FIRST COBALT CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018
AND THE NINE MONTHS ENDED DECEMBER 31, 2017

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of First Cobalt Corp.:

Opinion

We have audited the consolidated financial statements of First Cobalt Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2018 and the 9 months ended December 31, 2017, 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, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and the 9 months ended December 31, 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits 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 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $26,822,069 during the year ended December 31, 2018 and, as of that date, the Company's deficit is $39,583,605. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, may indicate that a material uncertainty exists that casts 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 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 audits 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 audits 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 on this other information, 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 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.

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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Joseph J. Chirkoff.

MNP LLP

Vancouver, British Columbia

March 27, 2019

Chartered Professional Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 and 2017

(expressed in Canadian Dollars)	**December 31, 2018**	**December 31, 2017**
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,262,121	$ 29,817,031
Restricted cash (Note 5)	11,500	-
Prepaid expenses and deposits (Note 7)	236,796	708,966
Receivables (Note 6)	1,718,469	718,106
	5,228,886	31,244,103
Non-Current Assets		
Exploration and evaluation assets (Note 9)	193,898,645	105,858,028
Plant and equipment (Note 8)	4,770,538	4,705,776
Long-term restricted cash (Note 5)	702,560	-
Total Assets	$ 204,600,629	$ 141,807,907
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	$ 3,883,203	$ 1,991,221
Flow-through share liability (Note 12)	-	1,489,760
	3,883,203	3,480,981
Non-Current Liabilities		
Asset retirement obligations (Note 11)	2,340,000	800,000
Total Liabilities	$ 6,223,203	$ 4,280,981
Shareholders' Equity		
Common shares (Note 12)	225,477,272	141,945,521
Common shares to be issued	-	2,214,433
Share subscriptions receivable (Note 12)	-	(339,928)
Reserve (Note 13 and 14)	11,834,934	1,803,046
Warrants to be issued (Note 12)	-	4,258,460
Accumulated other comprehensive income	648,825	406,930
Deficit	(39,583,605)	(12,761,536)
	$ 198,377,426	$ 137,526,926
Total Liabilities and Shareholders' Equity	$ 204,600,629	$ 141,807,907

Nature of operations (Note 1)
Subsequent events (Note 24)
Going Concern (Note 5)

Approved on behalf of the Board of Directors and authorized for issue on March 27, 2019

[/s/ John Pollesel]	*[/s/ Trent Mell]*
John Pollesel, Director	Trent Mell, Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND NINE MONTHS ENDED DECEMBER 31, 2017

(expressed in Canadian Dollars)		**Year ended December 31, 2018**		**Nine months ended December 31, 2017**
Operating expenses				
Consulting and management fees	$	1,126,051	$	519,316
Exploration and evaluation expenditures (Note 15)		16,993,047		1,685,816
General and administrative		1,093,978		480,565
Investor relations		1,022,270		938,173
Refinery and associated studies		233,671		-
Environmental expenses		126,162		-
Marketing and conferences		263,857		320,859
Professional fees		977,652		1,122,522
Salary and benefits		1,436,236		2,128,686
Share-based payments (Note 14)		4,047,811		756,579
Travel		543,795		306,211
Operating loss		(27,864,530)		(8,258,727)
Other				
Foreign exchange gain (loss)		(150,315)		(1,113)
Interest income (expense)		219,268		3,112
Gain on short term investment		103,515		-
Write-off of debt		33,042		-
Write-off of prepaid expenses		(188,084)		-
Write-off of exploration and evaluation assets (Note 9)		(461,300)		(375,058)
Flow-through share premium		1,489,760		-
Other non-operating income		(3,425)		22,872
Loss before taxes		(26,822,069)		(8,608,914)
Income tax expense (Note 16)		-		-
Net loss		(26,822,069)		(8,608,914)
Other comprehensive income				
Foreign currency translation		241,896		406,930
Net loss and comprehensive loss		(26,580,173)		(8,201,984)
Basic and diluted loss per share	$	(0.09)	$	(0.12)
Weighted average number of shares outstanding (basic and diluted) (Note 17)		289,547,714		72,025,462

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND NINE MONTHS ENDED DECEMBER 31, 2017

(expressed in Canadian Dollars)	**Year ended December 31, 2018**	**Nine months ended December 31, 2017**
Operating activities		
Net loss	$ (26,822,069)	$ (8,608,914)
Adjustments for items not affecting cash		
Gain on investments (Note 9a)	(103,515)	-
Write-off exploration and evaluation assets	461,300	375,058
Write-off of debt	(33,043)	-
Write-off of prepaid expenses	188,083	-
Share-based payments	4,047,811	756,579
Flow-through share premium	(1,489,760)	-
	(23,751,193)	(7,477,277)
Changes in non-cash working capital		
Decrease (Increase) in receivables	(784,086)	(384,638)
Decrease (Increase) in prepaid and other current assets	(764,744)	(247,797)
Increase (Decrease) in accounts payable and accrued liabilities	355,407	487,427
Cash Flows used in operating activities	(24,944,616)	(7,622,285)
Investing activities		
Capital expenditures	(64,763)	-
Acquisition of exploration and evaluation assets, net of cash (Note 9)	(2,199,575)	(1,393,501)
Acquisition of Cobalt One Limited	-	995,198
Acquisition of CobalTech Mining Inc.	-	780,470
Acquisition of US Cobalt (Note 9a)	1,171,451	-
Purchase of short term investments	(1,278,231)	-
Cash Flows (used in) provided by investing activities	(2,371,118)	382,167
Financing activities		
Proceeds from issuance of common shares	452,428	31,401,301
Proceeds from exercise of warrants	4,000	1,122,822
Proceeds from exercise of options	62,500	359,250
Subscriptions received in advance	-	772,652
Share issuance costs	-	(1,932,549)
Cash Flows provided by financing activities	518,928	31,723,476
Changes in cash during the year	(26,796,806)	24,483,358
Effect of exchange rates on cash	241,896	(6,463)
Cash – Beginning of the year	29,817,031	5,340,136
Cash – End of the year	$ 3,262,121	$ 29,817,031

Supplemental information (Note 21)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018 AND THE NINE MONTHS ENDED DECEMBER 31 2017
(Expressed in Canadian Dollars, except per share amounts)

	Common Shares								
	Number of Shares	Amount	Common Shares to be issued	Subscriptions receivable	Reserves	Warrants to be issued	Accumulated Other Comprehensive Income	Deficit	Total
Balance – December 31, 2017	219,888,826	$ 141,945,521	$ 2,214,433	$ (339,928)	$ 1,803,046	$ 4,258,460	$ 406,930	$ (12,761,536)	$ 137,526,926
Net loss for the year	-	-	-	-	-	-	-	(26,822,069)	$ (26,822,069)
Share based payment expense	-	-	-	-	4,047,812	-	-	-	$ 4,047,812
Shares and units issued for:									
Acquisition of property (Note 9)	117,109,290	81,023,447	(1,453,781)	-	-	-	-	-	$ 79,569,666
Replacement options issued for USCO (Note 9)	-		-	-	3,294,268	-	-	-	$ 3,294,268
Cash (Note 12)	151,364	166,500	(50,000)	-	-	-	-	-	$ 116,500
Exercise of DSU/PSU/RSU (Note 14)	1,326,675	1,544,990	-	-	(1,544,990)	-	-	-	$ -
Subscriptions receivable (Note 12)	-	-	-	339,928	-	-	-	-	$ 339,928
Shares to be issued (Note 12)	-	23,662	-	-	(23,662)	-	-	-	$ -
Warrants to be issued (Note 13)	-	-		-	4,258,460	(4,258,460)	-	-	$ -
Exercise of warrants (Note 13)	595,674	710,652	(710,652)	-		-	-	-	$ -
Exercise of options (Note 14)	250,000	62,500	-	-		-	-	-	$ 62,500
Unrealized gain on foreign exchange translation	-	-	-	-		-	241,895	-	$ 241,895
Balance – December 31, 2018	339,321,829	225,477,272	-	-	11,834,934	-	648,825	(39,583,605)	$ 198,377,426
Balance – March 31, 2017	44,117,750	$ 10,360,835	$ -	$ -	$ 1,677,704	$ -	$ -	$ (4,152,622)	$ 7,885,917
Net loss for the year	-	-	-	-	-	-	-	(8,608,914)	$ (8,608,914)
Shares and units issued for:									
Acquisition of property (Note 9)	136,821,347	105,410,917	1,441,781	-	-	-	-	-	$ 106,852,698
Cash (Note 12)	27,934,001	31,699,221	-	-	-	-	-	-	$ 31,699,221
Flow-through share liability (Note 12)	-	(1,489,760)	-	-	-	-	-	-	$ (1,489,760)
Subscriptions receivable (Note 12)	-	-		(339,928)	-	-	-	-	$ (339,928)
Shares to be issued (Note 12)	-	(710,652)	772,652	-	-	-	-	-	$ 62,000
Warrants to be issued (Note 13)	-	(4,258,460)	-	-	-	4,258,460	-	-	$ -
Exercise of warrants (Note 13)	9,840,728	2,344,197	-	-	(468,715)	-	-	-	$ 1,875,482
Exercise of options (Note 14)	1,175,000	521,772	-	-	(162,522)	-	-	-	$ 359,250
Issuance of stock options (Note 12)	-	-	-	-	756,579	-	-	-	$ 756,579
Share issuance cost (Note 12)	-	(1,932,549)	-	-	-	-	-	-	$ (1,932,549)
Unrealized gain on foreign exchange translation	-	-	-	-	-	-	406,930	-	$ 406,930
Balance – December 31, 2017	219,888,826	141,945,521	2,214,433	(339,928)	1,803,046	4,258,460	406,930	(12,761,536)	$ 137,526,926

1. General Information and Nature of Operations

General Information

First Cobalt Corp. (the "Company" or "First Cobalt") was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia (the "Act"). On September 4, 2017, the Company filed a Certificate of Continuance into Canada and adopted Articles of Continuance as a Federal Company under the Canada Business Corporations Act (the "CBCA"). The Company is in the business of acquisition and exploration of resource properties. The Company is focused on building an ethical North American supply of cobalt.

First Cobalt is a public company which is listed on the Toronto Venture Stock Exchange (TSX-V), Australian Stock Exchange (ASX) (in both instances under the symbol FCC), and the OTCQX (under the symbol FTSSF). The Company's registered office is Suite 2400, Bay-Adelaide Centre, 333 Bay Street, Toronto, Ontario, M5H 2T6 and the corporate head office is located at 140 Yonge Street, Suite 201, Toronto, Ontario, M5C 1X6.

Nature of Operations

The Company is in the process exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Company to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each mineral property. Furthermore, the acquisition of title to mineral properties is a complicated and uncertain process, and while the Company has taken steps in accordance with normal industry standards to verify its title to the mineral properties in which it has an interest, there can be no assurance that such title will ultimately be secured. The carrying amounts of mineral properties are based on their acquisition costs, and do not necessarily represent present or future values.

2. Significant Accounting Policies and Basis of Preparation

Basis of Presentation and Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on an historical cost basis, except for financial instruments, which are classified as fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the consolidated financial statements are presented in Canadian dollars.

Going Concern

The Company incurred a net loss of $26.8 million for the year-end December 31, 2018, had a deficit of $39.6 million as at December 31, 2018 and had a net working capital position of $1.35 million at December 31, 2018.

On March 4, 2019, the Company announced a private placement for $2.0 million to improve its liquidity position (Note 24), which it expects to close by the end of March 2019. The Company will require additional funding to advance its assets and continue its operations over the next 12 months. The Company has historically been successful in financing activities; however, there can be no assurances that the Company will be able to obtain financing. This represents a material uncertainty that casts doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not include the adjustments to the amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

(expressed in Canadian dollars)

Functional Currency
The functional currency of the Company and its controlled entities are measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Company and its subsidiaries is Canadian dollars, except for Cobalt One which has a functional currency of Australian Dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets when they are regarded as an adjustment to interest costs on those currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks and
- Exchange differences on monetary items receivable from or payable to a foreign operation which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Change in Year-End
The Company changed its financial year end from March 31 to December 31, effective for the period ending December 31, 2017. As a result of the change in year-end, the comparative amounts are not directly comparable with the current period's balance. These financial statements were approved by the board of directors for issue on April 2, 2018.

Basis of Consolidation
These consolidated financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The following subsidiaries has been consolidated for all dates presented within these financial statements (from the date at which control which achieved):

Subsidiary	Ownership	Location
Cobalt Projects International Corp.	100%	Canada
Cobalt Industries of Canada Corp.	100%	Canada
First Cobalt Holdings (Cayman) Ltd.	100%	Cayman Islands
First Cobalt (Cayman) Ltd.	100%	Cayman Islands
Cobalt One Limited	100%	Australia
CobalTech Mining Inc.	100%	Canada
US Cobalt Inc.	100%	Canada

All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

Financial Instruments
The Company adopted IFRS 9 *Financial* Instruments effective January 1, 2018. Under IFRS 9, the Company recognizes all financial assets initially at fair value and classifies them into one of the following measurement categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost, as appropriate. On adoption of IFRS 9, there was no accounting impact to the financial statements and there were no changes in the carrying values of any of the Company's financial assets.

Financial liabilities are initially recognized at fair value and classified as either FVTPL or amortized cost, as appropriate.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired.

The Company had made the following classification of its financial instruments:

Financial Assets or liabilities	Measurement Category
Cash	FVTPL
Accounts Receivables	Amortized Cost
Account Payable and Accrued Liabilities	Amortized Cost

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 directly or indirectly;
Level 3 – Inputs that are not based on observable market data.

Mineral Property Interests
The acquisition costs of mineral property interests have been capitalized as Mineral Property assets with the Company's financial statements. Subsequent exploration and evaluation costs are expensed until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair market value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements. Proceeds received from a partial sale or option of a mineral property interest are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Management reviews its mineral property interests at each reporting period for signs of impairment annually and if there is impairment in value taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Should a project be put into production, the costs of acquisition will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds its estimated net realizable value or value in use, an impairment provision is recorded.

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

When entitled, the Company records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Company is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

Impairment

(i) Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(ii) Non-financial assets
Non-financial assets are evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss

is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company's mineral property interest impairment policy is more specifically discussed above.

Share Capital
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, and the residual value being allocated to shares. The Company does not measure the impact of modification to the terms of warrants previously issued. Any fair value attributed to the warrants is recorded as contributed surplus.

Share-Based Payment Transactions
The Company has a stock option plan that provides for the granting of options to officers, directors, consultants and related company employees to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest. Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital.

Deferred, Restricted and Performance Share Units
Deferred share units ("DSUs"), Restricted share units ("RSUs") and performance share units ("PSUs") are measured at fair value on the grant date. The expense for DSUs, RSUs and PSUs, to be redeemed in shares, is recognized over the vesting period, or using management's best estimate when contractual provisions restrict vesting until completion of certain performance conditions, with a corresponding charge as an expense or capitalized to PP&E. DSUs to be redeemed in cash are adjusted at each financial position reporting date for changes in fair value until such time when the directors retire from all positions with the Company.

Flow-Through Shares
The proceeds from the offering of flow-through shares are allocated between the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the market value of the shares and the amount the investors pay for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in the results of operations in the period the eligible exploration expenditures are incurred.

The Company may renounce the deductions for tax purposes under what is referred to as the “general” method or the “look-back” method.

When tax deductions are renounced under the general method, the Company records a deferred tax liability with the corresponding change to income tax expense when the Company has the expectation of renouncing and has expensed its expenditures. At the same time, the liability related to the flow-through shares is reduced, with a corresponding increase to other income related to flow-through shares.

When the tax deductions are renounced under the look-back method, the Company records a deferred tax liability with a corresponding change to income tax expense when the expenditures are incurred and expensed. At the same time, the liability related to the flow-through shares would be reduced, with a corresponding increase to other income related to flow-through shares.

Environmental Rehabilitation
An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the future decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pretax rate that reflect the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each period-end, for the unwinding of the discount rate, for changes to the current market-based discount rate and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Income Taxes
Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Loss Per Share
The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares related to outstanding stock options and warrants issued by the Company.

Related Party Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities and include key management of the Company and its parent. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

3. Recently Adopted Accounting Standards and Accounting Standards Issued But Not Yet Effective

The Company has reviewed amendments to accounting pronouncements that have been issued but do not impact the Company, or have been issued but are not yet effective and determined that the following are not expected to have an impact on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 Revenue from Contracts with Customers, which specifies how and when an entity will recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 was effective for annual periods beginning on or after January 1, 2018. Given the Company does not have revenue, the adoption of IFRS 15 did not have an impact on the consolidated financial statements.

IFRS 16 - Leases
This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. As the Company does not have any material lease contracts at this time, it does not expect the adoption of IFRS 16 to have an impact on the consolidated financial statements.

IFRS 2 – Share-based Payment
On June 30, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Company has adopted the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The adoption of these amendments did not have an impact on the consolidated financial statements.

4. Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Areas requiring a significant degree of judgment relate to the recoverability and measurement of deferred tax assets and liabilities, the ability to continue as a going concern, the capitalization of development costs, the fair value of the assets acquired in acquisitions, environmental rehabilitation costs and valuation of share options and warrants. Actual results may differ from those estimates and judgments.

Judgments that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- *Exploration and Evaluation Assets*
  The net carrying value of each mineral property is reviewed regularly for conditions that suggest potential indications of impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*
  The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Company's ability to generate adequate financing. Significant judgements are used in the Company's assessment of its ability to continue as a going concern.

- *Income Taxes*
  Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

  The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- *Acquisition Accounting*
  The Company has accounted for the acquisitions of US Cobalt Inc., Cobalt One Limited, CobalTech Inc., Cobalt Projects International Corp., and Cobalt Industries of Canada Inc. as asset acquisitions. Significant

judgment was required to determine that the application of this accounting treatment was appropriate for the transactions. These included, among others, the determination that US Cobalt Inc., CobalTech Inc., Cobalt Projects International Corp. and Cobalt Industries of Canada Inc. did not meet the definition of a business under IFRS 3: Business Combinations. The acquisition of Cobalt One Limited was considered an asset acquisition due to the fact that management and the board of directors remained under the control of the Company. In addition, the basis for the calculation of the fair value of the asset acquired included significant estimates of the fair value of the consideration transferred. The Company assessed the fair value of the consideration transferred using the last trading price of the date of which control was obtained over the acquired entity for each transaction.

- *Environmental Rehabilitation*
  Management's determination of the Company's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required, the additional contingent mitigation measures it identifies as potentially being required and its assessment of the likelihood of such contingent measures being required, and its estimate of the probable costs and timing of such activities and measures. Significant judgements must be made when determining such reclamation and closure activities and measures required and potentially required.

- *Share Based Payments*
  The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes pricing model.

5. Restricted Cash

	December 31, 2018	**December 31, 2017**
Current	$ 11,500	$ -
Long-term	702,560	-
	$ 714,060	$ -

Long-term Restricted cash relates too amounts on deposit with the Ministry of Energy, Northern Development and Mines as financial assurance for the refinery.

(expressed in Canadian dollars)

6. Receivables

	December 31, 2018	December 31, 2017
GST receivable	$ 1,718,469	$ 718,106
	$ 1,718,469	$ 718,106

First Cobalt has significant GST receivables outstanding at December 31, 2018. Subsequent to year-end, $1,590,996 was collected, reducing the outstanding receivable balance. All amounts currently outstanding are expected to be collected within the next twelve months.

7. Prepaid Expenses and Deposits

	December 31, 2018	December 31, 2017
Prepaid expenses	$ 217,365	$ 619,378
Deposits	19,431	89,588
	$ 236,976	$ 708,966

8. Plant and Equipment

As part of the acquisition of Cobalt One Limited ("Cobalt One"), the Company acquired the properties, permits, assets and rights of a cobalt-silver-nickel refinery ("Refinery") located in North Cobalt, Ontario, Canada. The carrying value of the Refinery is $4,705,775 (December 31, 2017 - $4,705,775). As at December 31, 2018, the Company's estimated closure costs for the Refinery are estimated to be $800,000 (December 31, 2017: $800,000) and are recorded as asset retirement obligations. No depreciation was recorded for the Refinery in the current year (December 31, 2017 - $Nil).

(expressed in Canadian dollars)

9. Exploration and Evaluation Assets

	Balance December 31, 2017	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance December 31, 2018
Cobalt North, Ontario						
Lawson Kerr	$ 13,026,368	$ -	$ -	$ 1,352,000	$ -	$ 14,378,368
Silverfields and claims	56,018,275	-	-	188,000	(421,536)	55,784,739
Cobalt Central, Ontario						-
Cobalt Central properties	30,753,009	88,333	-	-	(281,024)	30,560,318
Gold Rush Caribou	297,200	-	-	-	-	297,200
Cobalt South, Ontario						-
South Lorrain	1,820,000	7,500	-	-	-	1,827,500
Keeley-Frontier	3,156,876	42,000	-	-	-	3,198,876
Bellellen	325,000	-	-	-	-	325,000
Werner	296,300	-	(296,300)	-	-	-
Dickens	-	-	-	-	-	-
Quebec	165,000	-	(165,000)	-	-	-
Iron Creek	-	87,312,865	-	-	-	87,312,865
Paradox Basin	-	213,779	-	-	-	213,779
Total	$ 105,858,028	$ 87,664,477	$ (461,300)	$ 1,540,000	$ (702,560)	$ 193,898,645

	Balance March 31, 2017	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance December 31, 2017
Cobalt North, Ontario						
Lawson Kerr	$ -	$ 13,026,368	$ -	$ -	$ -	$ 13,026,368
Cobalt Ontario	-	56,018,275				56,018,275
Cobalt Central, Ontario						-
Cobalt Central properties	-	30,753,009	-	-	-	30,753,009
Gold Rush Carribou	-	297,200	-	-	-	297,200
Cobalt South, Ontario						-
South Lorrain	1,810,000	10,000	-	-	-	1,820,000
Keeley-Frontier	-	3,156,876	-	-	-	3,156,876
Bellellen	-	325,000	-	-	-	325,000
Werner	-	296,300	-	-	-	296,300
Dickens	375,058	-	(375,058)	-	-	-
Quebec	-	165,000	-	-	-	165,000
Iron Creek	-	-	-	-	-	-
Paradox Basin	-	-	-	-	-	-
Total	$ 2,185,058	$ 104,048,028	$ (375,058)	$ -	$ -	$ 105,858,028

(a) Acquisition of US Cobalt Inc. (Iron Creek)

On June 4, 2018, the Company completed the acquisition of US Cobalt Inc. ("US Cobalt") by acquiring 100% of the issued and outstanding common shares of US Cobalt. Under the terms of the agreement, US Cobalt received 115,318,357 common shares of the Company at $0.69 per share, based on the trading price of the shares on June 4, 2018, totalling $79,569,666. In addition, the Company paid $1,381,746 for 1,410,500 of US Cobalt shares and issued 9,360,000 First Cobalt stock options to former US Cobalt option holders

This acquisition has been recorded as an asset purchase of exploration and evaluation assets with the costs of the acquisition allocated as follows:

(expressed in Canadian dollars)

Purchase price:		
Common shares issued (115,318,357 shares at $0.69 per share)	$	79,569,666
Common shares owned by First Cobalt (1,410,500 shares)		1,381,746
Stock options of US Cobalt (9,360,000 stock options)		3,294,270
	$	84,245,682
Net assets acquired:		
Current assets	$	1,470,548
Current liabilities		(2,689,768)
Exploration and evaluation asset – Paradox Basin, Utah, USA		212,143
Exploration and evaluation asset – Iron Creek, Idaho, USA		85,252,759
	$	84,245,682

The exploration and evaluation asset acquired from US Cobalt has been allocated to the Iron Creek and Paradox Basin properties. In relation to the acquisition of US Cobalt, the Company capitalized acquisition costs of $659,721.

During the year ended December 31, 2018 and prior to the acquisition, the Company purchased 1,410,500 publicly traded common shares of US Cobalt Inc. valued at $1,278,231. Management had determined it appropriate to record the investments as financial assets and the changes in fair values being recording through profit or loss. Any changes in the fair value of the common shares and warrants were recorded as unrealized gain or loss of investments until the investments were sold or impaired for an extended period, at which point any gains and losses recorded to date were recognized as gain or loss on investments. On June 4, 2018, the Company acquired US Cobalt, and 1,410,500 common shares of US Cobalt were cancelled as part of the acquisition. The fair market value of the common shares as at June 4, 2018 (date of US Cobalt shareholder approval of the transaction), was $1,381,746 and therefore a realized gain on investments of $103,515 was recorded during the year ended December 31, 2018.

During the year ended December 31, 2018, the Company acquired 100% ownership of the Iron Creek Project by making a one-time payment of $1,390,493, (USD $1,067,000). The Iron Creek Project was previously under lease to the Company. Under the terms of the lease, the Company was required to make monthly payments and the leaseholder retained 4% royalty over future production, both of which were eliminated through this one-time payment. The payment made to acquire the project and eliminate the royalty was a 47% discount to the amount contained in a 2016 mining lease agreement.

(b) Acquisition of Cobalt One Limited ("Cobalt One")

On June 23, 2017, the Company entered into a letter of intent with Cobalt One to acquire 100% of the issued and outstanding common shares of Cobalt One. Under the terms of the agreement, Cobalt One shareholders received 0.145 of a common share of the Company for each Cobalt One ordinary share, based on a share exchange ratio using the last trading price ($0.76) of the Company's shares on June 23, 2017.

In November 2017, the Company completed the acquisition of all the issued and outstanding shares of Cobalt One through the issuance of 107,948,909 common shares. The fair value of the shares was measured by the last trading price ($0.73) of the date of shareholder approval, November 20, 2017.

(expressed in Canadian dollars)

This acquisition has been recorded as an asset purchase of exploration and evaluation assets with the costs of the acquisition allocated as follows:

Purchase price:		
Common shares issued (107,948,909 shares at $0.73 per share)	$	78,802,704
Net assets acquired:		
Current assets	$	1,127,637
Current liabilities		(854,463)
Plant and equipment (Note 8)		4,476,528
Asset retirement obligations		(800,000)
Exploration and evaluation assets		74,853,002
	$	78,802,704

The exploration and evaluation assets acquired from Cobalt One have been allocated to Cobalt North, Ontario (comprised primarily the Silverfields mine and other Cobalt North Properties) and Cobalt Central, Ontario.

In relation to the acquisition of Cobalt One and CobalTech, the Company capitalized acquisition costs of $1,143,861 to be paid in the form of 1,566,934 common shares measured at a fair value of $0.73 per share. The Company has attributed $875,301 of the acquisition cost to the exploration assets of Cobalt One based on the value of the net assets acquired.

(c) Acquisition of CobalTech Inc. ("CobalTech")

On August 18, 2017, the Company entered into an arrangement agreement with CobalTech to acquire 100% of the issued and outstanding common shares of CobalTech. Under the terms of the agreement, CobalTech shareholders received 0.2632 of a common share of the Company for each CobalTech ordinary share, based on the share exchange ratio using last trading price ($0.76) of the Company's shares on June 23, 2017.

In November 2017, the Company completed the acquisition of all the issued and outstanding shares of CobalTech through the issuance of 24,422,438 common shares. The fair value of the shares was measured by the last trading price ($0.99) of the date of shareholder approval, November 22, 2017.

(expressed in Canadian dollars)

This acquisition has been recorded as an asset purchase of exploration and evaluation assets with the costs of the acquisition allocated as follows:

Purchase price:		
Common shares issued (24,422,438 shares at $0.99 per share)	$	24,178,214
Net assets acquired:		
Current assets	$	1,122,415
Current liabilities		(211,789)
Exploration and evaluation assets		23,267,588
	$	24,178,214

The exploration and evaluation assets acquired from CobalTech have been allocated to Other Cobalt North Properties (comprising of Kerr, Drummond, Conisil, and Silver Banner.), Werner Lake East Cobalt and Quebec Properties.

In relation to the acquisition of Cobalt One and CobalTech, the Company capitalized acquisition costs of $1,143,861 to be paid in the form of 1,566,933 common shares measured at a fair value of $0.73 per share. The Company has attributed $268,560 of the acquisition cost to the exploration assets of CobalTech based on the value of the net assets acquired.

(d) Acquisition of Cobalt Projects International Corp. (Keeley-Frontier)

On April 10, 2017, the Company acquired all of the outstanding share capital of Cobalt Projects International Corp., a privately held Ontario-based mineral exploration company. Cobalt Project holds the rights to earn up to a 100% interest from Canadian Silver Hunter Inc. in the Keeley and Frontier mines ("Keeley-Frontier"), located within the historic Silver Centre camp, and bordering on the Company's existing South Lorrain cobalt claim blocks. As consideration for the acquisition, the Company issued 4,450,000 common shares, with a fair value of $2,430,000, to existing shareholders of Cobalt Projects, which vest in 6 equal tranches over a 4 to 18-month period. Additionally, promissory notes totaling $435,000 were forgiven. The fair value of the common shares transferred was estimated to be $2,430,000 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 0.76%, an expected life of 0.67 years, an expected volatility of 88% and an exercise price of $0.70 per share.

Under the terms of the option agreement between Cobalt Projects and Canadian Silver Hunter, the Company may earn up to 100% interest in Keeley-Frontier as follows:

- 50% interest upon payment of $850,000 and incurring expenditures of $1,750,000 on the property over a period of three years.
- 51% interest upon payment of $200,000 within 60 days of having exercised the first option and producing a technical report in compliance with NI 43-101 – *Standards of Disclosure for Mineral Projects* by the fourth anniversary.
- 100% interest upon payment of $750,000 and incurring additional expenditures of $1,250,000 by the fifth anniversary.

Upon earning a 100% interest, Canadian Silver Hunter shall be granted a 2% net smelter return royalty, subject to the Company having the right to purchase 1% for $1 million over the ensuing 10 years. The Company may elect to accelerate the earn-in.

(expressed in Canadian dollars)

Subsequent to year-end, the Company made the final payment required under the option agreement to earn a 50% interest in the properties.

(e) *Gold Rush Cariboo*

On December 7, 2017, the Company entered into an agreement to acquire mineral claims from Gold Rush Cariboo Inc. in exchange for 224,000 common shares at a fair value of $1.33 per share for a total carrying value of $297,920. During the year ended December 31, 2018, the 224,000 common shares were issued (Note 12). These claims are included within the Cobalt Central Properties.

(f) Impairment

For the Werner Lake East and Quebec properties, no further work is planned, and it is likely that the Company will let any rights or claims lapse in the future. These properties have been written down to a nil value at December 31, 2018, resulting in a total impairment charge of $461,300.

10. Accounts Payable and Accrued Liabilities

	December 31, 2018	**December 31, 2017**
Accounts Payable	$ 2,273,348	$ 1,485,471
Accrued Liabilities	1,609,855	505,750
	$ 3,883,203	$ 1,991,221

Accounts payable and accrued liabilities comprise primarily of trade payables incurred in the normal course of business. Included in accounts payable are amounts total $64,621 (December 31, 2017 - $219,764) due to related parties (see note 23).

11. Asset Retirement Obligations

As at December 31, 2018, the Company has recorded its best estimate of the asset retirement obligations relating to its properties and assets. The First Cobalt refinery has a formal closure plan filed with the Ministry of Energy, Northern Development, and Mines (ENDM) which notes an expected closure cost of approximately $800,000, with a corresponding liability recorded upon acquisition of the refinery in 2017. There has been no physical activity or additional disturbance at the refinery during 2018, and the associated liability remains unchanged.

During the 2018 year, the Company undertook a review of features and disturbances located on its controlled properties in the Cobalt Camp in Ontario with an independent environmental consulting firm. The ENDM's Abandoned Mines Information System was used to determine the list of current features requiring rehabilitation and the independent environmental consulting firm provided estimated costs for each item.

First Cobalt controls properties under both patents and mineral claims. For features on patented land, the Company is liable for any rehabilitation required. The majority of properties controlled by First Cobalt are under mineral claims. Claims are leased property and thus the liability remains with the owner – the Government.

The Company has recorded its best estimate of the cost to rehabilitate the known features on patented lands as an asset retirement obligation for the year-ended December 31, 2018. This amounted to $1,540,000. The Company plans to progressively reduce this obligation over time. A long-term inflation rate of 2% was used in the analysis, which equated to a long-term risk-free discount rate of 2%, meaning the impact of discounting was not significant. The future cash flows required to settle this obligation involve a degree of uncertainty, as the are estimates at this time.

12. Share Capital

(a) ***Authorized Share Capital***

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2018, the Company had 339,321,827 (December 31, 2017 – 219,888,826) common shares outstanding.

(b) ***Issued Share Capital***

During the year-ended ended December 31, 2018, the Company issued common shares as follows:

- On January 5, 2018, the Company issued 595,674 common shares on exercise of warrants which was recorded as common shares to be issued as at December 31, 2017. The funds of $710,652 were received during the year ended December 31, 2017.

- On January 16, 2018, as part of the Offering, the Company completed a non-brokered private placement by issuing 151,364 Units at $1.10 per unit for gross proceeds of $166,500. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant (a "Warrant")) of the Company. Each full Warrant is exercisable at $1.50 per share for a period of 24 months following the date of issue of Warrants.

- On January 18, 2018, the Company issued 224,000 common shares at a fair value of $297,920 to acquire mineral claims from Gold Rush Cariboo Inc. (Note 9e). These shares were included in common shares to be issued at December 31, 2017.

- On February 19, 2018, in relation to the acquisition of Cobalt One and CobalTech (see Note 9) the Company issued 1,566,934 common shares measured at a fair value of $0.73 per share as payment of a work fee associated with the transaction. This payment was capitalized as an acquisition cost in 2017. These shares were included in common shares to be issued at December 31, 2017.

- On April 12, 2018, 250,000 stock options were exercised at $0.25 per share for gross proceeds of $62,500.

- On June 4, 2018, in relation to the acquisition of US Cobalt (see Note 9a) the Company capitalized acquisition costs of $79,569,666 to be paid in the form of 115,318,357 common shares measured at a fair value of $0.69 per share.

- On July 15, 2018, the Company issued 1,205,842 common shares on the vesting and entitlement of certain DSUs, PSUs, and RSUs.

- On October 24, 2018, the Company issued 120,833 common shares on the vesting and entitlement of certain DSUs, PSUs, and RSUs.

During the nine-months ended December 31, 2017, the Company issued common shares as follows:

- The Company issued 9,840,728 common shares on exercise of warrants for total gross proceeds of $1,164,830. The Company received funds of $710,652 for the exercise of 595,674 warrants which were issued in 2018. The amount was recorded as common shares to be issued.

- The Company issued 1,175,000 common shares on exercise of stock options for total gross proceeds of $359,250.

- On April 10, 2017, the Company issued 4,450,000 common shares with a fair value of $2,430,000 for the acquisition of Cobalt Projects.

- On May 31, 2017, the Company issued 2,050,001 flow-through shares at $0.60 per share for total gross proceeds of $1,230,001. In connection with the flow-through share offering, the Company paid cash finders' fee of $37,029.

  The Company renounced $1,230,001 under the general method on December 31, 2017. As at December 31, 2017, the Company had spent all proceeds reserved for flow-through exploration expenditures.

- On November 30, 2017, the Company issued 107,948,909 common shares at $0.73 per share for the acquisition of Cobalt One (Note 9)

- On November 30, 2017, the Company issued 24,422,438 common shares at $0.99 per share for the acquisition of CobalTech (Note 9)

- On December 21, 2017, the Company issued on a bought deal basis (i) 4,700,000 units of the Company ("Flow-Through Units") at $1.51 per unit and 20,950,000 units (the "Units") at $1.10 per unit for gross proceeds of $30,142,000 (the "Offering").

  Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant (a "Warrant")) of the Company. Each Flow-Through Unit consists of one 'flow-through share' (a "Flow-Through Share") of the Company and one-half of one Warrant. Each full warrant is exercisable at $1.50 per share for a period of 24 months following the date of issue of Warrants.

  Of the cash proceeds received from the Units, $24,492,000 was allocated to share capital and $4,193,000 was allocated to warrants based on their relative fair value.

  The amount of the flow-through share liability associated with the flow-through shares was determined to be $1,457,000 based on the difference between the fair value price per share of the Flow-Through Units and the Units.

The Company renounced $7,097,000 under the look-back method on December 31, 2017. During the year ended December 31, 2018, the Company spent all proceeds reserved for flow-through exploration expenditures. The full flow-through share liability has been amortized to other income.

- Concurrent with the Offering, the Company completed a non-brokered private placement on December 28, 2017 of 234,000 Flow-Through Units at $1.33 per unit for gross proceeds of $311,220, of which $297,920 was recorded as a subscription receivable. Each Flow-Through Unit consists of one flow-through share and one-half share purchase warrant. Each full warrant is exercisable at $1.50 per share for 24 months from the date of issue of Warrants. The issuance of the warrants was subject to shareholder approval.

  The amount of the flow-through share liability associated with the flow-through shares was determined to be $32,760 based on the difference between unit price of the flow-through unit less the stock price as at the date of grant. The remaining proceeds from the flow-through shares, after deducting the flow-through share liability was $278,460, of which $213,000 was allocated to share capital and $65,460 was allocated to warrants based on their relative fair value. As at December 31, 2017, the Company had recorded the warrants as warrants to be issued.

  The Company renounced $311,220 under the look-back method on December 31, 2017. During the year ended December 31, 2018, the Company spent all proceeds reserved for flow-through exploration expenditures. The full flow-through share liability has been amortized to other income.

- The issuance of the Warrants was subject to the approval of the Australian Stock Exchange (“ASX”) and approval of the shareholders of the Company. Pursuant to ASX listing requirements, the Company called a special meeting of shareholders to seek approval for the issuance of the Warrants. On March 9, 2018, the shareholders of the Company have approved the issuance of all common share purchase warrants under the Offering. Accordingly, an aggregate of 13,017,682 common share purchase warrants which formed part of the Company’s December 2017 bought deal private placement (12,825,000 warrants) and non-brokered private placement (192,682 warrants) were issued.

(expressed in Canadian dollars)

13. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – March 31, 2017	$0.10	9,840,000
Issuance of warrants	$1.14	1,674,584
Issuance of warrants	$1.20	526,400
Exercise of warrants	$0.06	(700,000)
Exercise of warrants	$0.10	(8,940,000)
Exercise of warrants	$1.14	(270,002)
Exercise of warrants	$1.20	(526,400)
Expiry of warrants, unexercised	$1.14	(1,404,582)
Balance – December 31, 2017	$0.06	200,000
Issuance of warrants	$1.50	13,017,682
Balance – December 31, 2018	$1.48	13,217,682

The expiry of warrants are as follows:

Grant Date	Expiry Date	Number of warrants outstanding	Weighted Average Exercise Price
May 31, 2016	May 31, 2021	200,000	$0.06
March 9, 2018	March 9, 2020	13,017,682	$1.50
		13,217,682	$1.48

During the year ended December 31, 2018, the Company issued 13,017,682 share purchase warrants (Note 12). The total fair value of $4,258,460 was recorded in equity, of which $4,258,460 was recorded as warrants to be issued and included in equity at December 31, 2017 as subscription receipts had been received. The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.68% to 1.69%, an expected life of 2 years, an expected volatility of 74% to 133% and no expected dividends.

During the nine months ended December 31, 2017, the Company issued an aggregate of 11,550,000 share purchase warrants and recorded a total fair value of $531,869. The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 0.60% to 0.61%, an expected life of 2.5 years, an expected volatility of 84% to 86% and no expected dividends.

(expressed in Canadian dollars)

14. Share based payments

The Company adopted a new long-term incentive plan on November 21, 2017 (the "Plan") whereby it can grant stock options, restricted share units ("RSUs"), Deferred Share Units ("DSUs"), and Performance Share Units ("PSUs") to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company at any time.

(a) ***Stock Options***

The changes in incentive share options outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – March 31, 2017	$0.50	4,050,000
Stock options granted	$1.07	3,248,482
Stock options exercised	$0.31	(1,175,000)
Balance – December 31, 2017	$0.84	6,123,482
Grant - USCO options	$0.40	9,360,000
Grant	$0.49	2,273,333
Grant	$0.36	2,300,000
Exercise	$0.25	(250,000)
Grant	$0.27	400,000
USCO expiries	$0.43	(4,850,000)
Former FCC Personnel Expiries	$0.53	(825,000)
Balance – December 31, 2018	$0.57	14,531,815

During the year ended December 31, 2018, the Company granted 6,656,815 incentive stock options, respectively, to employees, consultants, and directors. The options may be exercised within 5-7 years from the date of grant at a price of $0.27 and $1.43, respectively, per share, and have a vesting period of up to 3 years.

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of 1.92% to 2.39% per annum, an expected life of options of 2.5-3.5 years, an expected volatility of 80% to 134%, and no expected dividends.

An additional 9,360,000 options were issued to US Cobalt option holders as replacements for existing US Cobalt options as part of the acquisition. At year-end 2018, 4,850,000 of these options had expired.

During the nine months ended December 31, 2017, the Company granted 3,248,482 incentive stock options to employees, consultants, and directors. The options may be exercised within 5 years from the date of grant at a price of ranging from $0.69 to $1.43 per share.

(expressed in Canadian dollars)

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of ranging from 0.69% to 0.77% per annum, an expected life of options of 2.5 years, an expected volatility ranging from 85% to 87%, and no expected dividends.

Incentive share options outstanding and exercisable December 31, 2018 are summarized as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
$ 0.27	400,000	4.82	$ 0.27	-	0.27
$ 0.29	187,500	3.11	$ 0.29	187,500	0.29
$ 0.29	2,212,500	0.08	$ 0.29	2,212,500	0.29
$ 0.36	37,500	0.08	$ 0.36	37,500	0.36
$ 0.36	562,500	2.38	$ 0.36	562,500	0.36
$ 0.36	1,300,000	4.74	$ 0.36	-	0.36
$ 0.36	1,000,000	6.75	$ 0.36	250,000	0.36
$ 0.38	300,000	2.98	$ 0.38	300,000	0.38
$ 0.42	25,000	0.08	$ 0.42	25,000	0.42
$ 0.42	225,000	3.59	$ 0.42	225,000	0.42
$ 0.49	2,273,333	4.49	$ 0.49	-	0.49
$ 0.51	810,000	4.05	$ 0.51	450,000	0.51
$ 0.52	450,000	4.09	$ 0.52	810,000	0.52
$ 0.66	1,500,000	3.17	$ 0.66	1,500,000	0.66
$ 0.69	1,000,000	3.42	$ 0.69	500,000	0.69
$ 0.69	565,000	3.42	$ 0.69	282,500	0.69
$ 1.43	1,683,482	4.49	$ 1.43	841,741	1.43
	14,531,815	3.55	$ 0.57	8,184,241	$ 0.56

(b) ***DSUs, RSUs and PSUs***

During the nine months ended December 31, 2017, the Company issued 898,964 DSUs to certain non-executive directors of the Company and 581,682 PSUs to the chairman and certain officers of the Company. DSUs vest immediately and may not be exercised until a director ceases to serve on the board. PSUs may vest in two tranches over a 12-month period contingent on achieving strategic corporate objectives. The manner in which the Granted Securities under the LTIP were granted did not comply with the ASX Listing Rules and therefore, at the request of the ASX the Granted Securities were cancelled on May 24, 2018. Under the rules of the TSX-V, this method of making long-term incentive grants to directors, officers, employees and consultants under an approved long-term incentive plan is customary. However, since the Company's admission to the ASX, it must also comply with Australian listing rules, which vary in a few significant respects. On June 26, 2018, the Company received approval from requisite shareholders and securities regulators and as such, these LTIPs were re-issued.

In addition, during the year ended December 31, 2018, the Company issued 255,000 RSUs, 120,833 PSUs, and 765,000 DSUs to certain officers and directors of the Company. DSUs vest immediately and may not be exercised until a director ceases to serve on the board. PSUs may vest in two tranches over a 12-month period contingent on achieving strategic corporate objectives. RSUs vested immediately.

(expressed in Canadian dollars)

During the year ended December 31, 2018, the Company has recorded $1,096,292 (2017 - $144,408) for DSUs, $736,062 (2017 - $143,455) for PSUs and $125,715 (2017 - $Nil) for RSUs as share-based payment expense for DSUs, PSUs and RSUs respectively.

15. Exploration and Evaluation Expenses

Exploration and evaluation expenditures incurred for the year ended December 31, 2018 and the nine months ended 2017 are as follows:

	December 31, 2018			December 31, 2017		
	Cobalt, Canada	**Iron Creek, USA**	**Total**	**Cobalt, Canada**	**Iron Creek, USA**	**Total**
Drilling	$ 2,836,685	$ 4,666,275	$ 7,502,960	$ 529,775	$ -	$ 529,775
Exploration support and administration	84,374	451	84,825	14,679	-	14,679
Field Operations and consumables	307,914	1,206,723	1,514,637	135,281	-	135,281
Geochemistry	1,527,880	450,129	1,978,009	346,468	-	346,468
Geological consulting	643,249	736,515	1,379,764	390,012	-	390,012
Geologist salaries	916,100	-	916,100	-	-	-
Property taxes	24,214	-	24,214	11,222	-	11,222
Sampling and geological costs	1,522,058	2,070,479	3,592,536	258,380	-	258,380
Total	$ 7,862,473	$ 9,130,573	$ 16,993,047	$ 1,685,816	$ -	$ 1,685,816

16. Income Tax

Income Tax Reconciliation

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the year ended December 31, 2018 and the nine-month period ended December 31, 2017:

	December 31, 2018	December 31, 2017
Loss before income taxes	$ (26,822,069)	$ (8,608,914)
Statutory tax rate	26.5%	26.0%
Expected (recovery) at statutory rate	(7,107,848)	(2,238,318)
Non-deductible items	1,070,259	289,454
Flow through share renunciation	1,568,392	319,800
Change in unrecognized Deferred tax assets	4,469,197	1,629,064
Income tax recovery	$ -	$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences at December 31, 2018 and December 31, 2017 are as follows:

(expressed in Canadian dollars)

	December 31, 2018	December 31, 2017
Non-capital loss carry-forwards	$ 15,639,964	$ 7,404,673
Exploration and evaluation properties	9,817,862	2,390,463
Total unrecognized temporary differences	$ 25,457,826	$ 9,795,136

The Company has non-capital loss carryforwards of approximately $15,639,964 (December 31, 2017 – $7,404,673) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year	Loss carry-forward amount
2032	$ 238,782
2033	70,662
2034	229,661
2035	1,810,244
2036	4,068,879
2037	1,956,055
2038	7,265,681
Total	$ 15,639,964

The Company also has non-capital loss carryforwards of approximately $325,195 to apply against future year income tax in Australia. These carryforwards do not expire.

17. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for years ended December 31, 2018 and December 31, 2017

	December 31, 2018	December 31, 2017
Numerator		
Net loss for the year / period	$ (26,822,069)	$ (8,608,914)
Denominator		
Basic – weighted average number of shares outstanding	289,547,714	72,025,462
Effect of dilutive securities	-	-
Diluted – adjusted weighted average number of shares outstanding	289,547,714	72,025,462
Loss Per Share – Basic and Diluted	$(0.09)	$(0.12)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year.

The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

Share purchase warrants and stock options were excluded from the calculation of diluted weighted average number of common shares outstanding during the years ended December 31, 2018 and the nine months ended December 31, 2017 as the warrants and stock options were anti-dilutive since the Company was in a loss position.

18. Financial Instruments

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources.

Fair Value
The Company's financial instruments consisted of cash and cash equivalents. The fair values of cash and cash equivalents approximate their carrying values because of their current nature.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and short-term investments which are being held in bank accounts. The cash and short-term investments are deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company has secondary exposure to risk on its sales tax receivables. The risk is minimal since it is recoverable from the Canadian government.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. For the Iron Creek Project, transactions are sometimes denominated in United States dollars, therefore the Company is exposed to foreign exchange risk on certain transactions.

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The risk is minimal.

19. Management of Capital

The Company manages its capital structure, consisting of share capital, and will make adjustments to it depending on the funds available to the Company for its future acquisition, exploration and development 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 is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for future general and administrative expenses, the Company expects to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company will continue to assess new exploration and evaluation assets and seeks to acquire additional interests if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during year December 31, 2018.

20. Commitments and Contingencies

The Company completed its planned 2018 drilling and associated exploration programs at Iron Creek and Cobalt Camp. As at December 31, 2018, the Company was not committed to any material contracts that require significant future outflow of resources.

21. Supplemental Cash Flow Information

The Company did not make any cash payments and had no cash receipts for interest or income taxes during the year ended December 31, 2018 and the nine months ended 2017, other than minor interest on cash balances.

22. Segmented Information

The Company's exploration and evaluation activities are located in the provinces of Ontario and Quebec, Canada and Idaho, USA, with its head office function in Canada. All of the Company's capital assets, including property, plant and equipment and exploration and the exploration and evaluation asset are located in Canada and USA. Refer to notes 9 and 15 for segmented information by geographic locations.

(expressed in Canadian dollars)

23. Related Party Transactions

The Company's related parties include key management personnel and companies related by way of directors or shareholders in common.

(a) Key Management Personnel Compensation

During the year ended December 31, 2018 and the nine months ended December 31, 2017, the Company paid and/or accrued the following fees to management personnel and directors:

	December 31, 2018	December 31, 2017
Management	$ 1,002,789	$ 896,396
Directors	433,650	305,000
	$ 1,436,439	$ 1,201,396

During the year ended December 31, 2018 the Company also had share-based payments made to management and directors of $3,289,353 (nine months ended December 31, 2017 - $690,763).

(b) Due to Related Parties

As at December 31, 2018 and 2017, the Company had the follow amounts due to related parties:

	December 31, 2018	December 31, 2017
Accounts payable and accrued liabilities	$ 64,621	$ 219,764
	$ 64,621	$ 219,764

24. Subsequent Events

Subsequent to December 31, 2018:

(a) In January 2019, the Company paid $200,000 to Canadian Silver Hunter to meet all requirements to earn a 50% interest in Keeley-Frontier.

(b) In February 2019, the Company announced the appointment of former Idaho Governor Butch Otter to its Board of Directors. The addition of Gov. Otter will allow the Company to draw on his extensive knowledge of the Idaho state landscape to advance the Iron Creek Project.

(c) In March 2019, the Company announced a non-brokered private placement of 11,111,111 units (the "Units") for the gross proceeds of $2.0 million. Each Unit issued pursuant to the Offering will consist of one common share in the capital of the Company and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Common Share at a price of $0.27 for a period of two years. The Warrants are subject to an acceleration clause such that, if the closing price of the common shares of the Company is equal to or greater than $0.37 per share for a period of ten consecutive trading days, the

Company shall have the option, but not the obligation, to effect an accelerated expiration date that shall be 20 calendar days from the issuance of a notice of acceleration. Proceeds of the Offering will be used by the Company to support ongoing work at the First Cobalt Refinery as well as general corporate purposes. The Offering is expected to close by the end of March 2019.

FIRST COBALT CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

GENERAL

This Management's Discussion and Analysis of First Cobalt Corp. ("First Cobalt" or the "Company") ("MD&A") was prepared on March 27, 2019 and provides analysis of the Company's financial results for the year ended December 31, 2018 and the nine months ended December 31, 2017. The following information should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2018 and nine months ended December 31, 2017 with accompanying notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures are expressed in Canadian dollars unless otherwise stated. Financial Statements are available at www.sedar.com and the Company's website www.firstcobalt.com.

COMPANY OVERVIEW

First Cobalt Corp. was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia and on September 4, 2017, the Company filed a Certificate of Continuance into Canada and adopted Articles of Continuance as a Federal Company under the Canada Business Corporations Act (the "CBCA"). The Company is in the business of acquisition and exploration of resource properties. The Company is focused on building a diversified portfolio of assets that are highly leveraged to the cobalt market with assets located primarily in North America with the intent of providing a North American supply of cobalt.

First Cobalt is a public company listed on the Toronto Venture Stock Exchange (TSX-V), Australian Stock Exchange (ASX) (in both instances under the symbol FCC), and the OTCQX (under the symbol FTSSF). The Company's registered and records office is Suite 2400, Bay-Adelaide Centre, 333 Bay Street, Toronto, Ontario, M5H 2T6. The Company's head office is located at Suite 201 – 140 Yonge Street, Toronto, Ontario, M5C 1X6.

2018 HIGHLIGHTS AND RECENT EVENTS

Acquisition of US Cobalt and Advancement of the Iron Creek Property

On June 4, 2018 the Company announced completed the acquisition of US Cobalt Inc. ("US Cobalt") by way of plan of arrangement. US Cobalt shareholders received 1.5 common shares of First Cobalt for each US Cobalt share held and US Cobalt became a wholly-owned subsidiary of the Company. Under the terms of the agreement, US Cobalt received 115,318,357 common shares of the Company at a deemed price of $0.69 per share, based on the trading price of the shares on June 4, 2018, totalling $79,569,666. Through the acquisition of US Cobalt, the Company acquired the Iron Creek property, located in Idaho, USA. The Iron Creek cobalt-copper deposit was previously drilled by Noranda in the 1980s, has several historic resource estimates and 600 metres of adits into the high-grade cobalt and copper zones. The deposit sits on patented mining claims surrounded by unpatented mining claims covering an area of 1,698 acres of the Idaho Cobalt Belt.

On September 4, 2018, the Company announced the 100% ownership and elimination of the outstanding royalty on the Iron Creek property, previously under lease to First Cobalt. Under the terms of the lease, the Company was required to make monthly lease payments and the leaseholder retained a 4% royalty over future production, both of which could be eliminated through a one-time payment. The Company and the leaseholder agreed to a one-time payment totalling US $1,067,000, a 47% discount to the amount contained in a 2016 mining lease agreement. Full ownership of the Iron Creek property and elimination of any future royalty payments streamlines future permitting and development activities and accelerates the mine planning process.

On October 19, 2018, the Company filed a technical report supporting the maiden resource estimate for its 100% owned Iron Creek Project in Idaho, USA. Highlights from the report include:

- Inferred mineral resources of 29.6 million tons (26.9 million tonnes) grading 0.11% cobalt equivalent (0.08% cobalt and 0.30% copper) under a base case scenario pit constrained and deeper mineral resource. An alternative underground-only scenario results in 4.9 million tons (4.4 million tonnes) grading 0.30% cobalt equivalent (0.23% cobalt and 0.69% copper);
- Resource contains 45 million pounds (20,411 tonnes) of cobalt and 175 million pounds (79,379 tonnes) of copper for 62.9 million pounds (28,528 tonnes) of cobalt equivalent;
- Mineralized zones are considered to be open along strike and at depth, with true widths between 10m and 30m; and
- Preliminary metallurgical testing concludes that simple flotation methods are applicable, yielding recoveries of 96% for cobalt and 95% for copper in rougher flotation

The technical report, entitled "Technical Report and Estimate of Mineral Resources for the Iron Creek Cobalt Project, Lemhi County, Idaho, USA" dated October 15, 2018 and effective September 18, 2018, was prepared in accordance with National Instrument 43-101 – "Standards of Disclosure for Mineral Projects" by Steven J. Ristorcelli, C.P.G., P.G., of Mine Development Associates and Joseph Schlitt, MMSA QP, of McClelland Laboratories Inc., each independent "qualified persons" for the purposes of NI 43-101. A copy of the Technical Report is available on the Corporation's website and under the Corporation's profile on SEDAR (www.sedar.com).

Refinery Restart Studies And Feedstock Testing

On October 10, 2018, First Cobalt announced the results of three independent studies supporting a restart of the First Cobalt Refinery in Ontario, Canada. The studies were undertaken to estimate capital requirements, operating costs, permit renewal timelines, potential feedstock options and offtake opportunities. Under a 24 tonne per day (tpd) base case scenario using the existing flow sheet and feed sources that are consistent with historic feed, the refinery could potentially produce up to 1,063 tonnes of cobalt per year. The study also considers a 12 tpd scenario and an expansion scenario of up to 50 tpd. At 24 tpd and using the current flowsheet, the capital cost of the restart was estimated at US$25.7 million and operating cost is estimated at US$6.7 million per annum.

The permitting review concluded that a restart is possible 18-24 months from selecting a feedstock under the base case scenario. Potential feed material could include cobalt concentrate from mining operations, ethically-sourced cobalt hydroxide material from the DRC and recycled battery materials from North America. With modest flowsheet modifications, the refinery could produce a cobalt sulphate for the lithium-ion battery market or cobalt metal for the aerospace industry.

Management has initiated discussions with potential sources of feed and testing by SGS commenced in 2018 to test suitability of different cobalt feed material using the First Cobalt Refinery's current flowsheet. Cobalt hydroxide material is being assessed as a source of feed for the refinery to produce cobalt sulphate or metallic cobalt products for sale into the North American market.

Strengthening Of The First Cobalt Board

On September 27, 2018, the Company announced the appointment of Henrik Fisker, Chairman & CEO of California-based electric vehicle OEM Fisker Inc., to the Company's Board of Directors. Mr. Fisker is the vision behind some of the world's most iconic cars, including the BMW Z8, the Aston Martin DB9/V8 Vantage, VLF Force 1 and the Fisker Karma. He is currently working towards developing the next generation of electric vehicle expertise. The addition of Mr. Fisker to the Company's Board of Directors will allow First Cobalt to draw from his many talents as an EV pioneer, entrepreneur and successful OEM car designer.

On February 21, 2019, the Company announced the appointment of three-term former Idaho Governor C.L. "Butch" Otter to its Board of Directors. Gov. Otter has had a long and prominent political career including both federal and state positions, as well as a more than 30-year career as a business leader. The addition of Gov. Otter to the Company's Board of Directors will allow First Cobalt to draw on his extensive business and political experience as well as his knowledge of the Idaho state landscape to advance the Iron Creek project.

Outlook And Overview Of Current Programs

The Company's vision is to become the largest primary cobalt producer outside the Democratic Republic of Congo (DRC). In support of this vision, in 2017 First Cobalt completed a three-way merger with Cobalt One and CobalTech to consolidate the Canadian Cobalt Camp and take ownership of the First Cobalt Refinery. More recently, First Cobalt acquired US Cobalt to secure a prospective patented land position in Idaho, USA, which is known to host primary cobalt deposits. These transactions strategically position First Cobalt as a leading non-DRC cobalt company with North American projects and a refinery located in close proximity to infrastructure as well as electric vehicle and technology hubs such as Michigan and California.

In 2018, First Cobalt commenced work programs to advance each of its three significant North American assets:

1. The First Cobalt Refinery

Most of the cobalt consumed today is mined in the Democratic Republic of Congo and then shipped to China for refining. There are no primary cobalt refining facilities operating in North America today, which gives the First Cobalt Refinery a strategic importance in the electric vehicle supply chain. As a 20-year-old permitted facility with an operating history, Management believes that the refinery could play an important role in North America as a source of refined cobalt for the manufacture of lithium ion batteries or as a source of metallic cobalt for superalloys or military applications.

The First Cobalt Refinery is a hydrometallurgical cobalt refinery located approximately five hours north by road from Toronto, Ontario. The facility was commissioned in 1996 and in its current configuration, has a throughput design of 24 tonnes per day. The facility is located on a 40-acre property that can be expanded to 120 acres with two settling ponds and an autoclave pond. The building footprint also includes an empty feed warehouse that once housed a mill, which could be used under an expansion scenario.

In October 2018, the Company announced the results of three independent studies undertaken to review the capital requirements, operating costs, permit renewal timelines, potential feedstock options and offtake opportunities for the First Cobalt Refinery. The permitting review concluded that a restart is possible within 18-24 months of selecting feedstock, under a base case scenario of 24 tonnes per day. The refinery has the ability to produce a cobalt sulphate for the lithium-ion battery market or cobalt metal for the American aerospace, military and other industries. The desktop study to estimate the capital and operating costs to operate the refinery in its current configuration at various throughput rates is available on the Company's website, www.firstcobalt.com, and on SEDAR, www.sedar.com.

In late 2018, SGS Canada was engaged to test cobalt hydroxide material with the existing flowsheet of the First Cobalt refinery to determine whether this higher-grade feed material could be suitable feedstock. Results from preliminary tests announced in January of 2019 showed 98% of cobalt was successfully leached from cobalt hydroxide material with solvent extraction processes used to further remove deleterious elements as well as the potential to increase the throughput of the refinery through exclusion of the autoclave circuit.

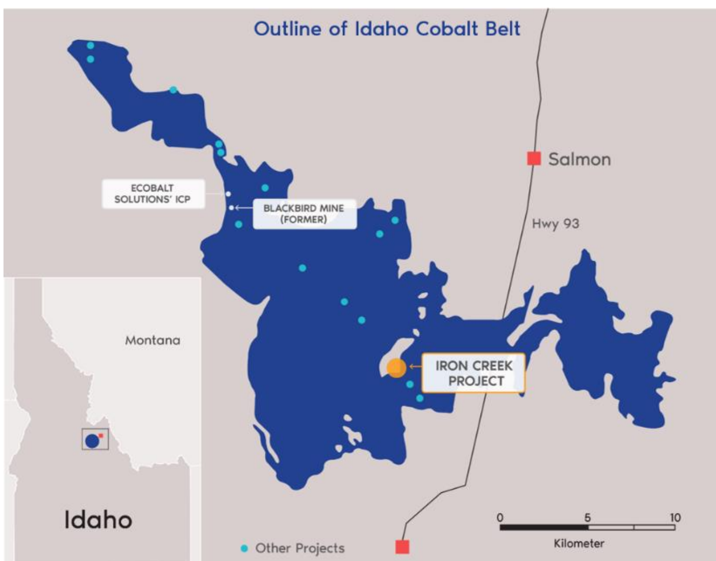
First Cobalt has signed several non-disclosure agreements with cobalt miners, automotive companies and private equity firms. During 2019, Management intends to advance discussions with these counterparties with the intention of securing a supply of mining feedstock and capital to support a decision to restart the refinery. The Company's intention is to give preference to non-equity sources of financing for the refinery restart. Once operating, it is envisioned that cash flow generated from the refinery would be used to fund future exploration activities at Iron Creek.

2. The Iron Creek Project in Idaho

Following the acquisition of US Cobalt in June of 2018, the Company commenced an extensive 14,000-metre drill program at Iron Creek. The objective was to define a maiden inferred resource estimate and then to continue drilling to expand the resource along strike of the known mineralization and at depth.

As noted above, in October 2018 the Company filed a technical report supporting the maiden resource estimate for the Iron Creek Project in Idaho. The technical report includes a resource that contains 45 million pounds of cobalt and 175 million pounds of copper for 62.9 million pounds of cobalt equivalent. The inferred mineral resource of contains 29.6 million tons (26.9 million tonnes) grading 0.11% cobalt equivalent (0.08% cobalt and 0.30% copper) under a base case scenario pit constrained and deeper mineral resource. An alternative underground-only scenario results in 4.9 million tons (4.4 million tonnes) grading 0.30% cobalt equivalent (0.23% cobalt and 0.69% copper).

Figure 1: Iron Creek Project, Idaho, USA



A total of 17,907 metres was drilled in 65 holes during the 2018 year. Since acquisition, 14,202 metres were drilled in 48 holes. The total cost of the program, inclusive of drilling, site work, personnel and assaying was $9.1 million since the date of the acquisition, part of which included work already committed by US Cobalt prior to takeover. The Company also assumed significant payables of $2.7 million from US Cobalt upon acquisition that were ultimately settled using First Cobalt cash.

Of this total drilling, 13,434 metres were drilled after the 2018 resource estimation which has extended mineralization along strike nearly 900 metres compared with 500 metres in the current resource estimate. Drilling has also shown mineralization extends to depth over 300m below surface, compared to the 150m depth in the current resource. The planned 2018 work program has been completed and the drills demobilized in December 2018. The mineralization remains open to the east, west and downdip and the Company will look to further expand the resource with future drilling.

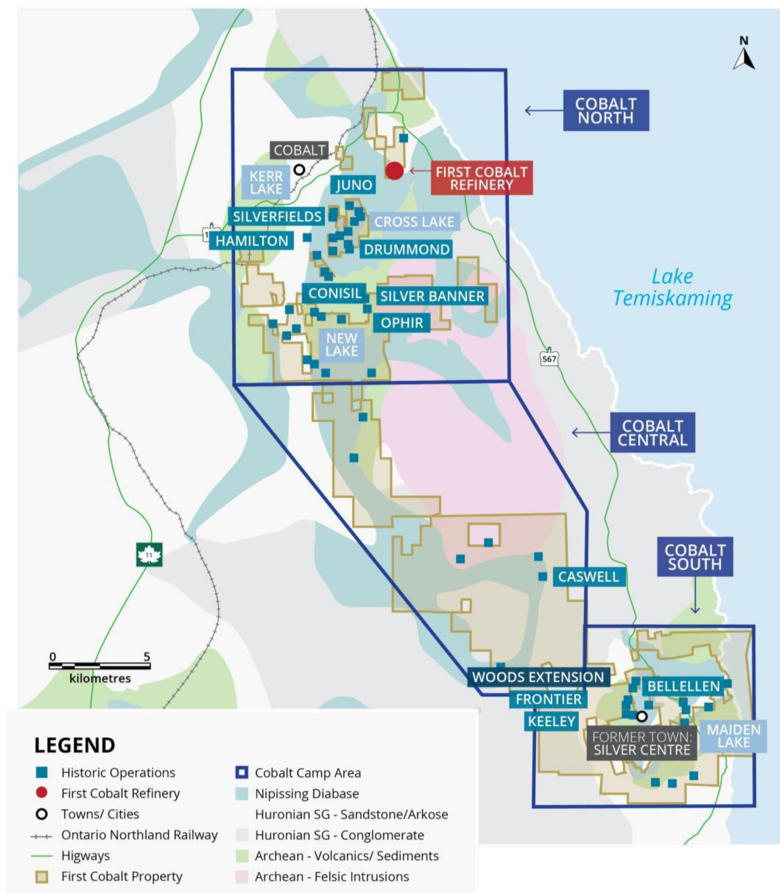
Summer forest fires resulted in a one-month delay in the Phase 2, 77-hole drill program. All infill holes were completed but less than half of the step-out holes were drilled before the program was halted for the winter break. Geology and analytical work will continue into the next quarter to review results. Management believes that there is an opportunity to upgrade a significant portion of inferred resources to indicated resource category.

The next steps for the Iron Creek project include a resource update, additional drilling, environmental studies and permitting, as well as advanced metallurgical studies. For the time being, the Company will prioritize work on the First Cobalt Refinery and work programs for Iron Creek will be assessed throughout 2019 with a view to market conditions.

3. The Cobalt Camp

First Cobalt controls almost half of the historic Canadian Cobalt Camp, with more than 50 past producing mines over 100km². The focus for exploration is to identify near-surface cobalt-silver mineralization amenable to open pit mining.

Figure 2. Regional bedrock geology of the Cobalt Camp showing target areas for exploration work in 2018.



During 2018, 30,280 metres were drilled in the Cobalt Camp across 192 drill holes. The planned 2018 work program has been completed and the drills demobilized in December 2018.

Early in 2018, drilling identified two mineralized zones in the Kerr Lake area within Cobalt North. Cobalt and silver mineralization have been traced over a 500m strike length corresponding with the historic Crown Reserve, Lawson, Drummond and Kerr Lake Mines. Approximately 400m to the south, a second mineralized area was identified that runs parallel and extends for over 350m. Further drilling near Drummond intersected cobalt-silver mineralization across an area of 200 x 300m separate from these zones. Within these three zones, mineralization occurs as several intersecting cobalt-silver veins controlled by regional structures. Continuity of mineralization has yet to be determined, but intersection widths and grades show the potential for open pit resources remains.

Outside of Kerr Lake, several other historic mine areas were drilled. Individual cobalt-silver veins were intersected at Silverfields, Silver Banner, and Hargrave in Cobalt North as well as at Keeley, Frontier and Bellellen in Cobalt South but the distribution of veins is sparse suggesting a broad mineralizing system is not present in these areas.

A new conceptual model for mineralization based on the Kerr Lake area led to identifying other prospective areas in the Cobalt Camp. Bedrock mapping and ground Induced Polarity-Resistivity geophysical surveys in the New Lake area generated new targets. Eleven holes were drilled intersecting anomalous cobalt-silver-copper mineralization that may reflect further potential at depth.

Certain areas within Cobalt Central are geologically similar to the Kerr Lake area but have been under-explored due to poor bedrock exposure and the extent of Nipissing Diabase cover over the prospective sedimentary and volcanic rocks. Minor reconnaissance drilling based on surface mineralization showings as well as geophysical and geochemical surveys were conducted in the Schumann Lake and Chukuni areas. Positive results in the western portion of the Schumann Lake area are encouraging for future follow-up work.

Support for the Laurentian University Metal Earth Project funded regional geophysical surveys and a bedrock mapping program to improve the 3D geological models; resulting in many new areas within the Cobalt Camp that require re-evaluation for cobalt-silver potential.

The Company's data compilation, field work, drilling and structural modeling has made a significant contribution to advancing the industry's understanding of this historic mining camp. The application of First Cobalt's structural model to the central area of the Cobalt Camp has generated a number of new, untested targets. The Company has decided to focus on the First Cobalt Refinery for near term cash flow and the Iron Creek Project, which is a more advanced cobalt property. As a result, the Company is in discussions with potential joint venture partners to fund future activity.

Cost Reductions

Market conditions for cobalt were difficult in the second half of 2018, with a significant decrease in the spot cobalt price and uncertainty in the capital markets. The Company strongly believes in the long-term market outlook for cobalt, but in response to the current market conditions, the Company took steps in October 2018 to reduce overhead costs and its ongoing expenditure burn rate. In the fourth quarter of 2018, Cobalt Camp personnel was reduced by over 75% to significantly reduce the fixed costs of the Company. Discretionary spending on travel, investor relations and other corporate programs was reduced and the Company decided not to pay annual performance bonuses to any employees. Subsequent to year-end, the remaining Cobalt Camp staff were eliminated and personnel reductions at Iron Creek were implemented.

Costs associated with completing the US Cobalt acquisition, including legal costs, the buyout of the royalty, the accounts payable assumed (net of cash) and the market purchase of US Cobalt shares prior to the transaction exceeded $5 million in aggregate. Combined with the significant drill programs at both Iron Creek and Cobalt Camp, 2018 was a high expenditure year for the Company. For 2019, no significant drill programs are planned. The essential activities currently planned are to commence engineering studies, progress metallurgical testing on refinery feedstock and pursue an appropriate long-term feed agreement. The First Cobalt Refinery is the priority as it is the Company's quickest path to cash flow. Refinery studies are less costly than the ambitious drilling programs undertaken in 2018 and can yield significant benefits for shareholders. With lower Corporate overhead and less expensive asset-level programs, the Company's burn rate in 2019 will be significantly below the previous year.

MINERAL PROPERTIES

The Company is focused on building a North American cobalt supply chain. The Company's Iron Creek Project in Idaho is the flagship asset and a maiden resource estimate was published in 2018. Iron Creek includes patented and unpatented claims totalling 1,698 acres as well as 600 metres of underground drifting from three adits, The Company also controls over 10,000 hectares of prospective land and 50 historic mining operations in the Cobalt Camp in Ontario, Canada as well as a mill and what is believed to be the only permitted primary cobalt refinery in North America able to produce battery materials.

	Balance December 31, 2017	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance December 31, 2018
Cobalt North, Ontario						
Lawson Kerr	$ 13,026,368	$ -	$ -	$ 1,352,000	$ -	$ 14,378,368
Cobalt Ontario	56,018,275	-	-	188,000	(421,536)	55,784,739
Cobalt Central, Ontario						-
Cobalt Central proper	30,753,009	88,333	-	-	(281,024)	30,560,318
Gold Rush Carribou	297,200	-	-	-	-	297,200
Cobalt South, Ontario						-
South Lorrain	1,820,000	7,500	-	-	-	1,827,500
Keeley-Frontier	3,156,876	42,000	-	-	-	3,198,876
Bellellen	325,000	-	-	-	-	325,000
Werner	296,300	-	(296,300)	-	-	-
Dickens	-	-	-	-	-	-
Quebec	165,000	-	(165,000)	-	-	-
Iron Creek	-	87,312,865	-	-	-	87,312,865
Paradox Basin	-	213,779	-	-	-	213,779
Total	$ 105,858,028	$ 87,664,477	$ (461,300)	$ 1,540,000	$ (702,560)	$ 193,898,645

(a) Acquisition of US Cobalt (Iron Creek)

On June 4, 2018, the Company completed the acquisition of US Cobalt by acquiring 100% of the issued and outstanding common shares of US Cobalt. Under the terms of the agreement, US Cobalt received 115,318,357 common shares of the Company at $0.69 per share, based on the trading price of the shares on June 4, 2018, totalling $79,569,666. In addition, the Company paid $1,381,746 for 1,410,500 of US Cobalt shares and issued 9,360,000 First Cobalt stock options to former US Cobalt option holders

This acquisition has been recorded as an asset purchase of exploration and evaluation assets with the costs of the acquisition allocated as follows:

Purchase price:	
Common shares issued (115,318,357 shares at $0.69 per share)	$ 79,569,666
Common shares owned by First Cobalt (1,410,500 shares)	1,381,746
Stock options of US Cobalt (9,360,000 stock options)	3,294,270
	$ 84,245,682

Net assets acquired:		
Current assets	$	1,470,548
Current liabilities		(2,689,768)
Exploration and evaluation asset – Paradox Basin, Utah, USA		212,143
Exploration and evaluation asset – Iron Creek, Idaho, USA		85,252,759
	$	84,245,682

The exploration and evaluation asset acquired from US Cobalt has been allocated to Iron Creek property.

During the year ended December 31, 2018, the Company acquired 100% ownership of the Iron Creek Project by making a one-time payment of $1,390,493, (USD $1,067,000). The Iron Creek Project was previously under lease to the Company. Under the terms of the lease, the Company was required to make monthly payments and the leaseholder retained 4% royalty over future production, both of which were eliminated through this one-time payment. The payment amount was a 47% discount to the amount contained in a 2016 mining lease agreement.

(b) ***Keeley-Frontier Option Agreement***

Under an Option Agreement, the Company holds the rights to earn up to a 100% interest from Canadian Silver Hunter Inc. in the Keeley and Frontier mines ("Keeley-Frontier"), located within the historic Silver Centre camp, and bordering on the Company's existing South Lorrain cobalt claim blocks.

Under the terms of the option agreement between Cobalt Projects and Canadian Silver Hunter, the Company may earn up to 100% interest in Keeley-Frontier as follows:

- 50% interest upon payment of $850,000 and incurring expenditures of $1,750,000 on the property over a period of three years.
- 51% interest upon payment of $200,000 within 60 days of having exercised the first option and producing a technical report in compliance with NI 43-101 – *Standards of Disclosure for Mineral Projects* by the fourth anniversary.
- 100% interest upon payment of $750,000 and incurring additional expenditures of $1,250,000 by the fifth anniversary.

Upon earning a 100% interest, Canadian Silver Hunter shall be granted a 2% net smelter return royalty, subject to the Company having the right to purchase 1% for $1 million over the ensuing 10 years. The Company may elect to accelerate the earn-in.

In January 2019, through making a $200,000 anniversary payment, the Company met all requirements to Canadian Silver Hunter to earn a 50% interest in Keeley-Frontier.

EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenditures incurred by the Company for the years ended December 31, 2018 and December 31, 2017 are outlined below:

	December 31, 2018			December 31, 2017		
	Cobalt, Canada	Iron Creek, USA	Total	Cobalt, Canada	Iron Creek, USA	Total
Drilling	$ 2,836,685	$ 4,666,275	$ 7,502,960	$ 529,775	$ -	$ 529,775
Exploration support and administration	84,374	451	84,825	14,679	-	14,679
Field Operations and consumables	307,914	1,206,723	1,514,637	135,281	-	135,281
Geochemistry	1,527,880	450,129	1,978,009	346,468	-	346,468
Geological consulting	643,249	736,515	1,379,764	390,012	-	390,012
Geologist salaries	916,100	-	916,100	-	-	-
Property taxes	24,214	-	24,214	11,222	-	11,222
Sampling and geological costs	1,522,058	2,070,479	3,592,536	258,380	-	258,380
Total	$ 7,862,473	$ 9,130,573	$ 16,993,047	$ 1,685,816	$ -	$ 1,685,816

Exploration and evaluation expenditures were significantly above the comparative period due to the acquisition of US Cobalt during 2018 and the significant drill programs conducted at the Iron Creek and Cobalt Camp properties in 2018. The Iron Creek exploration program focused extensively on drilling and assaying to expand the property's mineral resources. Field operations costs related to costs associated with maintain the adits and the property and providing services to the drilling operations.

The expansive Canadian land package was acquired in late 2017 as a result of the Company's three-way merger with Cobalt One Limited and CobalTech Mining Inc. and thus the 2018 year was focused on initial exploration activities to assess the property which includes 50 past producing mines spanning over 100 square kilometres. Drilling, sampling, assaying and geochemistry work comprised the main costs for the program. Approximately $7.6 million of the spending at Cobalt Camp was on flow-through eligible expenses, while some other minor items were not flow through eligible. The Company was required to spend $7.4 million in relation to flow-through obligations during the 2018 year and this requirement was met.

SELECTED ANNUAL INFORMATION

	Year ended December 31, 2018 ($)	**Nine months ended December 31, 2017 ($)**
Financial Position		
Current Assets	5,228,886	31,244,103
Current Liabilities	3,883,203	3,480,981
Exploration and evaluation Assets	193,898,645	105,858,028
Total Assets	204,600,629	141,807,907
Operations		
Exploration and evaluation expenditures	(16,993,047)	(1,685,816)
Salary, benefits and consulting fees	(2,562,287)	(2,648,002)
Professional fees	(977,652)	(1,122,522)
Investor relations, marketing, and travel	(1,829,923)	(1,565,243)
Refinery and associated Studies	(233,671)	-
Environmental and reclamation expenses	(126,162)	-
General and administrative	(1,093,977)	(480,565)
Share-based payments	(4,047,811)	(756,579)
Total Operating Expenses	(27,864,530)	(8,258,727)
Net Loss	(26,822,069)	(8,608,914)
Loss per Share	(0.09)	(0.12)

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2018

The Company changed its fiscal year end in 2017 from March 31 to December 31 for calendar year budgeting and planning purposes and to better align with industry peers. Accordingly, the comparative fiscal period reflects only the nine months from April 1, 2017 to December 31, 2017.

- The following are highlights from the Company's results of operations for the year ended December 31, 2018 and the nine months ended December 31, 2017: Salary, benefits and consulting fees were $2,562,287 for the year-ended December 31, 2018 compared to $2,648,002 during the nine months ended December 31, 2017. Despite an increase in headcount in 2018, the spending was in line with the nine-month comparative period due to change of control fees paid and employment payments as a result of the merger and acquisition activity in the 2017 year.
- Professional fees were $977,652 for the year ended December 31, 2018, compared to $1,122,522 for the nine months ended December 31, 2017. While directly-attributable acquisition costs are capitalized, other legal fees were higher in 2017 due to corporate activities.
- Investor relations, marketing, and travel expenses were $1,829,923 for the year ended December 31, 2018 compared to $1,565,243 for the nine months ended December 31, 2017. These costs were similar on an annualized basis as the Company conducted various communication campaigns, marketing programs and conference activities in both 2018 and 2017.
- Refinery and associated studies expense was $233,671 for the year ended December 31, 2018 versus nil for the nine months ended December 31, 2017. After acquisition of the refinery, the property was cleaned up and studies were conducted to assess its restart potential, including the Primero Desktop Study to assess capital and operating costs under various scenarios and other associated work.

- Environmental and reclamation expenses were $126,162 for year ended December 31, 2018 versus nil for the nine months ended December 31, 2017. The Company is committed to progressively rehabilitate the areas in which it operates, and activities in 2018 included treatment for the refinery tailings pond, fence maintenance around former shafts in the Cobalt Camp and the rehabilitation of some headframes and old buildings on the Company's properties.
- General and administrative expenses were $1,093,977 for the year ended December 31, 2018 compared to $480,565 for the nine months ended December 31, 2017. The increase in general and administrative expenditures was due to the overall increase of activity and expansion of the Company in late 2017 and into the US in 2018. This resulted in an increase in public company costs such as filing fees, transfer agent fees audit fees as well as increased office costs.
- Share-based payment expenses were $4,047,811 for the year-ended December 31, 2018 compared to $756,579 for the nine months ended December 31, 2017. This was mainly due to an increased number of options and deferred share units issued in 2018.

SUMMARY OF QUARTERLY RESULTS

Key financial information for the three months ended December 31, 2018 as well as the quarters spanning the most recently preceding fiscal years is summarized as follows, reported in Canadian dollars except for per share amounts.

	December 31, 2018 ($)	**September 30, 2018 ($)**	**June 30, 2018 ($)**	**March 31, 2018 ($)**
Financial Position				
Current Assets	5,228,886	13,611,745	21,800,761	28,654,568
Current Liabilities	3,883,203	3,514,090	3,535,066	2,790,431
Exploration and Evaluation Assets	193,898,645	201,551,155	200,072,379	105,865,528
Total Assets	204,600,629	219,684,773	226,612,485	139,236,491
Operations				
Exploration and evaluation expenditures	(7,304,472)	(5,618,381)	(2,620,591)	(1,449,603)
Salary, benefits and consulting fees	(781,513)	(485,965)	(1,071,689)	(223,120)
Professional fees	648,171	(489,148)	(971,215)	(165,460)
Investor relations, marketing, and travel	(333,338)	(470,615)	(403,844)	(622,126)
Refinery and Associated Studies	(55,217)	(45,939)	(125,140)	(7,375)
Environmental Expenses	(66,359)	(39,588)	(17,850)	(2,365)
General and administrative	(335,194)	(201,416)	(323,041)	(234,326)
Share-based payments	(1,068,089)	(1,570,336)	(220,114)	(1,189,272)
Total Operating Expenses	(9,296,011)	(8,921,388)	(5,753,484)	(3,893,647)
Net Loss	(9,559,510)	(8,289,731)	(5,717,868)	(3,254,960)
Loss per Share	(0.03)	(0.02)	(0.02)	(0.01)

	December 31, 2017 ($)	September 30, 2017 ($)	June 30, 2017 ($)	March 31, 2017 ($)
Financial Position				
Current Assets	31,244,103	3,291,061	4,918,144	6,100,556
Current Liabilities	3,480,981	714,945	420,617	399,697
Exploration and Evaluation Assets	105,858,028	6,241,558	6,291,558	2,185,058
Total Assets	141,807,907	9,532,620	11,209,702	8,285,614
Operations				
Exploration and evaluation expenditures	(1,009,255)	(621,687)	(54,874)	(12,700)
Salary, benefits and consulting fees	(1,732,339)	(536,609)	(379,055)	(176,185)
Professional fees	(680,811)	(247,737)	(193,974)	(73,710)
Investor relations, marketing, and travel	(288,161)	(440,612)	(836,470)	(252,074)
Refinery and Associated Studies	-	-	-	-
Environmental Expenses	-	-	-	-
General and administrative	(308,932)	(77,585)	(94,047)	(62,935)
Share-based payments	(524,971)	(168,038)	(63,570)	(921,502)
Total Operating Expenses	(4,544,469)	(2,092,268)	(1,621,990)	(1,499,106)
Net Loss	(4,847,592)	(2,094,449)	(1,666,873)	(1,508,720)
Loss per Share	(0.05)	(0.04)	(0.03)	(0.10)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

The following are highlights from the Company's results of operations for the three months ended December 31, 2018 and 2017:

- Exploration and evaluation expenditures were $7,304,472 for the three months ended December 31, 2018, compared to $1,009,255 for the three months ended December 31, 2017. The increase is due to the acquisition of US Cobalt in 2018 and the associated drill program at Iron Creek, and the significant exploration program at Cobalt Camp in 2018. Given the US Cobalt acquisition was completed in June 2018, exploration spending is increased in the second half of 2018 compared to the first half of the year.
- Salaries, benefits, and consulting fees were $781,513 for the three months ended December 31, 2018, compared to $1,732,339 for the three months ended December 31, 2017. The elevated salaries and consulting amounts for the three months ended December 31, 2017 were due to change of control and employment payments required in relation to the three-way merger.
- Professional fees were a credit of $648,171 for the three months ended December 31, 2018, compared to $680,811 incurred during the three months ended December 31, 2017. The US Cobalt acquisition legal fees had previously been expensed in 2018; however, in the fourth quarter $659,721 of legal fees were capitalized as acquisition costs as they directly related to the US Cobalt acquisition activities. This adjustment drove the professional fees to be a credit in the fourth quarter of 2018. For the three months ended December 31, 2017, there were significant legal costs incurred by the Company that were not capitalized. Throughout the previous two years, legal and professional fees were closely linked to Corporate merger and acquisition activity.
- General and administrative expenses for the three-months ended December 31, 2018 were similar to the three months ended December 31, 2017. The final three months of 2017 saw an increase in public company costs relating to the merger with Cobalt One and CobalTech, driving higher filing fees and transfer agents costs. The increased public company costs continued throughout 2018.

- Share-based payment expenses were $1,068,089 for the three months ended December 31, 2018 compared to $524,971 for the three months ended December 31, 2017. This was mainly due to an increased number of options and deferred share units issued in 2018.

CAPITAL STRUCTURE

As of the date of this MD&A, the Company has 339,643,094 common shares issued and outstanding. In addition, there are outstanding share purchase warrants and stock options for a further 13,217,682 and 13,256,815 common shares, respectively.

The following warrants were outstanding at the date of this report:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
May 31, 2016	May 31, 2021	200,000	$0.06
March 9, 2018	March 9, 2020	13,017,682	$1.50
		13,217,682	$1.48

The following incentive stock options were outstanding at the date of this report:

Grant Date	Expiry Date	Number of shares issuable on exercise	Weighted Average Exercise Price
December 22, 2016	December 22, 2021	300,000	$0.38
March 2, 2017	March 2, 2022	1,500,000	$0.66
June 1, 2017	June 1, 2022	1,565,000	$0.69
June 4, 2018	February 9, 2022	187,500	$0.294
June 4, 2018	May 17, 2021	562,500	$0.358
June 4, 2018	August 2, 2022	225,000	$0.418
June 4, 2018	January 17, 2023	810,000	$0.511
June 4, 2018	January 31, 2023	450,000	$0.518
June 26, 2018	June 26, 2023	1,683,482	$1.43
June 26, 2018	June 26, 2023	2,273,333	$0.49
September 27, 2018	September 27, 2023	1,300,000	$0.36
September 27, 2018	September 27, 2025	1,000,000	$0.36
October 24, 2018	October 24, 2023	400,000	$0.27
February 21, 2019	February 21, 2024	1,000,000	$0.18
		13,256,815	$0.59

During the nine months ended December 31, 2017, the Company issued 898,964 DSUs to certain non-executive directors of the Company and 581,682 PSUs to the chairman and certain officers of the Company. DSUs vest immediately and may not be exercised until a director ceases to serve on the board. PSUs may vest in two tranches over a 12-month period contingent on achieving strategic corporate objectives. The manner in which the Granted Securities under the LTIP were granted did not comply with the ASX Listing Rules and therefore, at the request of the ASX, the Granted Securities were cancelled on May 24, 2018. Under the rules of the TSX-V, this method of making long-term incentive grants to directors, officers, employees and consultants under an approved long-term incentive plan is customary. However, since the Company's admission to the ASX, it must also comply with Australian listing rules, which vary in a few significant respects. On June 26, 2018, the Company received approval from requisite shareholders and securities regulators and as such, these LTIPs were re-issued.

In addition, during the year ended December 31, 2018, the Company issued 255,000 RSUs, 120,833 PSUs, and 765,000 DSUs to certain officers and directors of the Company.

CAPITAL RESOURCES

The Company defines capital as consisting of shareholder's equity and cash. The Company manages its capital structure to maximize its financial flexibility, making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this, given the relative size of the Company, is appropriate.

As at December 31, 2018 the Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the year ended December 31, 2018.

LIQUIDITY

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements. The Company has historically financed its operations primarily through the sale of share capital by way of private placements.

At December 31, 2018, the Company had cash of $3,262,121 (December 31, 2017 - $29,817,031) and working capital of $1,345,683 (December 31, 2017 – $27,763,122).

On March 4, 2019, the Company announced a private placement for $2.0 million to improve its liquidity position, which it expects to close by the end of March 2019. The Company will require additional funding to continue its operations and advance its assets over the next 12 months. The Company has historically been successful in financing activities; however, there can be no assurances that the Company will be able to obtain financing. This represents a material uncertainty that casts doubt on the Company's ability to continue as a going concern.

To maintain liquidity, the Company issued common shares for cash proceeds during the year ended December 31, 2018 as follows:

- On January 16, 2018, as part of the Offering, the Company completed a non-brokered private placement by issuing 151,364 Units at $1.10 per unit for gross proceeds of $166,500. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant (a "Warrant") of the Company. Each full warrant is exercisable at $1.50 per share for a period of 24 months following the date of issue of Warrants.
- The Company issued 595,674 common shares on exercise of warrants which was recorded as common shares to be issued as at December 31, 2017. The funds of $710,652 were received during the year ended December 31, 2017.
- The Company issued 250,000 common shares on exercise of stock options for total proceeds of $62,500.

During the 2018 year, the Company used significant cash resources to complete the US Cobalt acquisition and assume its payables. The accounts payable net of cash acquired was approximately $1.3 million with additional costs for legal and professional fees of approximately $1.0 million, the royalty buy-out of approximately $1.4 million and the purchase of US Cobalt shares in the open market prior to acquisition costing approximately $1.3 million, pushing the one-time costs to complete the transaction and gain 100% ownership over the site to an aggregate cost of over $5 million. There were invoices for work committed by US Cobalt that were also ultimately received and paid by the Company subsequent to the acquisition date. The completion of the US Cobalt acquisition was a significant use of cash for the Company during the 2018 year.

(expressed in Canadian Dollars)	**Year ended December 31, 2018**	**Nine months ended December 31, 2017**
Cash Flows used in operating activities	$ (24,944,616)	$ (7,622,285)
Cash Flows (used in) provided by investing activities	(2,371,118)	382,167
Cash Flows provided by in financing activities	518,928	31,723,476
Effect of exchange rates on cash	241,896	(6,463)
Changes in Cash During the Year	$ (26,554,910)	$ 24,476,895
Cash – Beginning of the year	29,817,031	5,340,136
Cash – End of the year	$ 3,262,121	$ 29,817,031

Cash used in operating activities was $24,944,616 during the year ended December 31, 2018, compared to $7,622,285 from operating activities during the nine months ended December 31, 2017. The increase in cash used in operating activities was driven primarily by the significant 2018 drill programs completed at both Iron Creek and in the Cobalt Camp and includes $2.7 million of accounts payables assumed on the acquisition of US Cobalt.

Cash used in investing activities was $2,371,118 during the year ended December 31, 2018, compared to $382,167 provided by investing activities during the nine months ended December 31, 2017. The 2018 outflow was primarily driven by the buy-out of the Iron Creek royalty and the purchase of US Cobalt shares in the open market prior to the transaction. This was partially offset by the acquisition of $1,171,451 of cash on hand at US Cobalt upon closing of the transaction.

Cash flows from financing activities were $518,928 during the year ended December 31, 2018, compared to the $31,723,476 from financing activities during the nine months ended December 31, 2017. The 2018 inflows related to proceeds of share and stock option issuances.

The development of the Company in the future will depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the issuance of equity securities to meet its cash requirements. Funding for potential future development obligations, in excess of funds on hand, will depend on the Company's ability to obtain financing through joint venturing of projects, debt and equity financing or other means. There can be no assurances that the Company will be successful in obtaining any such financing or in joint venturing its property; failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Company's properties.

COMMITMENTS

The ongoing expenditure required to maintain the Company's key assets is minimal and summarized below:

- At Iron Creek, annual requirements are limited to tax payments and are less than $50,000 per year.

- For the Cobalt Camp, there is no exploration spending requirement in 2019 given the large expenditure in the 2018 year. Taxes on the various properties on an annual basis are less than $50,000 per year and this is the only cash requirement in 2019 and the following few years.

  There are minimum spend requirements to maintain the rights to various mineral claims in Ontario; however, spending above these levels in any given year can be "banked" and used in future years and it can be spread across various commonly-controlled properties. First Cobalt has determined the annual cost to be between $300,000 and $400,000 across all properties in the Cobalt Camp. Given spending of $7.6 million in 2018, the Company has banked significant credits and no exploration activity is required in 2019 to maintain its claims.

- For the First Cobalt Refinery, on an annual basis there are activities required for the tailings pond – including two discharges, an inspection of the tailings dam and an annual report. The total cost for these activities is approximately $50,000 on an annual basis.

Given the 2018 work programs at both Iron Creek and Cobalt Camp have been completed, there are no significant contractual future commitments to vendors as at December 31, 2018.

Eligible exploration expenditures in 2018 in the Cobalt Camp were $7.6 million, which met the required spending during the 2018 year arising from the Company's flow-through obligations ($7.4 million).

The Company has recorded a provision for environmental remediation, reclamation and decommissioning for its Ontario assets. For the refinery, a liability of $800,000 has been recorded, linked to a currently filed closure plan. In relation to the refinery closure plan, an amount of $702,560 is on deposit with the Ministry of Energy, Northern Development, and Mines as financial assurance. For the Cobalt Camp properties, the Company is responsible for rehabilitating disturbances and features on its patented land, and not on mineral claims. The majority of the properties controlled by the Company in the Cobalt Camp are mineral claims. A liability of $1,540,000 has been recorded for the associated rehabilitation work, reflected the Company's best estimate. The known features that comprise this estimate will be progressively rehabilitated to reduce the liability over time.

RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel and companies related by way of directors or shareholders in common.

Key Management Personnel Compensation

During the year ended December 31, 2018 and the nine months ended 2017, the Company paid and/or accrued the following fees to management personnel and directors:

	December 31, 2018	**December 31, 2017**
Management	$ 1,002,789	$ 896,396
Directors	433,650	305,000
	$ 1,436,439	$ 1,201,396

During the year ended December 31, 2018 the Company also had share-based payments made to management and directors of $3,289,353 (nine months ended December 31, 2017 - $690,763). As at December 31, 2018, the Company had $64,621 payable to management (December 31, 2017 - $219,764)

OFF BALANCE SHEET ARRANGEMENTS

The Company currently has no off balance sheet arrangements.

SUBSEQUENT EVENTS

Subsequent to December 31, 2018:

(a) In January 2019, the Company paid $200,000 to Canadian Silver Hunter to meet all requirements to earn a 50% interest in Keeley-Frontier.

(b) In February 2019, the Company announced the appointment of former Idaho Governor Butch Otter to its Board of Directors. The addition of Gov. Otter will allow the Company to draw on his extensive knowledge of the Idaho state landscape to advance the Iron Creek Project.

(c) In March 2019, the Company announced a non-brokered private placement of 11,111,111 units (the "Units") for the gross proceeds of $2.0 million. Each Unit issued pursuant to the Offering will consist of one common share in the capital of the Company and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Common Share at a price of $0.27 for a period of two years. The Warrants are subject to an acceleration clause such that, if the closing price of the common shares of the Company is equal to or greater than $0.37 per share for a period of ten consecutive trading days, the Company shall have the option, but not the obligation, to effect an accelerated expiration date that shall be 20 calendar days from the issuance of a notice of acceleration. There is no commission paid to any party as part of the arrangement. Proceeds of the Offering will be used by the Company to support ongoing work at the First Cobalt Refinery as well as general corporate purposes. The Offering is expected to close by the end of March 2019.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels.

The hierarchy is as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from inputs that are unobservable inputs for the asset or liability.

The fair value of cash approximates the carrying value due to the short-term maturity. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

As at December 31, 2018 and 2017, the Company did not any have level 2 and 3 financial assets or liabilities.

Financial Risk Factors

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash. The Company is expected to able to satisfy obligations in the near term with its cash balances and proceeds from future equity financings.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency, Canadian Dollars. The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, prepayments, and accrued liabilities that are denominated in US Dollars. The Company has not used derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

BUSINESS RISKS AND UNCERTAINTIES

There are many risk factors facing companies involved in the mineral exploration industry. Risk Management is an ongoing exercise upon which the Company spends a substantial amount of time. While it is not possible to eliminate all the risks inherent to the industry, the Company strives to manage these risks, to the greatest extent possible. The following risks are most applicable to the Company.

Financing

Historically, the Company has raised funds through equity financing to fund its operations. The market price of natural resources, specifically cobalt prices, is highly speculative and volatile. Instability in prices may affect the interest in resource properties and the development of and production from such properties. This may adversely affect the Company's ability to raise capital to fund corporate activities as well as acquire and explore resource properties.

Industry and Mineral Exploration Risk

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that the Company's exploration efforts will be successful. At present, the Company's projects do not contain any proven or probable reserves. Success in establishing reserves is a result of a number of factors, including the quality of the project itself. Substantial expenditures are required to establish reserves or resources through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Because of these uncertainties, no assurance can be given that planned exploration programs will result in the establishment of mineral resources or reserves. The Company may be subject to risks, which could not reasonably be predicted in advance. Events such as labour disputes, natural disasters or estimation errors are prime examples of industry related risks. The Company attempts to balance this risk through ongoing risk assessments conducted by its technical team.

Commodity Prices

The Company is in the business of mineral exploration and as such, its prospects are largely dependent on movements in the price of various minerals. Prices fluctuate on a daily basis and are affected by a number of factors well beyond the control of the Company. The mineral exploration industry in general is a competitive market and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist. Due to the current grassroots nature of its operations, the Company has not entered into any price hedging programs.

Environmental

Exploration projects or operations are subject to the environmental laws and applicable regulations of the jurisdiction in which the Company operates. Environmental standards continue to evolve and the trend is to a longer, more complete and rigid process. The Company reviews environmental matters on an ongoing basis. If and when appropriate, the Company will make appropriate provisions in its financial statements for any potential environmental liability.

Title of Assets

Although the Company conducts title reviews in accordance with industry practice prior to any purchase of resource assets, such reviews do not guarantee that an unforeseen defect in the chain on title will not arise and defeat our title to the purchased assets. If such a defect were to occur, our entitlement to the production from such purchased assets could be jeopardized.

Competition

The Company engages in the highly competitive resource exploration industry. The Company competes directly and indirectly with major and independent resource companies in its exploration for and development of desirable resource properties. Many companies and individuals are engaged in this business, and the industry is not dominated by any single competitor or a small number of competitors. Many of such competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater historical market acceptance than does the Company. The Company will compete with numerous industry participants for the acquisition of land and rights to prospects, and for the equipment and labour required to operate and develop such prospects. Competition could materially and adversely affect the Company's business, operating results and financial condition. Such competitive disadvantages could adversely affect the Company's ability to participate in projects with favorable rates of return.

Additional information on risks and uncertainties relating to First Cobalt's business is provided in First Cobalt's Amended and Restated Annual Information Form dated December 17, 2018 under the heading "Risk Factors".

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Areas requiring a significant degree of judgment relate to the recoverability and measurement of deferred tax assets and liabilities, the ability to continue as a going concern and the capitalization of development costs. Actual results may differ from those estimates and judgments. Areas requiring a significant degree of estimation include allowances for doubtful accounts.

Areas requiring a significant degree of judgement that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- *Exploration and Evaluation Assets*
  The net carrying value of each mineral property is reviewed regularly for conditions that suggest potential indications impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*
  The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Company's ability to generate adequate financing. Significant judgements are used in the Company's assessment of its ability to continue as a going concern.
- *Income taxes*
  Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.
  The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.
- *Acquisition Accounting*
  The Company has accounted for the acquisitions of US Cobalt Inc., Cobalt One Limited, CobalTech Inc., Cobalt Projects International Corp., and Cobalt Industries of Canada Inc. as asset acquisitions. Significant judgment was required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that US Cobalt Inc., CobalTech Inc., Cobalt Projects International Corp. and Cobalt Industries of Canada Inc. did not meet the definition of a business under IFRS 3: Business Combinations. The acquisition of Cobalt One Limited was considered an asset acquisition due to the fact that management and the board of directors remained under the control of the Company. In addition, the basis for the calculation of the fair value of the asset acquired included significant estimates of the fair value of the consideration transferred. The Company has measured the fair value of the consideration transferred based on the last trading price of the date of shareholder approval for the acquisition.
- *Environmental rehabilitation*
  Management's determination of the Company's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required, the additional contingent mitigation measures it identifies as potentially being required and its assessment of the likelihood of such contingent measures being required, and its estimate of the probable costs and timing of such activities and measures. Significant judgements must be made when determining such reclamation and closure activities and measures required and potentially required.
- *Valuation of Share-Based Payments*
  The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and the warrant liability. Option pricing models require the input of subjective assumptions including the share price, expected share price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and equity reserves.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are summarized in Note 2 to the audited consolidated financial statements for the years ended December 31, 2018 and 2017.

FUTURE CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") has issued or amended a number of new standards that were not be effective at December 31, 2018. These standards have not been early adopted in these consolidated financial statements.

IFRS 16, Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company is does not expect the adoption of IFRS 16 to have an impact on its consolidated financial statements.

Management does not expect any other IFRS or IFRIC pronouncements that are not yet effective to have a material impact on the Company.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There was no change in the Company's internal controls over financial reporting that occurred during the year ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures that as of December 31, 2018, the Company's disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company are appropriately designed.

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may be deemed "forward-looking statements", including statements regarding developments in the Company's operations in future periods, adequacy of financial resources and future plans and objectives of Company. All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, liquidity and effects of accounting policy changes.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Readers are cautioned not to place undue reliance on this forward-looking information.

Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that Management's beliefs, estimates, opinions or other factors should change except as required by law.

These statements are based on a number of assumptions including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for the Company's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.