTO by BMR of Fusion. Fusion does not meet the definition of a business under IFRS 3.

Transaction costs associated with the Transaction are estimated to be $350,000 which comprises accounting and legal fees, listing fees, consulting fees and all other fees related to closing.

As a result of the Transaction, Fusion share capital, reserves and deficit will be eliminated.

The preliminary allocation of the estimated cost of acquisition as if the Transaction took place on September 30, 2020, subject to change, is summarized as follows:

Cost of acquisition:		
Fair value of post-consolidation common shares retained by Fusion shareholders – 3,100,000 at $0.65	$	2,015,000
Fair value of Fusion stock options		39,400
Transaction costs		350,000
Total consideration	**$**	**2,404,400**
Allocated as follows:		
Cash	$	93,859
Receivables		6,382
Trade and other payables		(12,092)
	$	88,149
Allocation to listing expense		2,316,251
	$	**2,404,400**

Should the transaction have taken place on January 1, 2019, the allocation to listing expense would have been $2,192,426.

The final determination of the cost of acquisition and the related allocation of the fair value of Fusion's net assets will ultimately be determined after the closing of the Transaction. It is likely that the final determination of the consideration transferred and the related allocation of the fair value of the assets acquired and liabilities assumed will vary from the amounts presented in this unaudited pro forma consolidated financial information and that those differences may be material.

3. Pro-Forma Assumptions and Adjustments (Cont'd.)

b) Concurrent to the Transaction, BMR will close a financing consisting of flow-through and non flow-through shares as follows: 735,294 flow-through shares to be issued at an issuance price of $0.68 per flow-through share for proceeds of $500,000 and 1,923,077 non flow-through shares in BMR at an issuance price of $0.65 per share for proceeds of $1,250,000. Gross proceeds raised through the financing equal $1,750,000. $22,059 has been allocated as a flow through liability.

c) To record the value of the 200,000 shares valued at $130,000 issued for mineral claims at $0.65 per share subsequent to the period ended September 30, 2020 but prior to the completion of the Transaction.

d) To record the value of up to 900,000 additional shares to be issued for historical Cobalt district property payments for $585,000 subsequent to the period ended September 30, 2020 but prior to the completion of the Transaction.

e) To recognise a $5,683,420 special dividend from ESI of which the Company received $5,069,594 on December 21, 2020. The remaining balance of $613,826 was issued to the non-controlling interest group of ESI.

4. Pro-Forma Share Capital

After giving effect to the pro-forma adjustments and assumptions in Note 3, and assuming there are no further issuances under the Concurrent Financing following the date hereof, the issued and fully paid share capital of the Company would be as follows:

	Notes	*Number of shares*	*Share Capital*	*Contributed surplus*	*Reserves*	*Contingently issuable shares*	*Deficit*	*Total*	*Non-controlling interest and Cumulative translation adjustment*	*Total Equity*
			$	$	$	$	$	$	$	**$**
Authorized										
Unlimited common shares without par value										
Issued										
Beginning balance - BMR share cap		-	35,239,267	10,000,000	-	11,250,000	(8,348,526)	48,140,741	3,099,785	51,240,526
Beginning balance - BMR Cumulative translation adjustment on Assets included in disposal group		-	-	-	-	-	-	-	(197,099)	(197,099)
Equity of Fusion as at September 30, 2020		6,200,000	320,477	-	21,891	-	(254,219)	88,149	-	88,149
Consolidation of shares 2:1	2	(3,100,000)	-	-	-	-	-	-	-	-
Elimination of pre-acquisition Fusion equity	3(a)	-	(320,477)	-	(21,891)	-	254,219	(88,149)	-	(88,149)
Equity issued per reverse takeover of BMR	3(a)	128,618,485	2,015,000	-	-	-	(2,316,251)	(301,251)	-	(301,251)
Value of Fusion options	3(a)	-	-	-	39,400	-	-	39,400	-	39,400
Common shares issued for cash concurrent to the Transaction	3(b)	1,923,077	1,250,000	-	-	-	-	1,250,000	-	1,250,000
Flow-through shares issued for cash concurrent to the Transaction	3(b)	735,294	500,000	-	-	-	-	500,000	-	500,000
Flow-through liability	3(b)	-	(22,059)	-	-	-	-	(22,059)	-	(22,059)
Shares issued for E&E	3(c)	200,000	130,000	-	-	-	-	130,000	-	130,000
Shares issued for property payments	3(d)	900,000	585,000	-	-	-	-	585,000	-	585,000
Special dividend issued by ESI to non-controlling interest	3(e)	-	-	-	-	-	-	-	(613,826)	(613,826)
Balance – September 30, 2020		**135,476,856**	**39,697,208**	**10,000,000**	**39,400**	**11,250,000**	**(10,664,777)**	**50,321,830**	**2,288,860**	**52,610,691**

5. Effective Tax Rate

The pro-forma effective income tax rate applicable to the consolidated operations subsequent to the completion of the Transaction is 30%.

EXHIBIT "P"
CERTIFICATE OF BATTERY MINERAL RESOURCES CORP.

Dated: February 5, 2021

The foregoing as it relates to Battery Mineral Resources Corp. constitutes full, true and plain disclosure of all material facts relating to the securities of Battery Mineral Resources Corp.

"Lazaros Nikeas"	*"Jack Cartmel"*
Lazaros Nikeas Chief Executive Officer	Jack Cartmel Chief Financial Officer

ON BEHALF OF THE BOARD

"*Stephen Dunmead*"	*"John Kiernan"*
Stephen Dunmead Director	John Kiernan Director

EXHIBIT "Q"
CERTIFICATE OF FUSION GOLD LTD.

Dated: February 5, 2021

The foregoing as it relates to Fusion Gold Ltd. constitutes full, true and plain disclosure of all material facts relating to the securities of Fusion Gold Ltd.

"January Vandale"	*"Victoria McMillan"*
January Vandale Chief Executive Officer	Victoria McMillan Chief Financial Officer

ON BEHALF OF THE BOARD

"*January Vandale*"	"*David De Witt*"
January Vandale Director	David De Witt Director