

Consolidated Financial Statements of

First Vanadium Corp. *(formerly Cornerstone Metals Inc.)*

For the years ended November 30, 2018 and 2017

(Expressed in Canadian dollars)

P | 604.683.3277
F | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE
355 BURNARD STREET
BOX 243
VANCOUVER, BC V7X 3M9



charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of First Vanadium Corp. (formerly Cornerstone Metals Inc.)

We have audited the accompanying consolidated financial statements of First Vanadium Corp. (formerly Cornerstone Metals Inc.), which comprise the consolidated statements of financial position as at November 30, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Vanadium Corp. (formerly Cornerstone Metals Inc.) as at November 30, 2018 and 2017, and its consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

"Charlton & Company"
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
March 28, 2019

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Consolidated Statements of Financial Position
As at November 30, 2018 and 2017
(Expressed in Canadian dollars)

	Note	2018	2017
		\$	\$
ASSETS			
Current			
Cash		2,389,327	784,583
GST and other receivables		20,106	3,566
Marketable securities		-	1,530
Prepaid expenses		203,360	35,196
		2,612,793	824,875
Deposit		10,954	-
Reclamation bonds	6	24,371	23,893
Mineral properties	6 & Sch. 1	5,203,429	631,430
		7,851,547	1,480,198
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	448,671	81,393
SHAREHOLDERS' EQUITY			
Share capital	7	13,464,009	7,393,636
Shares to be issued	6	1,222,000	-
Contributed surplus	7	3,878,721	1,932,308
Accumulated other comprehensive loss		-	(680)
Deficit		(11,161,854)	(7,926,459)
		7,402,876	1,398,805
		7,851,547	1,480,198

Subsequent events (Note 6, 7 and 16)

Approved on behalf of the Board:

“Fred Sveinson”
Director – Fred Sveinson

“Paul S. Cowley”
Director – Paul S. Cowley

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

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

	Note	2018	2017
		\$	\$
Audit, accounting and legal	9	146,075	65,010
Consulting fees	9	795,117	109,977
Directors fees	9	40,309	-
Foreign exchange loss		10,708	-
Investor relations and marketing		318,970	119,667
Office expenses		63,078	4,717
Stock based compensation	7 & 9	1,608,325	257,844
Transfer agent and filing fees		75,743	30,470
Travel and accommodation		44,777	6,559
		(3,103,102)	(594,244)
Impairment on mineral properties	6 & Sch. 1	(130,083)	-
Loss on marketable securities		(2,210)	-
Net loss		(3,235,395)	(594,244)
Other comprehensive income			
Marketable securities		680	170
Comprehensive loss for the year		(3,234,715)	(594,074)
Basic and diluted loss per common share		(0.12)	(0.05)
Weighted average number of common shares outstanding		27,893,668	12,447,526

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

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Consolidated Statements of Cash Flows
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
	\$	\$
Cash flows provided by (used in):		
Operating activities		
Net loss for the year	(3,235,395)	(594,244)
Common shares issued for consulting fees	162,000	41,000
Share-based compensation	1,608,325	257,844
Impairment on mineral properties	130,083	-
Loss on marketable securities	2,210	-
	(1,332,777)	(295,400)
Net changes in non-cash working capital items:		
GST and other receivables	(16,540)	(2,956)
Prepaid expenses	(168,164)	(35,196)
Accounts payable and accrued liabilities	190,269	1,791
	(1,327,212)	(331,761)
Investing activity		
Deposit paid	(10,954)	-
Mineral property deferred exploration expenditures	(1,683,551)	(117,409)
	(1,694,505)	(117,409)
Financing activities		
Proceeds from private placement	3,000,000	1,100,020
Proceeds from exercise of options	126,500	-
Proceeds from exercise of warrants	1,575,323	1,125
Share issuance costs	(75,362)	(27,548)
	4,626,461	1,073,597
Increase in cash during the year	1,604,744	624,427
Cash, beginning of year	784,583	160,156
Cash, end of year	2,389,327	784,583

Supplemental disclosure with respect to cash flows (Note 14)

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

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Consolidated Statements of Changes in Equity
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

	Common shares number	Share Capital \$	Contributed surplus \$	Shares to be issued \$	Deficit \$	AOI \$	Total \$
Balance – November 30, 2016	11,441,597	6,389,039	1,154,464	-	(7,332,215)	(850)	210,438
Shares issued for cash:							
pursuant to private placement	7,857,284	580,020	520,000	-	-	-	1,100,020
pursuant to exercise of warrants	11,250	1,125	-	-	-	-	1,125
Shares issued for mineral property	1,000,000	410,000	-	-	-	-	410,000
Shares issued for consulting	100,000	41,000	-	-	-	-	41,000
Share issuance costs – cash	-	(27,548)	-	-	-	-	(27,548)
Share-based compensation	-	-	257,844	-	-	-	257,844
Net loss and comprehensive loss	-	-	-	-	(594,244)	170	(594,074)
Balance – November 30, 2017	20,410,131	7,393,636	1,932,308	-	(7,926,459)	(680)	1,398,805
Shares issued for:							
cash pursuant to private placement	10,000,000	2,025,000	975,000	-	-	-	3,000,000
cash pursuant to exercise of warrants	5,265,784	2,114,910	(539,587)	-	-	-	1,575,323
cash pursuant to exercise of options	690,000	223,825	(97,325)	-	-	-	126,500
Shares issued for mineral property	1,000,000	1,620,000	-	1,222,000	-	-	2,842,000
Shares issued for consulting	100,000	162,000	-	-	-	-	162,000
Share issuance costs – cash	-	(75,362)	-	-	-	-	(75,362)
Share-based compensation	-	-	1,608,325	-	-	-	1,608,325
Net loss and comprehensive loss	-	-	-	-	(3,235,395)	680	(3,234,715)
Balance – November 30, 2018	37,465,915	13,464,009	3,878,721	1,222,000	(11,161,854)	-	7,402,876

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

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

First Vanadium Corp. (formerly Cornerstone Metals Inc.) (“the Company” or “First Vanadium”) is in the business of the acquisition, exploration and evaluation of mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. On September 20, 2018, the Company changed its name from Cornerstone Metals Inc. to First Vanadium Corp. The Company has an interest in properties located in Arizona and Nevada, USA. The Company’s corporate head office is located at 2200 - 1055 Dunsmuir Street, Four Bentall Centre, Vancouver, British Columbia, Canada.

2. BASIS OF PRESENTATION

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”) with interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements were approved by the board of directors on March 28, 2019.

Basis of presentation

The consolidated annual financial statements have been prepared on a historical cost basis.

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Appleton Nevada Exploration, Inc., Appleton Chile Exploration Limitada and Copper One USA Inc. (“CO USA”). The results of Appleton Nevada Exploration Inc., Appleton Chile Exploration Limitada and CO USA 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.

Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

Foreign currencies

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements. These consolidated financial statements are presented in Canadian dollars. The Canadian dollar is considered the functional currency and the presentation currency of the Company and all of its subsidiaries.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of operations.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments held in the form of guaranteed investment certificates that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

Mineral properties

The Company records its interests in mineral properties at cost less option payments received and other recoveries. Exploration and development costs relating to these interests are capitalized until the properties to which they relate are placed into production, sold or allowed to lapse. Acquisition costs and deferred exploration and development costs will be amortized over the useful life of the mine following attainment of commercial production or will be written off if the property or project is abandoned.

Exploration costs that are not attributable to a specific property are charged to operations as general exploration expense. Exploration costs incurred prior to the Company acquiring the legal rights to a property are charged to operations as general exploration expense.

The Company is in the process of developing its mineral properties. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration and development results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values. The ultimate recovery of such capitalized costs is dependent upon the development of economic ore reserves or the sale of mineral rights.

Equipment

The Company records its acquisition of equipment at cost. Amortization is charged to operations on a declining basis at the following annual rates: equipment – 20%, computer hardware – 30%, and software – 100%.

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning and restoration provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties. Provisions for site closure and restoration are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. As at November 30, 2018, the Company had not recognized any decommissioning liabilities.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related mineral property. These costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of production method.

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

The obligation is accreted over time for the change in their present value, with this accretion charge recognized as a finance expense in profit or loss. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in profit or loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and restoration costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and restoration obligations becomes available.

Financial assets

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables or held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive loss except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

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

Financial liabilities

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

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized in the statement of loss and comprehensive loss.

De-recognition of financial assets and liabilities

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in profit or loss.

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

Broker warrants and warrants

Warrants issued to agents or brokers in connection with a financing are recorded at fair value using the Black-Scholes option pricing model and charged to issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are recorded at fair value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed to the shares issued in the units.

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 contributed surplus.

Share-based payments

The Company has established a stock option plan for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates.

The fair value of all stock options granted is recorded as a charge to operations or deferred exploration costs and a credit to contributed surplus under the graded attribution method. The fair value, as adjusted for the expected level of vesting of the options and of stock options which vest immediately is recorded at the date of grant; the fair value, as adjusted for the expected level of vesting of the options and of options which vest in the future is recognized over the vesting period. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to consultants is recognized as share-based payment expense from the date of grant to the reporting date and credited to contributed surplus.

Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes option pricing model.

Income tax

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

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable incomes will be available against which the asset can be utilized.

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted loss per share represents the loss for the year, divided by the weighted average number of common shares outstanding during the year plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive. During the years ended November 30, 2018 and 2017, potentially dilutive common shares totaling 10,571,500 (2017 – 9,502,284) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued up to the date of issuance of the Company's financial statements and applicable to the Company, but were not effective during the year ended November 30, 2018, are disclosed below. The Company intends to adopt these standards when they become effective

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 for the Company will be annual periods beginning on December 1, 2018. The adoption of this standard is not expected to have a material measurement or disclosure impact on the Company's financial statements.

IFRS 16 Leases

In January 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning after January 1, 2019 and interim periods thereafter.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Judgments

- The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.
- The assessment of indicators of impairment for the mineral properties and the related determination of the recoverable amount and write-down of the properties where applicable.
- The determination of functional currency.

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

Estimates

- The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they were granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, and dividend yield and making assumptions about them.

6. MINERAL PROPERTIES – Schedule 1

Carlin Vanadium Property

On September 22, 2017 the Company signed an assignment agreement with AGEI. Pursuant to the assignment agreement, AGEI assigned to the Company all of AGEI's interest in an option agreement between AGEI and Golden Predator US Holding Corp. ("GPUS") dated June 14, 2017 as amended September 12, 2017. The option agreement grants to First Vanadium the option to acquire a 100% interest in the Carlin Vanadium Project (the "Property").

The total consideration applicable to First Vanadium's acquisition of the Property under both the assignment agreement and the option agreement, is set out below on a yearly basis:

	Cash	Common shares	Exploration or Other Work Commitments
Year 1	US\$50,000 to AGEI (<i>paid</i>) US\$25,000 to GPUS (<i>paid</i>)	1,000,000 shares to AGEI (<i>issued at a value of \$410,000</i>)	US\$50,000 expenditures on Property (<i>completed</i>)
Year 2	US\$50,000 to GPUS	1,000,000 shares to AGEI (<i>issued at a value of \$1,620,000</i>)	US\$125,000 expenditures on Property (<i>completed</i>)
Year 3	-	-	US\$225,000 expenditures on Property (<i>completed</i>)
Year 4	US\$1,910,000 to GPUS ⁽¹⁾	-	US\$250,000 expenditures on Property ⁽²⁾ First Vanadium to complete a PEA
Ongoing	US\$250,000/year to AGEI commencing after PEA published (as advance royalty payment or advancement against royalty buy-back payment)	-	US\$250,000 expenditures on Property in Year 5 ⁽²⁾ US\$122,000 expenditures on the Property in Year 6 ⁽¹⁾

Notes:

⁽¹⁾ Total cash payments aggregating US\$2M may be paid to GPUS at any time after Year 3, the payment of which will complete the option exercise requirements, at which time First Vanadium would then be deemed to have exercised the option and to have acquired a 100% interest in the Property (and any requirements to incur further expenditures would then terminate).

⁽²⁾ If aggregate cash payments of US\$2M (see Note 1 above) have not been paid prior to such date.

At such time as First Vanadium has exercised the option in full and acquired a 100% interest in the Property, a 1.5% NSR will be granted to AGEI under the assignment agreement and a 2% NSR will be granted to GPUS under the option agreement. On November 23, 2018, the Company purchased the 1.5% NSR for 1,300,000 common shares (valued at \$1,222,000). The common shares were issued subsequent to November 30, 2018.

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

The GPUS 2% NSR may be purchased by the Company at the time of the option exercise for US\$4 million.

A finder's fee of US\$5,000 and 100,000 common shares (valued at \$41,000) of the Company was also paid and issued in relation to this transaction during the year ended November 30, 2017. During the year ended November 30, 2018, the Company issued an additional 100,000 common shares (valued at \$162,000) in relation to the finder's fee.

The Company has paid \$15,371 (US\$11,556) (November 30, 2017 - \$Nil) into a reclamation bond for the Carlin Vanadium Property.

West Jerome, USA

On August 22, 2013, the Company acquired all of the issued and outstanding shares of CO USA. The acquisition included an undivided 100% interest in West Jerome located in Arizona. The property is subject to a 1.5% NSR to one party and a 0.5% NSR to another party. As there is no further planned expenditures for exploration of the West Jerome property, the costs of \$130,083 that had been previously capitalized were written off. (refer to Schedule 1)

Other

As at November 30, 2018, the Company holds a total of \$9,000 (November 30, 2017 - \$9,000) in reclamation bonds related to its previously held Spences Bridge prospect.

7. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value

b) Financing:

On March 27, 2018 the Company closed a private placement of 10,000,000 units at a price of \$0.30 per unit for gross proceeds of \$3,000,000. Each unit consists of one common share and one half share purchase warrant, each warrant entitling the holder to purchase one common share at \$0.45 for two years from closing date. The warrants are subject to an acceleration clause should the common shares trade at a price of \$0.70 or greater for 10 consecutive trading days. The value of \$975,000 attributed to the warrants was estimated using the Black-Scholes pricing model with the following assumptions: share price - \$0.42; exercise price - \$0.45; risk-free rate - 1.00%; expected life - 2.0 years; expected volatility - 145%; and expected dividends - nil. Additionally, in connection with the private placement, the Company incurred \$75,362 in cash share issuance costs.

During the year ended November 30, 2018, a total of 690,000 options with a weighted average exercise price of \$0.18 per share were exercised for gross proceeds of \$126,500, and a total of 5,265,784 warrants with a weighted average exercise price of \$0.30 per share were exercised for gross proceeds of \$1,575,323.

On October 18, 2017, the Company closed a non-brokered private placement of 7,857,284 units at a price of \$0.14 per unit for gross proceeds of \$1,100,020. Each unit is comprised of one share and one warrant. Each warrant consists of one common share exercisable at a price of \$0.24 per share for a period of three years. A value of \$520,000 has been attributed to the warrants using the Black-Scholes option pricing model. The assumptions used in the Black Scholes option pricing model are as follows: risk-free interest rate - 1.00%; expected life - 3.0 years; expected volatility - 201% and expected dividends - nil. In connection with the private placement, the Company incurred cash share issuance costs of \$27,548.

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

c) Options:

The balance of options outstanding and related information for the years ended November 30, 2018 and 2017 are as follows:

	Options Outstanding	Weighted Average Exercise Price Per Share	Weighted Average Life (Years)
Balance, November 30, 2016	935,000	\$0.12	3.79
Granted	895,000	\$0.30	
Expired	(185,000)	\$0.24	
Balance, November 30, 2017	1,645,000	\$0.21	4.43
Exercised	(690,000)	\$0.18	
Expired	(270,000)	\$0.73	
Granted	2,295,000	\$0.78	
Balance, November 30, 2018	2,980,000	\$0.60	4.17

During the year ended November 30, 2018, the Company granted 2,295,000 stock options of which 2,135,000 stock options vested immediately upon issuance. The remainder 160,000 stock options were vested quarterly. The estimated fair value per option of the share options granted during the year was \$0.70. The fair value of the options was estimated on the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions: Dividend yield – nil; volatility – 160%; risk-free interest rate – 2%; expected life of options (years) – 4.5 years; forfeiture rate – nil.

Subsequent to November 30, 2018, the Company issued a total of 485,000 options to external consultants of the Company as follows: 410,000 options with an exercise price of \$0.60 and expiry date of March 18, 2024 and 75,000 options with an exercise price of \$0.75 and expiry date of January 18, 2024.

During the year ended November 30, 2017, the Company granted 895,000 stock options. The options vested immediately upon issuance. The estimated fair value per option of the share options granted during the year was \$0.29. The fair value of the options was estimated on the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions: Dividend yield – nil; volatility – 154%; risk-free interest rate – 1%; expected life of options (years) – 5 years; forfeiture rate – nil.

As at November 30, 2018, the Company had the following options outstanding:

Expiry Date	Exercise Price	Remaining life (Years)	Options outstanding and exercisable
October 11, 2021	\$0.10	2.87	350,000
October 25, 2022	\$0.30	3.90	495,000
November 9, 2022	\$0.31	3.95	200,000
January 22, 2023	\$0.30	4.15	10,000
April 6, 2018	\$0.56	4.35	1,225,000
June 12, 2023	\$0.98	4.53	175,000
July 30, 2023	\$1.11	4.67	150,000
October 23, 2023	\$1.43	4.90	175,000
October 30, 2023	\$1.40	4.92	200,000
			2,980,000

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

d) Warrants:

The balance of warrants outstanding and related information for the years ended November 30, 2018 and 2017 are as follows:

	Warrants Outstanding	Weighted Average Exercise Price (per share)	Weighted Average Life (years)
Balance, November 30, 2016	3,237,500	\$0.10	0.35
Issued	7,857,284	\$0.24	
Exercised	(11,250)	\$0.10	
Expired	(3,226,250)	\$0.10	
Balance, November 30, 2017	7,857,284	\$0.24	2.64
Issued	5,000,000	\$0.45	
Exercised	(5,265,784)	\$0.30	
Balance, November 30, 2018	7,591,500	\$0.34	1.62

As at November 30, 2018, the Company had the following warrants outstanding:

Expiry Date	Exercise Price	Remaining life (Years)	warrants outstanding
March 27, 2020	\$0.45	1.32	3,516,500
October 18, 2020	\$0.24	1.88	4,075,000
			7,591,500

Subsequent to November 30, 2018 a total of 212,500 warrants were exercised at a weighted average exercise price of \$0.45.

8. INCOME TAXES

A reconciliation from the Company's income tax provision computed at statutory rates to the reported income tax provision for the years ended November 30, 2018 and 2017 is as follows:

	2018	2017
Statutory tax rate	27%	26%
	\$	\$
Loss for the year before income taxes	(3,235,395)	(594,244)
Expected income tax recovery	(896,000)	(155,000)
Financing costs	(6,000)	(2,000)
Unrealized foreign exchange gain	4,000	-
Other	393,000	74,000
Change in unrecognized deferred tax assets	505,000	83,000
Income tax expense (recovery)	-	-

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

The significant components of the Company's net deferred income tax assets and liabilities are as follows:

	November 30 2018	November 30 2017
	\$	\$
Deferred income tax assets		
Non-capital tax losses carried forward	1,729,000	1,299,000
Resource pools	817,000	756,000
Share issuance costs and others	25,000	10,000
Total unrecognized deferred income tax assets	2,571,000	2,065,000

Losses in Canada that reduce future income for tax purposes expire as follows:

	\$
2026 - 2030	1,851,000
2031 - 2035	1,235,000
2036 - 2038	1,893,000
	4,979,000

At November 30, 2018, the Company also has non-capital losses of approximately US\$960,000 (2017 – US\$925,000) that arose in the United States which will expire by 2028 to 2038. At November 30, 2018, in addition to the tax losses listed above, there are resource related expenditures of approximately \$3 million (2017 – \$3 million) which can be used to offset future Canadian income indefinitely. At November 30, 2018, management considers that it is not “more likely than not” that these losses will be utilized and accordingly a full valuation allowance has been recognized against these losses.

9. RELATED PARTY TRANSACTIONS

Compensation paid or payable to the directors, the Chief Executive Officer and the Chief Financial Officer for services provided during the year ended November 30, 2018 and 2017 was as follows:

	2018	2017
	\$	\$
Accounting fees	21,283	7,040
Consulting fees	399,720	61,400
Director fees	40,309	-
Stock-based compensation	543,523	177,816
	1,004,835	246,256

The Company incurred additional expenditures charged by related parties during the year ended November 30, 2018 and 2017 was as follows:

	2018	2017
	\$	\$
Consulting fees	16,580	-

As at November 30, 2018, accounts payable and accrued liabilities include an amount of \$221,654 (November 30, 2017 – \$17,850) due to officers of the Company and/or companies controlled by officers of the Company. Included in the consulting fees and accounts payable above, is \$160,795 related to bonus payments earned by officers and directors of the Company. The payment will be deferred until such time as the Company completes a transaction that increases treasury by \$1,000,000 - \$2,000,000.

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the TSX-V.

12. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, other receivables and accounts payable and accrued liabilities. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

Fair value is 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. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 – Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

As at November 30, 2018, the Company believes that the carrying values of cash, other receivables, and accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign Exchange Risk

As at November 30, 2018, the Company's current assets were held in US and Canadian dollars. A 5% change in the exchange rate would not result in a material change to the Company's current assets.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions. The maximum exposure

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

to credit risk is equal to the carrying value of the financial assets. The Company's cash and cash equivalents, aside from the nominal holdings in USA is held with a large Canadian bank. Other receivables consist of accrued interest receivable from a large Canadian bank. Management believes that the credit risk concentration with respect to accrued interest receivable is remote.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited as its interest bearing financial instrument is redeemable at any time.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Company holds shares of GBL acquired pursuant to mineral property option agreements.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of gold, silver and copper.

13. SEGMENTED INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management in assessing performance and in determining the allocation of resources. The Company considers the business from a geographic perspective and assesses the performance of the operating segments based on measures such as net property and equipment as well as operational results.

Operating Segment

The Company's operations are limited to a single industry segment, being the acquisition, exploration and development of mineral properties.

Geographic Segments

As at November 30, 2018, the Company's operations and assets are located in Canada and the USA. By geographic areas, the Company's losses for the year ended November 30, 2018 and 2017 are as follows:

	2018	2017
	\$	\$
Canada	3,060,806	590,464
USA	174,589	3,780
	3,235,395	594,244

By geographic areas, the Company's non-current assets as at August 31, 2018 and November 30, 2017 are as follows:

	2018	2017
	\$	\$
Canada	19,954	9,000
USA	5,218,800	646,323
	5,238,754	655,323

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the year ended November 30, 2018 there is \$190,426 (2017 - \$13,895) in accounts payable related to mineral property deferred exploration costs and \$nil (2017 - \$14,893) in accounts payable related to accrued reclamation bonds. In addition, there were common shares valued at \$2,842,000 (2017 - \$410,000) issued for the acquisition of a mineral property.

15. COMMITMENTS

The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations for the years ended November 30 indicated:

	2019	2020	2021	2022	2023	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	448,671	-	-	-	-	448,671
Consulting Agreement obligations	474,387	369,000	369,000	369,000	369,000	1,950,387
Mineral Property Agreement obligations ⁽¹⁾	152,962	33,253	2,573,744	166,263	33,253	2,959,475
Rent obligations	63,324	63,324	15,831	-	-	142,479
	1,139,344	465,577	2,958,575	535,263	402,253	6,113,130

⁽¹⁾ Mineral Property Agreement obligations include all option payments, mineral access, mineral lease, and expenditure obligations for the Company's mineral properties.

16. SUBSEQUENT EVENTS

The Company entered into an Access and Mineral Lease Agreement which increased mineral rights adjacent to the Carlin Vanadium property (referred to as the "Cole Creek Property"). Under the terms of the Access and Mineral Lease Agreement the Company has paid the lessor US\$5,000 on signing and is required to pay an additional US\$20,000 annually for the lease. The lessor also owns or has rights to certain lands containing roads which the Company wishes to use for access to the Cole Creek Property and the Carlin Vanadium property. The Access and Mineral Lease Agreement grants to the Company the right to access such lands and roads for a payment of US\$15,000 which was paid on signing and US\$5,000 annually which will terminate at the Company's start of development and mining operations. The Company has the right to terminate the lease portion of the agreement without termination the road access portion of the agreement.

First Vanadium Corp. (formerly Cornerstone Metals Inc.)
SCHEDULE 1
Consolidated Schedule of Mineral Properties
For the year ended November 30, 2018 and 2017
(Expressed in Canadian dollars)

	West Jerome	Carlin Vanadium	Total
	\$	\$	\$
Balance as at November 30, 2016	90,126	-	90,126
Acquisition costs	-	473,007	473,007
Deferred Exploration Expenditures			
Consultants	-	18,348	18,348
Mapping	-	5,839	5,839
Other	-	1,362	1,362
Permitting	19,496	-	19,496
Staking	-	10,013	10,013
Surveying	-	13,239	13,239
Balance as at November 30, 2017	109,622	521,808	631,430
Acquisition expenditures	-	2,874,183	2,874,183
Deferred Exploration Expenditures			
Assaying	-	60,554	60,554
Licenses, permits and fees	20,461	43,203	63,664
Consulting	-	520,490	520,490
Drilling	-	1,066,069	1,066,069
Surveying	-	70,281	70,281
Travel	-	46,841	46,841
Impairment	(130,083)	-	(130,083)
	(109,622)	4,681,621	4,571,999
Balance as at November 30, 2018	-	5,203,429	5,203,429