NOTICE TO READER

First Cobalt Corp. is hereby filing these amended and restated audited consolidated financial statements for the years ended December 31, 2019 and 2018 as the Company has determined that the impairment charge taken relating to the Cobalt Camp mineral assets at December 31, 2019 was understated. Refer to Note 2 for the restatement details and Note 29 which includes additional subsequent event from April 8, 2020 (the date of the original filing) to November 20, 2020.

In connection with the filing of these amended and restated audited consolidated financial statements for the years ended December 31, 2019 and 2018, and the adjustment noted above, the Company is also filing (i) amended and restated management discussion and analysis in compliance with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations*, and (ii) CEO and CFO certifications in compliance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Toronto, Canada
November 20, 2020

FIRST COBALT CORP.

AMENDED AND RESTATED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of First Cobalt Corp.:

Opinion

We have audited the amended and restated consolidated financial statements of First Cobalt Corp. and its subsidiaries (the "Company"), which comprise the amended and restated consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the amended and restated consolidated statements of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the amended and restated consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying amended and restated consolidated financial statements present fairly, in all material respects, the amended and restated consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its amended and restated consolidated financial performance and its amended and restated consolidated cash flows for the years then ended 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 Amended and Restated 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 amended and restated 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 3 in the amended and restated consolidated financial statements, which indicates that the Company incurred a net loss of $116,442,523 during the year ended December 31, 2019 and, as of that date, the Company's deficit was $156,026,128. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Restatement

We draw attention to Note 2 in the amended and restated consolidated financial statements, which describes that the consolidated financial statements for the year ended December 31, 2019 have been restated from those on which we originally reported on April 8, 2020. 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 amended and restated 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 amended and restated 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 amended and restated 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 Amended and Restated Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the amended and restated 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 amended and restated consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the amended and restated 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 Amended and Restated Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the amended and restated 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 amended and restated 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 amended and restated 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 amended and restated 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 amended and restated consolidated financial statements, including the disclosures, and whether the amended and restated 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 amended and restated 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 Ronald D. Miller.

MNP LLP

Vancouver, British Columbia

November 20, 2020

Chartered Professional Accountants

MNP LLP

AMENDED AND RESTATED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019 AND 2018

(expressed in Canadian Dollars)		December 31, 2019 Restated - Note 2		December 31, 2018
ASSETS				
Current Assets				
Cash and cash equivalents	$	4,419,642	$	3,262,121
Restricted cash (Note 6)		11,500		11,500
Prepaid expenses and deposits (Note 8)		432,419		236,796
Receivables (Note 7)		263,114		1,718,469
		5,126,675		5,228,886
Non-Current Assets				
Exploration and evaluation assets (Note 2 and 10)		87,420,122		193,898,645
Plant and equipment (Note 9)		4,876,364		4,770,538
Long-term restricted cash (Note 6)		918,732		702,560
Total Assets	$	98,341,893	$	204,600,629
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (Note 12)	$	286,589	$	3,883,203
		286,589		3,883,203
Non-Current Liabilities				
Long-term loan payable (Note 14)		6,318,026		-
Financial derivative liability (Note 15)		413,193		-
Asset retirement obligations (Note 13)		2,737,321		2,340,000
Total Liabilities	$	9,755,129	$	6,223,203
Shareholders' Equity				
Common shares (Note 16)		230,374,837		225,477,272
Reserve (Note 17 and 18)		13,714,970		11,834,934
Accumulated other comprehensive income		523,085		648,825
Deficit (Note 2)		(156,026,128)		(39,583,605)
Total Shareholders' Equity	$	88,586,764	$	198,377,426
Total Liabilities and Shareholders' Equity	$	98,341,893	$	204,600,629

Nature of operations (Note 1)
Going Concern (Note 3)
Commitments and Contingencies (Note 25)
Subsequent events (Note 29)

Approved on behalf of the Board of Directors and authorized for issue on November 20, 2020

/s/ Susan Uthayakumar	/s/ Trent Mell
Susan Uthayakumar, Director	Trent Mell, Director

AMENDED AND RESTATED CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(expressed in Canadian Dollars)		**Year ended December 31, 2019 Restated - Note 2**		**Year ended December 31, 2018**
Operating expenses				
Consulting fees	$	469,055	$	1,126,051
Exploration and evaluation expenditures (Note 19)		1,300,394		16,993,047
General and administrative		447,590		1,093,978
Investor relations and marketing		619,848		1,286,127
Refinery and associated studies		1,191,065		233,671
Environmental expenses		364,562		126,162
Professional fees		924,031		977,652
Salary and benefits		1,488,229		1,436,236
Share-based payments (Note 18)		1,384,904		4,047,811
Travel		245,842		543,795
Operating loss		(8,435,520)		(27,864,530)
Other				
Foreign exchange gain (loss)		(34,101)		(150,315)
Interest income (expense)		(254,081)		219,268
Gain (loss) on sale of equipment		84,171		-
Gain (loss) on sale of marketable securities		(571,093)		103,515
Gain (loss) on financial derivatives revaluation		(66,665)		-
Impairment expense (Note 11)		(106,843,000)		-
Write-off of prepaids, deposits, and other balances		(77,951)		(155,042)
Write-off of exploration and evaluation assets		(213,779)		(461,300)
Flow-through share premium		-		1,489,760
Other non-operating income (expense)		(30,504)		(3,425)
Loss before taxes		(116,442,523)		(26,822,069)
Income tax expense (Note 20)		-		-
Net loss		(116,442,523)		(26,822,069)
Other comprehensive income				
Foreign currency translation income (expense)		(125,740)		241,896
Net loss and other comprehensive loss	$	(116,568,263)	$	(26,580,173)
Basic and diluted loss per share	$	(0.32)	$	(0.09)
Weighted average number of shares outstanding (basic and diluted) (Note 21)		362,040,384		289,547,714

AMENDED AND RESTATED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(expressed in Canadian Dollars)	**Year ended December 31, 2019 Restated - Note 2**	**Year ended December 31, 2018**
Operating activities		
Net loss	$ (116,442,523)	$ (26,822,069)
Adjustments for items not affecting cash:		
Share-based payments	1,384,904	4,047,811
Directors fees paid in DSUs	195,219	-
Impairment expense	106,843,000	-
Write-off of exploration and evaluation assets	213,779	461,300
Write-off of prepaids, deposits, and other balances	-	155,040
(Gain) Loss on marketable securities	571,093	(103,515)
(Gain) Loss on sale of Equipment	(79,005)	-
(Gain) Loss on financial derivatives revaluation	66,665	-
Interest expense on long-term debt	254,081	-
Flow-through share premium	-	(1,489,760)
	(6,992,787)	(23,751,193)
Changes in non-cash working capital:		
Decrease (Increase) in receivables	1,470,546	(784,086)
Decrease (Increase) in prepaid and other current assets	(195,623)	355,407
Increase (Decrease) in accounts payable and accrued liabilities	(3,392,445)	(764,744)
Cash Flows used in operating activities	(9,110,309)	(24,944,616)
Investing activities		
Capital expenditures	-	(64,763)
Acquisition of exploration and evaluation assets, net of cash (Note 9)	(307,256)	(2,199,575)
Transfer to restricted cash	(216,172)	-
Acquisition of US Cobalt	-	1,171,451
Sale (Purchase) of marketable securities	2,658,474	(1,278,231)
Proceeds from sale of equipment	99,500	-
Cash Flows provided by (used in) investing activities	2,234,546	(2,371,118)
Financing activities		
Proceeds from issuance of common shares	1,603,957	452,428
Proceeds from exercise of warrants	-	4,000
Proceeds from exercise of options	-	62,500
Proceeds from loan	6,555,067	-
Cash Flows provided by financing activities	8,159,024	518,928
Changes in cash during the period	1,283,261	(26,796,806)
Effect of exchange rates on cash	(125,740)	241,896
Cash – Beginning of the period	3,262,121	29,817,031
Cash – End of the period	$ 4,419,642	$ 3,262,121

Supplemental information (Note 26)

AMENDED AND RESTATED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(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, 2018	339,321,829	$225,477,272	$ -	$ -	$11,834,934	$ -	$ 648,825	$ (39,583,605)	$ 198,377,426
Net loss for the year	-	-	-	-	-	-	-	(116,442,523)	$ (116,442,523)
Other comprehensive loss for the period	-	-	-	-	-	-	(125,740)	-	$ (125,740)
Share based payment expense	-	-	-	-	1,384,904	-	-	-	$ 1,384,904
Directors fees paid in DSUs	-	-	-	-	195,219	-	-	-	$ 195,219
Shares and units issued for:									
Exercise of DSU/PSU/RSU (Note 16)	321,265	148,605	-	-	(148,605)	-	-	-	$ -
Cash (Note 16)	8,913,251	1,155,439	-	-	448,518	-	-	-	$ 1,603,957
Private Share Purchase Agreement (Note 16)	21,265,809	3,229,567	-	-	-	-	-	-	$ 3,229,567
Debt Settlement Arrangement (Note 12, Note 16)	2,427,530	363,954	-	-	-	-	-	-	$ 363,954
Restated Balance – December 31, 2019	372,249,684	$230,374,837	$ -	$ -	$13,714,970	$ -	$ 523,085	$(156,026,128)	$ 88,586,764
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)
Other comprehensive loss for the period							241,895		$ 241,895
Share based payment expense	-	-	-	-	4,047,812	-	-	-	$ 4,047,812
Shares and units issued for:									
Acquisition of property	117,109,290	81,023,447	(1,453,781)	-	-	-	-	-	$ 79,569,666
Cash	151,364	166,500	(50,000)	-	-	-	-	-	$ 116,500
Exercise of warrants	595,674	710,652	(710,652)	-	-	-	-	-	$ -
Exercise of options	250,000	62,500	-	-	-	-	-	-	$ 62,500
Vesting of LTIPs	1,326,675	1,544,990	-	-	(1,544,990)	-	-	-	$ -
Subscriptions received	-	-	-	339,928	-	-	-	-	$ 339,928
Fair value of options exercised	-	23,662	-	-	(23,662)	-	-	-	$ -
Warrants issued	-	-	-	-	4,258,460	(4,258,460)	-	-	$ -
Share issuance costs	-	-	-	-	-	-	-	-	$ -
Stock options purchased from US Cobalt Inc.	-	-	-	-	3,294,268	-	-	-	$ 3,294,268
Balance – December 31, 2018	339,321,829	$225,477,272	$ -	$ -	$11,834,934	$ -	$ 648,825	$ (39,583,605)	$ 198,377,426

1. General Information and Nature of Operations

General Information

First Cobalt Corp. (the "Company", "First Cobalt" or "FCC") was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia (the "Act"). On September 4, 2018, 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 and on cobalt refining. 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) (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 401 Bay Street, 6th Floor, Toronto, Ontario, M5H 2Y4.

Nature of Operations

The Company is in the process of advancing its refinery to a restart decision and exploring and developing its mineral 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. 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 exploration and evaluation assets are based on their acquisition costs, and do not necessarily represent present or future values.

2. Restatement of Previously issued Consolidated Financial Statements

First Cobalt has restated its consolidated statement of financial position as at December 31, 2019; its consolidated statement of loss and comprehensive loss, consolidated statement of cash flows, and consolidated statement of changes in equity for the year ended December 31, 2019.

As part of a review of its consolidated financial statements, the Company determined that the impairment charge taken relating to the Cobalt Camp mineral assets was understated. The Company had previously carried the value of the Cobalt Camp at its estimated recoverable value, which was determined with respect to consideration in comparable market transactions and historical exploration costs incurred. The Company has re-evaluated this position and has determined that the Cobalt Camp should be further impaired to $1. Specifically, the Company is focused on cobalt, a specialty metal without the same market comparables as precious metals or other base metals (copper or zinc) and the properties do not yet have a mineral resource estimate associated with them. Therefore, given an impairment trigger was noted under *IFRS 6 – Exploration for and Evaluation of Mineral Resources* for the year-ended December 31, 2019 and there is a lack of cobalt-specific data to support a recoverable value for these properties, the Cobalt Camp has been written down to a value of $1.

The previously filed consolidated financial statements for the year ended December 31, 2019 have been restated to adjust the write down of the Cobalt Camp by an additional $11,945,624, resulting in a decrease in the carrying value of the property and an increase in the impairment charge recorded as at December 31, 2019.

As a result, the following adjustments were made to the consolidated financial information as at and for the year-ended December 31, 2019.

	As Previously Reported	Adjustment	As Restated
Consolidated Statement of financial position			
Exploration and evaluation assets	$ 99,365,746	($ 11,945,624)	$ 87,420,122
Total Assets	110,287,517	(11,945,624)	98,341,893
Deficit	(144,080,504)	(11,945,624)	(156,026,128)
Total Shareholders' Equity	100,532,388	(11,945,624)	88,586,764
Total Liabilities and Shareholders' Equity	110,287,517	(11,945,624)	98,341,893
Consolidated Statement of loss and other comprehensive loss			
Impairment Expense	($ 94,897,376)	($ 11,945,624)	($ 106,843,000)
Loss before taxes and Net Loss	(104,496,899)	(11,945,624)	(116,442,523)
Net Loss and other comprehensive loss	(104,622,639)	(11,945,624)	(116,568,263)
Basis and diluted loss per share	(0.29)	(0.03)	(0.32)
Consolidated Statement of Cash Flows			
Net Loss	($ 104,496,899)	($ 11,945,624)	($ 116,442,523)
Adjustments for items not affecting cash - Impairment Expense	94,897,376	11,945,624	106,843,000
Consolidated Statement of changes in shareholders' equity			
Net loss for the year	($ 104,496,899)	($ 11,945,624)	($ 116,442,523)
Deficit at the end of the year	(144,080,504)	(11,945,624)	(156,026,128)

3. 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 certain 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.

Certain operating expenses in 2018 were reclassified to align with current 2019 presentation.

Going Concern

The Company incurred a net loss of $116.4 million for the year ended December 31, 2019, had a deficit of $156 million as at December 31, 2019 and had a net working capital position of $4.8 million at December 31, 2019.

On August 26, 2019, the Company completed a US$5 million loan arrangement with Glencore AG ("Glencore") to fund the next phase of activities required to advance the First Cobalt Refinery, which includes engineering studies and metallurgical testing. At year-end 2019, C$3.8 million of these funds remained on hand. This cash will be utilized to complete the current study phase and advance the refinery during 2020 as the Company moves towards a formal re-start decision. Capital costs to re-start the refinery are expected to be funded through new debt arrangements.

A portion of the Glencore loan proceeds can be utilized to cover owner's costs and the general and administrative costs of the Company. Additionally, on February 5, 2020, the Company completed a private placement for $2.1 million to improve its liquidity position and on August 28, 2020 the Company completed another private placement which included $1.3 million of proceeds on a flow-through basis and $1.2 million of proceeds on a non-flow-through basis. With the proceeds from these financings the Company has sufficient funds on hand to continue operations for the next 12 months. However, the Company would require additional funding in Q4 2021 to continue its operations and conduct any other exploration activities. 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 may cast significant 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.

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 Limited 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/ (loss) and reclassified from equity to profit or loss on repayment of the monetary items.

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 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
Cobalt One Limited	100%	Australia
CobalTech Mining Inc.	100%	Canada
US Cobalt Inc. ("USCO")	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.

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 and cash equivalents	FVTPL
Restricted cash	Amortized Cost
Account Payable and Accrued Liabilities	Amortized Cost
Long-term loan payable	Amortized Cost
Financial derivative liability	FVTPL

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 exploration and evaluation assets within 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 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.

Plant and Equipment

Plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs related to the acquisition or construction of the qualifying assets.

Depreciation of plant and equipment commences when the asset is in the condition and location necessary for it to operate in the manner intended by management. Plant and equipment assets are depreciated using the straight-line method over the estimated useful life of the asset. Where an item of plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of plant and equipment. Depreciation is recognized in the consolidated statement of loss and comprehensive loss upon commercial production having been achieved.

At the date of the financial statements no plant and equipment assets are in use. The Company will assess the useful lives of the assets once they are put into use.

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 reserves.

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 reserves 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 reserves. 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 plant and equipment. 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 or officers 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 issued. The allocation is made based on the difference between the market value of the shares on the date of issue' 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 flow-through share premium.

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 flow-through share premium.

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.

4. Recently Adopted Accounting Standards

The Company has reviewed amendments to accounting pronouncements that have recently been issued as follows.

IFRS 16 - Leases
This new standard was issued with the objective to recognize all leases on the statement of financial positions. 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. The Company assessed the impact of this new standard and given the Company does not have any lease contracts at this time, the adoption of IFRS 16 did not have an impact on the consolidated financial statements.

5. 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.

- *Loan Payable & Financial Derivative Liability*

Loan Payable & Financial Derivative Liability values involve significant judgment. The company estimates loan payable at inception and is carried at amortized cost, whereas FV of financial derivative liability is reviewed and adjusted on a on a quarterly basis. Factors considered in the amortized cost of the loan payable, and the fair value of the financial derivative liability are risk free rate, share price volatility, LIBOR, effective interest, and foreign exchange fluctuations.

- *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. and Cobalt Projects International Corp., 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. and Cobalt Projects International Corp. did not meet the definition of a business under IFRS 3: Business Combinations In addition, the basis for the calculation of the fair values of the assets acquired included significant estimates of the fair values of the consideration transferred.

- *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.

(expressed in Canadian dollars)

6. Restricted Cash

	December 31, 2019	December 31, 2018
Current	$ 11,500	$ 11,500
Long-term	918,732	702,560
	$ 930,232	$ 714,060

Long-term restricted cash relates to amounts on deposit with the Ministry of Energy, Northern Development and Mines as financial assurance for the refinery closure plan. An additional deposit of $216,179 was made in November 2019 to the Ministry to bring the total financial assurance deposits in line with the estimated closure plan liability.

7. Receivables

	December 31, 2019	December 31, 2018
GST Receivable	$ 263,114	$ 1,718,469
	$ 263,114	$ 1,718,469

The reduction in GST receivable is the result of significant GST and HST refund collections throughout the year ended December 31, 2019. All amounts currently outstanding are expected to be collected within the next twelve months.

8. Prepaid Expenses and Deposits

	December 31, 2019	December 31, 2018
Prepaid expenses	$ 405,959	$ 217,365
Deposits	26,460	19,431
	$ 432,419	$ 236,796

Prepaid expenses predominantly relate to prepayments made for engineering studies and metallurgical test work relating to the Refinery.

9. Plant and Equipment

As part of the acquisition of Cobalt One Limited (“Cobalt One”) in 2017, 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 Plant and Equipment is $4,876,364 (December 31, 2018 - $4,770,538), which solely relates to the Refinery. During 2019, the Company disposed of $20,495 of snow plowing equipment and recorded a $126,321 increase in the refinery asset due to an increased closure cost estimates relating to inflation adjustments on the previously filed closure plan. As at December 31, 2019, the Company's closure costs for the Refinery are estimated to be $926,321 (December 31, 2018: $800,000) and are recorded as asset retirement obligations. No depreciation has been recorded for the Refinery in the current year (December 31, 2018 - $Nil).

(expressed in Canadian dollars)

10. Restated Exploration and Evaluation Assets

	Balance December 31, 2018	Acquisition Costs	Writedown (Note 11)	ARO Adjustment	Other Adjustments	Balance December 31, 2019
Cobalt Camp, Ontario	$ 106,372,001	$ 200,000	$(106,843,000)	$ 271,000	$ -	$ 1
Iron Creek	87,312,865	107,256	-	-	-	87,420,121
Other Properties	213,779	-	(213,779)	-	-	-
Total	$ 193,898,645	$ 307,256	$(107,056,779)	$ 271,000	$ -	$ 87,420,122

	Balance December 31, 2017	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance December 31, 2018
Cobalt Camp, Ontario	$ 105,396,728	$ 137,833	$ -	$ 1,540,000	$ (702,560)	$ 106,372,001
Iron Creek	-	87,312,865	-	-	-	87,312,865
Other Properties	461,300	213,779	(461,300)	-	-	213,779
Total	$ 105,858,028	$ 87,664,477	$ (461,300)	$ 1,540,000	$ (702,560)	$ 193,898,645

(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.

(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 (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.

In February 2019, the Company acquired additional surface rights on certain Iron Creek land packages for a payment of $107,256.

(b) 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 held the rights to earn up to a 100% interest from Canadian Silver Hunter Inc. in the Keeley and Frontier mines (“Keeley-Frontier”), which is located within the historic Silver Centre camp in Cobalt South. 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.

The Company has earned a 50% joint venture interest in Keeley-Frontier with Canadian Silver Hunter after making the final required anniversary payment of $200,000 in January 2019.

(c) *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 15). These claims are included within the Cobalt Camp Ontario Properties.

11. Restated Impairment Charges

The Company's current focus is on recommissioning and expanding the Refinery and advancing Iron Creek as its flagship mineral property. While all mineral patents and claims at the Cobalt Camp will be maintained in the future, there was minimal exploration work conducted in 2019 and no significant work is planned for 2020. Under IFRS, the fact that no further exploration work is planned is an impairment indicator for the Cobalt Camp and a comparison of the recoverable amount of these assets to their carrying value was conducted.

The properties that encompass the Cobalt Camp were acquired in 2017 in share transactions when cobalt prices were strong. There is no underlying resource statement or mine plan for these properties to allow for traditional valuation techniques such as a discounted cash flow analysis or an in-situ valuation based on metal content.

The Cobalt Camp assets encompass over 100 square kilometres of property that contain 50 past-producing mines. The significant exploration work conducted in 2017 and 2018 has furthered the understanding of the properties and defined the more prospective areas to focus on to maximize exploration success in the future. Additionally, there are historical mineralized muckpiles on these properties that contain both cobalt and silver; however, with no formal plans in place to process and monetize these muckpiles no value relating to them has been incorporated in the Cobalt Camp valuation.

While the lack of planned activity in the Cobalt Camp was due to the impacts of both the capital markets and its current standing as the third asset in the Company's portfolio, this fact did give rise to an impairment indicator under IFRS 6 as noted above. Given the lack of data on similar cobalt-specific properties in the market, the Company was unable to determine an independent value for the cobalt mineral properties, and thus they have been written down to a value of $1.

(expressed in Canadian dollars)

12. Accounts Payable and Accrued Liabilities

	December 31, 2019	December 31, 2018
Accounts Payable	$ 151,628	$ 2,273,348
Accrued Liabilities	134,961	1,609,855
	$ 286,589	$ 3,883,203

Accounts payable and accrued liabilities comprise primarily of trade payables incurred in the normal course of business. Included in accounts payable and accrued liabilities are amounts totalling $61,468 (December 31, 2018 - $64,621) due to related parties (see note 25).

During the year ended December 31, 2019, the Company settled a balance owing of $363,954 owed to an arm's length creditor through the issuance of 2,427,530 common shares of the Company valued at the market price per share on the date of issue.

13. Asset Retirement Obligations

	December 31, 2019	December 31, 2018
Current	$ -	$ -
Long-term	2,737,321	2,340,000
	$ 2,737,321	$ 2,340,000

As at December 31, 2019, the Company has recorded its best estimate of the asset retirement obligations relating to its properties and assets. The refinery has a formal closure plan filed with the Ministry of Energy, Northern Development, and Mines (ENDM). The cost estimates for this filed closure plan were updated for inflation during 2019 and the current expected closure cost are $926,321, which has been recorded as an asset retirement obligation liability.

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. This amounted to $1,540,000 and was recorded in 2018. The Company plans to progressively reduce this obligation over time. The future cash flows required to settle this obligation involve a degree of uncertainty, as they are estimates at this time. The company determined both the risk-free interest rate and the estimated impact of inflation to be within the range of 1.75% to 2.00%, therefore, any discounting impact is insignificant.

(expressed in Canadian dollars)

With the exercise of the 50% option in Keeley-Frontier in January 2019, the Company now holds a 50% interest on various patented properties. Following the same methodology that was employed in the 2018 review of Cobalt Camp patents, the Company has recorded an additional liability of $271,000 during the year ended December 31, 2019 for its share of the estimated rehabilitation costs on these patents. The Company plans to progressively reduce this obligation over time. At present the company expects the cash outflows to occur evenly over the next ten years, however, actual annual spending will be revised based on market conditions. There is no mandated level of annual activity. The future cash flows required to settle this obligation involve a degree of uncertainty, as they are estimates at this time.

14. Restated Long-term Loan Payable

The Company completed a US$5 million loan arrangement with Glencore on August 26, 2019. As this loan included a conversion feature, its value was split between Financial Derivative Liability and Long-term Loan. The following table sets out the details of the Company's long-term debt as of December 31, 2019 and December 31, 2018.

	December 31, 2019	**December 31, 2018**
Long-term Loan Payable – Initial recognition (August 26, 2019)	$ 6,157,674	$ -
Accretion and capitalized interest	160,352	-
Long-term Loan Payable – end of period	$ 6,318,026	$ -
Less: current portion	-	-
Non-current portion	$-	$-

The US$5 million loan arrangement bears interest at quarterly (Mar. 31, Jun. 30, Sep. 30, Dec. 31) US dollar LIBOR + 5%. The Company holds the option to pay the interest on the loan in-kind, by accruing it to the principal and paying it upon maturity. The Company also has the right to extend the maturity date by one year as long as not in default. Additionally, Glencore has the option to convert the full balance owing at the maturity date of August 23, 2021 to common shares of the Company at a 15% discount to the Company's 10-day volume weighted average trading price on TSVX prior to maturity or the floor price of $0.13 per share. The Company may prepay all or any part of the principal amount owing at any time, subject to a minimum amount of $1,000,000.

The host debt is classified as a liability, measured at fair value at initial recognition and subsequently measured at amortized cost using the effective interest rate method. Under the Company's debt agreement with Glencore, there are basic covenants related to the use of funds and ensuring the refinery studies remain on schedule, though there are no financial metric-related covenants. The proceeds from the debt agreement are permitted to be used for the following items:

- Advancement of the refinery in line with the current work plan to complete engineering studies (including a Definitive Feasibility Study), metallurgical testing, a field program and permitting work;
- Legal costs associated with executing the debt agreement;
- A portion of First Cobalt's owner's costs and general and administrative costs; and
- Any other items as permitted by Glencore

(expressed in Canadian dollars)

The Company is in compliance with all elements of the Glencore loan arrangement as at December 31, 2019. The loan arrangement is secured by a pledge of shares of First Cobalt subsidiaries that own the refinery asset.

On November 10, 2020, the Company announced an extension to the maturity date by one year to August 23, 2022.

15. Financial Derivative Liability

As at December 31, 2019, the company had outstanding financial derivative liability of $413,193 (December 31, 2018 – Nil). Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and transaction costs are expensed. The fair value of the derivative at initial recognition was measured using Monte Carlo Simulation, assuming a risk-free rate of 1.39% per year, term of 2.0 years, and a share floor price of $0.13 per share. The Company's derivatives are subsequently re-measured at their fair value at each reporting date with changes in fair value recognized in the consolidated statement of loss and other comprehensive loss. The financial derivative arises from a conversion feature in the Glencore loan arrangement (Note 13) which is an embedded derivative that is fair valued each reporting period. The fair value of the derivative as at December 31, 2019 was measured using Monte Carlo Simulation, assuming a risk-free rate of 1.69% per year, term of 1.65 years, and a share floor price of $0.13 per share.

The following table sets out the details of the Company's financial derivative liability as of December 31, 2019 and December 31, 2018.

	December 31, 2019	**December 31, 2018**
Financial Derivative Liability – Initial recognition (August 26, 2019)	$346,528	$ -
Loss (gain) on fair value derivative revaluation	66,665	-
Financial Derivative Liability – December 31, 2019	$413,193	$-

16. 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, 2019, the Company had 372,249,684 (December 31, 2018 – 339,321,827) common shares outstanding.

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

During the year ended December 31, 2019, the Company issued common shares as follows:

- On March 18, 2019, the Company issued 321,265 common shares on the vesting and entitlement of certain DSUs, PSUs, and RSUs. The common shares were valued at $148,605 based on a share price of $0.493 on the date of issue.

- On March 29, 2019, the Company completed a non-brokered private placement by issuing 8,913,251 Units for gross proceeds of $1.6 million. Each Unit consists of one common share in the share 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.

- On May 2, 2019, the Company issued 21,265,809 common shares in a private share purchase agreement to acquire 9,640,500 common shares of eCobalt Solutions Inc. for investment purposes, recorded as $3,229,567 and valued using the quoted public market of the shares received.

- On May 13, 2019, the Company issued 2,427,530 common shares to settle $363,954 of indebtedness owed to a creditor.

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, 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 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 funds of $50,000 were received during the year ended December 31, 2017.

- 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 9c). 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 in 2017, 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 paid in the form of 115,318,357 common shares issued and 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.

(expressed in Canadian dollars)

17. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
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
Issuance of warrants	$0.27	9,104,466
Balance – December 31, 2019	$0.99	22,322,148

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 15, 2018	March 15, 2020	13,017,682	$1.50
March 29, 2019	March 29, 2021	9,104,466	$0.27
		22,322,148	$0.99

During the year ended December 31, 2019, the Company issued 9,104,466 share purchase warrants. A total of 8,913,251 warrants were issued to subscribers in the Company's private placement which closed on March 29, 2019 (Note 15). A further 191,215 warrants were issued as finders' fees associated with the private placement. The total fair value of $448,518 was recorded in reserves. The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.79%, an expected life of 2 years, an expected volatility of 92.70%, no expected dividends, and a share price of $0.15.

During the year ended December 31, 2018, the Company issued 13,017,682 share purchase warrants. The total fair value of $4,258,460 was recorded in reserves, 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 was 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.

18. Share based payments

The Company adopted a new long-term incentive plan on October 1, 2019 (the "Plan") whereby it can grant stock options, restricted share units ("RSUs"), Deferred Share Units ("DSUs"), and Performance Share Units

(expressed in Canadian dollars)

("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 28,000,000 shares.

(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 – December 31, 2017	$0.84	6,123,482
Grant - USCO options	$0.40	9,360,000
Grant	$0.49	2,273,333
Cancelled	$1.43	(1,683,482)
Grant	$1.43	1,683,482
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
Grant	$0.18	1,000,000
USCO expiries	$0.30	(2,275,000)
Former FCC Personnel Expiries	$0.62	(575,000)
FCC Personnel Options Cancelled	$1.43	(1,433,482)
Grant	$0.14	3,830,000
Grant	$0.16	350,000
Former FCC Personnel Expiries	$1.43	(175,000)
Balance December 31, 2019	$0.38	15,253,333

In February 2019, the Company granted 1,000,000 stock options to a new director. The options may be exercised within 5 years from the date of grant at a price of $0.18 per share, and vest over a one-year period. The fair value of the options at the date of grant was estimated to be $98,593 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 1.79% per year, an expected life of 2.5 years, an expected volatility of 92.93%, no expected dividends, and share price of $0.18.

Additionally, in September 2019 company granted 3,830,000 stock options to Officers, Directors, and Employees as an annual grant under its long-term incentive plan. The options may be exercised within 5 years from the date of grant at a price of $0.14 per share, and vest over a three-year period. The fair value of the options at the date of grant was estimated to be $286,607 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 1.35% per year, an expected life of 2.5 years, an expected volatility of 90.68%, no expected dividends, and share price of $0.14.

In October 2019, the Company issued 350,000 incentive stock options to a new Director, and a consultant of the Company. The options may be exercised within 5 years from the date of grant at a price of $0.16 per share, and vest over a three-year period. The fair value of the options at the date of grant was estimated to be $30,109 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 1.54% per year, an expected life of 2.5 years, an expected volatility of 91.11%, no expected dividends, and share price of $0.16.

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 to $1.43, 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. 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 2.10% per annum, an expected life of options of 0.25-4.66 years, an expected volatility of 67% to 85%, no expected dividends, and a grant price of $0.29 to $0.52, per share. At December 31, 2019, a total of 7,125,000 of these options had expired.

(expressed in Canadian dollars)

Incentive share options outstanding and exercisable December 31, 2019 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**
$ 1.43	75,000	3.49	$	1.43	75,000	$	1.43
0.69	1,290,000	2.42	$	0.69	1,290,000		0.69
0.66	1,500,000	2.17	$	0.66	1,500,000		0.66
0.52	450,000	3.09	$	0.52	450,000		0.52
0.51	810,000	3.05	$	0.51	810,000		0.51
0.49	2,273,333	3.49	$	0.49	757,778		0.49
0.42	225,000	2.59	$	0.42	225,000		0.42
0.36	1,300,000	3.74	$	0.36	433,333		0.36
0.36	1,000,000	5.75	$	0.36	1,000,000		0.36
0.36	562,500	1.38	$	0.36	562,500		0.36
0.29	187,500	2.11	$	0.29	187,500		0.29
0.27	400,000	3.82	$	0.27	133,333		0.27
0.18	1,000,000	4.15	$	0.18	750,000		0.18
0.14	3,830,000	4.68	$	0.14	-		0.14
0.16	350,000	4.76	$	0.16	-		0.16
	15,253,333	3.68	$	0.38	8,174,444	$	0.49

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

During the year ended December 31, 2019, the Company issued 1,446,688 DSUs. DSUs vest immediately and may not be exercised until a director ceases to serve on the board. Of the DSUs issued, 150,000 were issued to a new director of the Company, 1,220,125 were issued to Directors in lieu of cash directors fees for the second quarter of 2019, and 76,563 were issued to officers of the Company as part of an annual grant.

During the year ended December 31, 2019, the Company has expensed $383,366 (2018 - $1,096,292) for DSUs valued at share prices $0.16 to $1.43, number of units 150,000 to 898,964, and expense period of immediate to 2 years. $11,859 (2018 - $736,062) for PSUs at a share prices of $0.49, number of units 120,833, and expensed evenly over 1 year. $Nil (2018 - $125,715) for RSUs as shared-based payment expense.

(expressed in Canadian dollars)

19. Exploration and Evaluation Expenses

Exploration and evaluation expenditures incurred for the year ended December 31, 2019 and 2018:

	December 31, 2019			December 31, 2018		
	Cobalt, Canada	Iron Creek, USA	Total	Cobalt, Canada	Iron Creek, USA	Total
Drilling	$ -	$ -	$ -	$ 2,836,685	$ 4,666,275	$ 7,502,960
Exploration support and administration	3,042	-	3,042	84,374	451	84,825
Field Operations and consumables	4,359	30,526	34,884	307,914	1,206,723	1,514,637
Geochemistry	17,982	14,505	32,487	1,527,880	450,129	1,978,009
Geological consulting	729	246,582	247,311	643,249	736,515	1,379,764
Geologist salaries	165,736	-	165,736	916,100	-	916,100
Property taxes	29,962	32,227	62,188	24,214	-	24,214
Sampling and geological costs	209,740	545,005	754,746	1,522,058	2,070,479	3,592,537
Total	$ 431,549	$ 868,845	$ 1,300,394	$ 7,862,474	$ 9,130,572	$16,993,046

20. Restated 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, 2019 and 2018:

	December 31, 2019	December 31, 2018
Loss before income taxes	$ (116,442,523)	$ (26,822,069)
Statutory tax rate	26.5%	26.5%
Expected (recovery) at statutory rate	(30,857,269)	(7,107,848)
Non-deductible items	507,616	1,070,259
Flow through share renunciation	-	1,568,392
Impairment of exploration and evaluation assets	28,370,047	-
Change in unrecognized Deferred tax assets	1,979,606	4,469,197
Income tax recovery	$ -	$ -

(expressed in Canadian dollars)

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

	December 31, 2019	December 31, 2018
Deferred tax liabilities:		
Exploration and Evaluation assets	(479,915)	(408,100)
Long-term loan payable	(85,654)	-
Plant and equipment	(33,475)	-
	(599,044)	(408,100)
Deferred tax assets:		
Asset retirement obligations	513,390	408,100
Financial derivative liability	85,654	-
	599,044	408,100
Deferred income tax assets / (liabilities)	$ -	$ -

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, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Non-capital loss carry-forwards	$ 24,075,437	$ 15,639,964
Exploration and evaluation properties	9,772,485	9,817,862
Capital loss carry-forward	571,093	-
Other	1,398,215	-
Total unrecognized temporary differences	$ 35,817,230	$ 25,457,826

(expressed in Canadian dollars)

The Company has non-capital loss carryforwards of approximately $24,023,911 (December 31, 2018 – $15,639,964) 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	$	343,748
2033		70,662
2034		124,695
2035		1,810,244
2036		4,068,879
2037		1,327,397
2038		8,546,322
2039		7,731,964
Total	$	24,023,911

The Company also has non-capital loss carryforwards of $51,500 to apply against future year income tax in Australia. These carryforwards do not expire.

21. Restated Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for the year ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Numerator		
Net loss for the year / period	$ (116,442,523)	$ (26,822,069)
Denominator		
Basic – weighted average number of shares outstanding	362,040,384	289,547,714
Effect of dilutive securities	-	-
Diluted – adjusted weighted average number of shares outstanding	362,040,384	289,547,714
Loss Per Share – Basic and Diluted	$(0.32)	$(0.09)

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.

(expressed in Canadian dollars)

Share purchase warrants and stock options were excluded from the calculation of diluted weighted average number of common shares outstanding during the year ended December 31, 2019 and 2018 as the warrants and stock options were anti-dilutive since the Company was in a loss position.

22. 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 ongoing business requirements, taking into account its current cash position and potential funding sources. In the future the company may need to issue additional equity or attain additional debt to repay debt obligations as they come due (see Note 3 for Going Concern disclosure). The following are the contractual maturities of financial liabilities as at December 31, 2019, and December 31, 2018:

	As at December 31, 2019		
	< 1 Year	**Between 1 – 2 Years**	**>2 Years**
Accounts payable and accrued liabilities	$ 286,589	$ -	$ -
Long-term loan payable	-	6,318,026	-
Total	$286,589	$ 6,318,026	$ -

	As at December 31, 2018		
	< 1 Year	**Between 1 – 2 Years**	**>2 Years**
Accounts payable and accrued liabilities	$ 3,883,203	$ -	$ -
Total	$3,883,203	$ -	$ -

Fair Value

The Company's financial instruments consisted of cash and cash equivalents, restricted cash, long-term loan payable, financial derivative liability, and accounts payable and accrued liabilities. The fair values of cash and cash equivalents, restricted cash, and accounts payable and accrued liability approximate their carrying values because of their current nature. The fair value of long-term loan payable, and financial derivative liability are estimated using risk-free rate, LIBOR, share price volatility, and foreign exchange fluctuations, and are estimated to approximate carrying value.

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 cash equivalents and restricted cash which are being held in bank accounts. The cash and cash equivalents and restricted cash are deposited in bank accounts held with major Canadian banks so there is a concentration of credit risk. This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

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. The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, prepayments, accounts payable and accrued liabilities, and its long-term debts that are denominated in US Dollars. The Company also holds minor cash in Australian Dollars though exposure to fluctuations in the Australian dollar exchange rate are negligible. 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. The following table indicates the foreign currency exchange risk on monetary financial instruments as at December 31, 2019:

	As at December 31, 2019	
	USD	**AUD**
Cash and cash equivalents	$2,950,253	$1,500
Restricted Cash	-	-
Prepaid and deposits	-	-
Receivables	-	-
Accounts payable and accrued liabilities	(76,969)	-
Long-term loan payable	(5,125,477)	-
Total	($2,252,193)	$1,500

During the year ended December 31, 2019, the Company recognized a loss of $0.03 million on foreign exchange (2018 – loss of $0.15 million). Based on the above working capital exposures, and the exposure of the US Dollar long-term loan payable as at December 31, 2019, a 10% depreciation or appreciation of the US Dollar against the Canadian dollar would result in a $0.17 million decrease or increase in the Company's before-tax net loss (2018 - $0.15 million); the Australian Dollar exposure against the Canadian dollar is minimal as the company holds a very small working capital balance, therefore, a 10% depreciation or appreciation is negligible.

	As at December 31, 2018	
	USD	**AUD**
Cash and cash equivalents	$7,488	$53,510
Restricted Cash	-	-
Prepaid and deposits	-	65,259
Receivables	-	4,418
Accounts payable and accrued liabilities	(1,502,534)	(11,150)
Total	($1,495,046)	$112,037

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 debt with Glencore bears interest at a rate of LIBOR + 5% and thus is a floating rate instrument. Therefore, changes in the market LIBOR interest rate will impact the cash flows ultimately required to settle interest payment obligations under the debt agreement. An increase or decrease of 100 basis points in the annual interest rate would result in an increase or decrease loss before tax of $0.065 million.

23. Management of Capital

The Company manages its capital structure, consisting of share capital and debt (loan payable), and will make adjustments to it depending on the funds available to the Company for its future refinery and exploration activities. 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 refinery advancement work, exploration activities and pay for future general and administrative expenses, the Company expects to issue new shares, issue debt, or acquire or dispose of assets. 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, other than restrictions on how the proceeds from the Glencore loan can be spent. In 2019, the addition of the Glencore loan has added a debt component to the Company's capital structure, and the Company will continue to adjust its capital structure based on Management's assessment of the best capital mix to effectively advance its assets.

24. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

(expressed in Canadian dollars)

Assets and Liabilities Measured at Fair Value of a Basis

The Company's fair values of financial assets and liabilities were as follows:

	Carrying Value		December 31, 2019			
	Fair value through profit or loss	**Amortized cost**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:						
Cash and Cash Equivalents	$4,419,642	$ -	$4,419,642	$ -	$ -	$4,419,642
Restricted cash	-	930,322	930,322	-	-	930,322
	$4,419,642	$930,322	$5,349,964	$ -	$ -	$5,349,964
Liabilities:						
Accounts payable and accrued liabilities	$ -	$286,589	$286,589	$ -	$ -	$286,589
Long-term loan payable	-	$6,318,026	$ -	$6,318,026	$ -	$6,318,026
Financial Derivative Liability	413,193	-	-	413,193	-	413,193
	$413,193	$6,604,615	$ 286,589	$6,731,219	$ -	$7,017,808

Valuation techniques

A) Cash and cash equivalents

Cash, cash equivalents are included in Level 1 due to the short-term maturity of these financial assets.

B) Restricted cash

Restricted cash are included in Level 1 as they are known deposits held in cash by government agencies, and major banking institutions.

C) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recorded at amortized cost and included in Level 1 due to the short-term maturity of these financial liabilities.

D) Long-term loan payable

Long-term loan payable is recorded at amortized cost and included in Level 1. The carrying amount is adjusted for the effective interest accretion on a quarterly basis.

E) Financial Derivative Liability

The fair value of the embedded derivative as at December 31, 2019 was $413,193 and is accounted for at FVTPL. The valuation is based on the discounted cash flows at the risk-free rate to determine the present value of the conversion benefit. The conversion benefit is equal to 15% of the balance owing on the date of maturity, due to Glencore's option to elect to receive shares of the Company at a 15% discount to market instead of a cash repayment of the debt. The conversion feature contains a floor price limitation such that the share price used to convert the balance owing cannot be below $0.13. The Company may prepay all or any part of the principal amount owing at any time, subject to a minimum amount of $1,000,000.

25. Commitments and Contingencies

The Company completed its planned 2018 drilling and associated exploration programs at Iron Creek and Cobalt Camp by the end of 2018. As at December 31, 2019, the Company was not committed to any material exploration contracts that require significant future outflow of resources.

On August 26, 2019 The Company completed a US$5 million loan arrangement with Glencore which has now committed the Company to future repayment. The interest rate is variable at LIBOR + 5%. The table below reflects the current estimate of cash outflows for interest and principal payments under the loan in Canadian dollars.

The Company holds the option to pay the interest on the loan in-kind, by accruing it to the principal and paying it upon maturity. The Company also has the right to extend the maturity date by one year. Additionally, Glencore has the option to convert the full balance owing at maturity to common shares of the Company at a 15% discount to the Company's 10-day volume weighted average trading price. The conversion feature contains a floor price limitation such that the share price used to convert the balance owing cannot be below $0.13. The Company may prepay all or any part of the principal amount owing at any time, subject to a minimum amount of $1,000,000. As each of these items is dependent on the exercise of a future right or option, they have not been reflected in the commitments table below.

	Interest	**Principal**	**Total Debt Commitments**
2020	$463,915	$-	$463,915
2021	296,601	6,696,897	6,993,498
Thereafter	-	-	-
Total	$ 760,516	$ 6,696,897	$ 7,457,413

The Company now must comply with a mutually agreed work and spending schedule relating to the advancement of the refinery. This can be amended from time to time between the Company and Glencore. In connection with the current refinery work plan, the Company has signed contracts with numerous vendors, including Ausenco Engineering Canada, SGS Canada, and Story Environmental, though if work is halted for any reason there are no locked in contractual minimums that would be required to be paid. All contracts are on a time and materials basis.

26. 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, 2019 and 2018, other than minor interest on cash balances.

(expressed in Canadian dollars)

27. Segmented Information

The Company's exploration and evaluation activities are located in the province of Ontario, Canada and Idaho, USA, with its head office function in Canada. All of the Company's capital assets, including property and equipment, and exploration and evaluation assets are located in Canada and USA. Refer to notes 8 and 9 for segmented information by geographic locations.

28. 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, 2019 and 2018, the Company paid and/or accrued the following fees to management personnel and directors:

	December 31, 2019	December 31, 2018
Management	$ 932,186	$1,002,789
Directors	340,310	433,650
	$ 1,272,496	$ 1,436,439

During the year ended December 31, 2019 the Company had share-based payments made to management and directors of $1,240,502 (December 31, 2018 - $3,289,353). Subsequent to December 31, 2019 the directors were issued 326,657 DSUs in lieu of their normal quarterly fees that would have been due for the fourth quarter of 2019.

(b) Due to Related Parties

As at December 31, 2019 and 2018, the Company had the following amounts due to related parties:

	December 31, 2019	December 31, 2018
Accounts payable and accrued liabilities	$ 61,468	$ 64,621
	$ 61,468	$ 64,621

As of December 31, 2019, $45,732 of the accounts payable and accrued liabilities due to related parties was for Q4 Board Fees which were settled in DSUs on January 1, 2020. The remaining amount of $15,736 was reimbursements of expenses which were repaid in early 2020.

29. Restated Subsequent Events

Subsequent to December 31, 2019:

(a) On January 1, 2020, the Company issued 326,657 DSUs to directors in lieu of cash compensation they would have been entitled to for the fourth quarter of 2019 (Note 21).

(b) On January 15, 2020, the Company announced a new mineral resource estimate for the Iron Creek Project in Idaho, USA. Infill drilling and limited step-out drilling has upgraded 49% of the tonnes from the 2018 inferred resource estimate to indicated resources while tonnage has increased by 10%.

(c) On February 5, 2020, the Company completed a non-brokered private placement by issuing 15,097,430 Units for gross proceeds of $2.1 million. Each Unit consists of one common share in the share 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 $0.21 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 10 consecutive trading days, the Company shall have the option, but not the obligation, to effect an accelerate expiration date that shall be 20 calendar days from the issuance of a notice of acceleration. A further 159,046 warrants were issued as finders' fees associated with the private placement.

(d) Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact the COVID-19 outbreak may have on the Company is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

(e) On July 10, 2020, the Company issued 1,114,643 DSUs, 1,050,000 RSUs, and 2,200,000 options to Directors and employees of the Company under its 2019 Long-Term Incentive Plan. The options are exercisable at a price of $0.14 per share for a period of five years.

(f) On August 26, 2020, the Company issued 250,000 RSUs and 500,000 options under its 2019 Long-Term Incentive Plan in connection with the appointment of a new Vice President, Project Development. The options are exercisable at a price of $0.145 per share for a period of five years and vest over a two-year period.

(g) On August 28, 2020, the Company completed a non-brokered private placement for total proceeds of $2.5 million. The offering consists of (i) an aggregate of 8,225,000 units of the Company ("Flow-Through Units") at a price of $0.16 per Flow-Through Unit for gross proceeds of approximately $1.3 million (the "FT Offering") and (ii) an aggregate of 8,528,643 units (the "Units") of the Company at a price of $0.14 per Unit for gross proceeds of approximately $1.2 million. Each Flow-Through Unit consists of one common share of the Company qualifying as a 'flow-through share' (a "Flow-Through Share") and one-half of one common share purchase warrant (each whole common share purchase warrant a "Warrant"). Each Unit consists of one common share of the Company (a "Common Share") and one Warrant. Each full Warrant will entitle the holder thereof to purchase one Common Share of the Company at a price of $0.21 per Common Share, for a period of 24 months following the Closing Date. All proceeds from the sale of the Flow-Through Units will be used to incur eligible Canadian Exploration Expenses as defined in the *Income Tax Act* (Canada) related to the Company's projects in Ontario, Canada. A further 852,750 warrants were issued as finders' fees associated with the private placement.

(h) On November 10, 2020, the Company announced an extension in the maturity date on the US$5 million loan with Glencore by one year to August 2022 to better align with expected refinery commissioning timelines.

NOTICE TO READER

Subsequent to the year-ended December 31, 2019, the Company determined that the impairment charge taken relating to the Cobalt Camp mineral assets was understated. Details of the changes are fully described in Note 2 to the Company's Amended and Restated Audited Consolidated Financial Statements as filed on SEDAR on November 20, 2020.

In connection with the filing of the amended and restated audited consolidated financial statements for the years ended December 31, 2019 and 2018, and the adjustment noted above, the Company is also filing (i) amended and restated management discussion and analysis in compliance with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations*, and (ii) CEO and CFO certifications in compliance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

The adjustments in the amended and restated audited consolidated financial statements for the year-ended December 31, 2019 are detailed below. There is no effect on the comparative year-end December 31, 2018.

	As Previously Reported	**Adjustment**	**As Restated**
Consolidated Statement of financial position			
Exploration and evaluation assets	$ 99,365,746	($ 11,945,624)	$ 87,420,122
Total Assets	110,287,517	(11,945,624)	98,341,893
Deficit	(144,080,504)	(11,945,624)	(156,026,128)
Total Shareholders' Equity	100,532,388	(11,945,624)	88,586,764
Total Liabilities and Shareholders' Equity	110,287,517	(11,945,624)	98,341,893
Consolidated Statement of loss and other comprehensive loss			
Impairment Expense	($ 94,897,376)	($ 11,945,624)	($ 106,843,000)
Loss before taxes and Net Loss	(104,496,899)	(11,945,624)	(116,442,523)
Net Loss and other comprehensive loss	(104,622,639)	(11,945,624)	(116,568,263)
Basis and diluted loss per share	(0.29)	(0.03)	(0.32)
Consolidated Statement of Cash Flows			
Net Loss	($ 104,496,899)	($ 11,945,624)	($ 116,442,523)
Adjustments for items not affecting cash - Impairment Expense	94,897,376	11,945,624	106,843,000
Consolidated Statement of changes in shareholders' equity			
Net loss for the year	($ 104,496,899)	($ 11,945,624)	($ 116,442,523)
Deficit at the end of the year	(144,080,504)	(11,945,624)	(156,026,128)

FIRST COBALT CORP

AMENDED AND RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019

(EXPRESSED IN CANADIAN DOLLARS)

General

This Amended and Restated Management's Discussion and Analysis of First Cobalt Corp. ("First Cobalt" or the "Company") ("MD&A") was prepared on November 20, 2020 and provides analysis of the Company's financial results for the year ended December 31, 2019 and 2018. The following information should be read in conjunction with the accompanying amended and restated consolidated financial statements for the year ended December 31, 2019 and 2018 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, 2018, 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 cobalt refining and the 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) (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 401 Bay Street, 6th Floor, Toronto, Ontario, M5H 2Y4.

2019 Highlights and Recent Events

Refinery Advancement

On August 26, 2019, the Company finalized a loan agreement with Glencore for US$5 million to support the next phase of refinery work, which entailed metallurgical testing, engineering, cost estimating, field work and permitting activities to recommission the refinery, including a Definitive Feasibility Study (DFS) for a refinery expansion. In the fourth quarter of 2019, engineers from Ausenco completed a field program at the refinery which involved temporarily restoring power and assessing the equipment. The field work confirmed the Company's view that the refinery remains in good condition for a quick restart.

Significant progress was made on the refinery subsequent to year-end 2019.

On May 4, 2020, the Company announced positive engineering study results for the First Cobalt Refinery (the "Refinery") expansion. The engineering study demonstrated that the Refinery could become a viable, globally competitive player in the North American and European electric vehicle (EV) supply chain. The study outlined the Refinery's ability to reach annual production of 25,000 tonnes of battery grade cobalt sulfate from third party feed, representing 5% of the total global refined cobalt market and 100% of North American cobalt supply with strong operating cash flows and a globally competitive cost structure.

On September 24, 2020, the Company provided an engineering update which reduced the operating costs estimate by 13%, which further improves margins and enhances project economics. The updated capital estimate was US$60 million to construct the expanded facility (compared to $56 million in the May 4 engineering study) and the updated operating cost estimate was $2.36 per pound of cobalt produced (compared to $2.72/lb in the May 4 engineering study).

On November 10, 2020, the Company announced that bench scale testing of cobalt hydroxide feedstock form Glencore's Katanga Operation yielded recoveries in excess of 97%, significantly higher than the 93% recovery rate utilized in the May 4 engineering study.

First Cobalt and Glencore have agreed to discuss a long-term feed purchase contract rather the tolling arrangement originally contemplated, providing First Cobalt with greater leverage to the cobalt market by entering into offtake contracts with end users directly. In order to secure a diversity of supply, First Cobalt will supplement any feed provided by Glencore with other sources of ethically produced, high-quality cobalt hydroxide. The Company does not anticipate any difficulties securing sufficient feedstock for the Refinery's nameplate capacity of 5,000 tonnes per annum of contained cobalt. Moreover, diversification of feedstock supply will help offset the risk of supply interruptions from any single mining operation.

The Company notes that the engineering study and the associated update were prepared by Ausenco Engineering under the definitions of an Association for the Advancement of Cost Engineering (AACE) Class 3 Feasibility Study. The report does not constitute a feasibility study within the definition employed by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), as it relates to a standalone industrial project and does not concern a mineral project of First Cobalt. As a result, disclosure standards prescribed by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") are not applicable to the scientific and technical disclosure in the report. Any references to scoping study, prefeasibility study or feasibility study by the Company, in relation to the Refinery, are not the same as terms defined by the CIM Definition Standards and used in NI 43-101.

Private Placement Financings

On February 5, 2020, the Company completed a non-brokered private placement by issuing 15,097,430 Units at a unit price of $0.14 for gross proceeds of $2.1 million. Each Unit consists of one common share in the share 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 $0.21 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 10 consecutive trading days, the Company shall have the option, but not the obligation, to effect an accelerate expiration date that shall be 20 calendar days from the issuance of a notice of acceleration.

On August 28, 2020, the Company completed a non-brokered private placement for total proceeds of $2.5 million. The offering consists of (i) an aggregate of 8,225,000 units of the Company ("Flow-Through Units") at a price of $0.16 per Flow-Through Unit for gross proceeds of approximately $1.3 million (the "FT Offering") and (ii) an aggregate of 8,528,643 units (the "Units") of the Company at a price of $0.14 per Unit for gross proceeds of approximately $1.2 million. Each Flow-Through Unit consists of one common share of the Company qualifying as a 'flow-through share' (a "Flow-Through Share") and one-half of one common share purchase warrant (each whole common share purchase warrant a "Warrant"). Each Unit consists of one common share of the Company (a "Common Share") and one Warrant. Each full Warrant will entitle the holder thereof to purchase one Common Share of the Company at a price of $0.21 per Common Share, for a period of 24 months following the Closing Date. All proceeds from the sale of the Flow-Through Units will be used to incur eligible Canadian Exploration Expenses as defined in the *Income Tax Act* (Canada) related to the Company's projects in Ontario, Canada.

COVID-19 Impacts

Market volatility and economic uncertainty due to the COVID-19 pandemic have cast uncertainty over global economic activity levels. Despite the current market instability, First Cobalt remains confident in the EV revolution and has a strong business plan with an experienced team that continues to execute on corporate objectives. The Company has sufficient cash on hand to cover general operations into late 2021 as well as additional dedicated funds remaining from the Glencore loan to advance work at the refinery and flow-through funding to conduct exploration in Ontario. First Cobalt expects to fund future refinery expansion capital costs via one or more corporate, private equity, debt and government counterparties and does not expect to be overly dependent on equity markets for advancement of the refinery.

Notwithstanding the forgoing, global uncertainty related to the pandemic may present other challenges that are not known at the current time - such as supply chain interruptions or alteration of business plans by the Company's strategic partners.

Glencore Loan Arrangement

The Company executed a US$5 million loan agreement with Glencore on August 26, 2019 to fund its current phase of key activities for the First Cobalt Refinery. The proceeds were received as a single payment upon closing and have been used for metallurgical testing, engineering, cost estimating, field work and permitting activities, each in support of a recommissioning prefeasibility study and an expansion feasibility study. After the conclusion of these activities and assessment of results, the Company will determine the path forward for recommissioning the refinery, which may include further trade-off studies, permitting work and other activities using the remaining proceeds from the Glencore loan. Should the parties proceed to a recommissioning and/or expansion phase for the refinery, the intention is that this loan will be rolled up into a larger financing arrangement.

The basic terms of the loan arrangement are outlined below:

- US $5 million principal amount as a single payment which was received on closing
- Maturity of two years, with the Company having the right to extend this term by an additional year
- Interest rate of LIBOR + 5%, payable semi-annually in arrears until maturity
- The Company has the ability to defer interest by adding it to the principal amount outstanding on each interest payment date
- Glencore has the option to convert the full balance owing at maturity into common shares of the Company at a 15% discount to the 10-day volume weighted average trading price of the Company's shares on the TSXV, subject to a floor price of $0.13 per share

Subsequent to year-end, on November 10, 2020, the Company announced that the maturity date on its US$5 million loan with Glencore had been extended by one year to August 23, 2022. All other terms remain unchanged, including Glencore's right to convert all or a portion of the balance owing to common shares of First Cobalt at a discount to market of up to 15%.

Iron Creek Resource Update

On January 15, 2020, the Company announced a new mineral resource estimate for the Iron Creek Project in Idaho, USA. Infill drilling and limited step-out drilling has upgraded 49% of the tonnes from the 2018 inferred resource estimate to indicated resources while tonnage has increased by 10%. Upgrading the resource to a higher confidence level did not result in a decrease in the resource grade, highlighting the strong continuity of mineralization. Mineralization remains open along strike and down-dip, suggesting strong potential for significant future resource growth.

Changes to the Board of Directors

On October 1, 2019 the Company named John Pollesel as non-executive Chairman of the Board and welcomed Susan Uthayakumar as a new Director. John Pollesel has over 30 years of experience in mining and was previously COO and Director of Base Metals Operations for Vale's North Atlantic Operations, where he was responsible for the largest underground mining and metallurgical operations in Canada. Prior to this, he was Vice President and General Manager for Vale's Ontario Operations. More recently, he was Senior Vice President, Mining at Finning Canada. Mr. Pollesel also served as CFO for Compania Minera Antamina in Peru, responsible for executive management in one of the largest copper/zinc mining and milling operations in the world. Susan Uthayakumar is President of Schneider Electric Canada, a French-headquartered Fortune Global 500 company and a global leader in digital transformation of energy management and automation. As the Company transitions to a cobalt refiner and active operations, the global management experience of the updated Board will provide valuable contributions to the Company.

RESTATED OUTLOOK AND OVERVIEW OF CURRENT PROGRAMS

The Company's vision is to provide a North American supply of cobalt. 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. In 2018, First Cobalt acquired US Cobalt to secure ownership of the Iron Creek cobalt-copper project, located on patented land in the prospective Idaho Cobalt Belt in Idaho, USA, which is known to host primary cobalt deposits. In 2019, the Company partnered with Glencore to recommission the First Cobalt Refinery with a view to becoming the only refinery of battery grade cobalt sulfate in North America. These transactions strategically position First Cobalt as a leading primary cobalt company with a permitted refinery, a strong partner and North American projects in close proximity to infrastructure as well as the U.S. electric vehicle supply chain.

First Cobalt's primary focus for 2020 is advancing the First Cobalt Refinery as it is the Company's quickest path to cash flow.

The outlook for First Cobalt's North American assets is discussed below:

1. **The First Cobalt Refinery (Canada)**

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 most of the permits in place to restart at a throughput of 12 tpd. 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 would be used under an expansion scenario.

In late 2018, SGS Canada was engaged to test cobalt hydroxide as feed material using the existing flowsheet of the First Cobalt refinery to determine whether this higher-grade feed material could be suitable feedstock. In April 2019, the Company announced that it had successfully produced a high purity battery grade cobalt sulfate using the First Cobalt Refinery flowsheet, with cobalt hydroxide as the feedstock. Company engaged Ausenco Engineering Canada Inc. to prepare a capacity study to understand the capital costs and production alternatives for the Refinery using cobalt hydroxide as feedstock. In May 2019, the Company announced the results of the study, which concluded that by eliminating the refinery's autoclave circuit and addressing production constraints, annual production could reach over 5,000 tonnes of cobalt per annum, more than double previous estimates.

In May 2019, the Company announced it had signed a memorandum of understanding with Glencore AG to supply cobalt feedstock and financing to recommission the Refinery. On August 26, 2019, the Company finalized a $US5 million loan agreement with Glencore to support the next phase of refinery advancement work, which covered metallurgical testing, engineering, cost estimating, field work and permitting activities to recommission the refinery. In

March 2020, the Company announced it had produced battery grade cobalt sulfate using the refinery flowsheet again, this time using cobalt alloy as the feedstock. This ability to treat different feedstocks underlines the flowsheet versatility of the First Cobalt Refinery.

In 2020, the Company has continued to work towards restarting its wholly owned cobalt refinery in Ontario, Canada. On May 4, 2020, the Company announced the results of an engineering study on the expansion of the refinery that demonstrated that the facility could become a significant, globally competitive producer of cobalt sulfate for the electric vehicle market. On September 24, 2020, the Company provided an engineering update which reduced the operating costs estimate by 13%, which further improves margins and enhances project economics.

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, which gives the First Cobalt Refinery a strategic advantage in the electric vehicle supply chain. As a permitted facility with an operating history from 1996 to 2015, Management believes that the refinery could play an important role in North America as a source of refined cobalt for the manufacturing of lithium-ion batteries. At a high-level, the Company's refinery plan is as follows:

1. Divert ethically sourced African mine production from China to North America
2. Recommission an existing, permitted Canadian cobalt refinery
3. Produce cobalt sulfate in Canada for use in the North American EV market
4. Continue to expand capacity of the refinery to meet demand from a growing North American electric vehicle market by treating additional mine supply and/or recycled battery material

The engineering study determined the refinery could produce 25,000 tonnes of battery grade cobalt sulfate annually (equating to 5,000 tonnes of contained cobalt), which would represent 5% of the total refined cobalt market and 100% of North American cobalt sulfate supply. They study indicated strong operating margins at the asset level. Subsequent to the original study, additional engineering work and market analysis has taken place. The table below compare the key assumptions and economic outputs in the original study to management's current estimates on the outlook for this asset:

		May 4 Engineering Study LOM Total / Average	Current Estimate LOM Total / Average
Cobalt Price	US$/lb	25	25
Life of Refinery (*)	years	11	13
Cobalt Hydroxide Payability	%	70%	75%
Production			
Mill Head Grade	%Co	30.0%	30.0%
Mill Recovery Rate	%	93.0%	97.0%
Total Cobalt Recovered	klb	123,576	146,182
Total Average Annual Production	klb	11,234	11,245
Operating Costs			
Total Operating Costs	US$/lb Co	$2.72	$2.36
Transportation Cost	US$/lb Co	$0.17	$0.17
Capital Costs			
Initial Capital	US$M	$56.0	$60.0
Life-of-Refinery Sustaining Capital	US$M	$0.6	$0.6
Financials Pre-Tax			
NPV (8%)	US$M	$192	$202
IRR	%	64%	57%
Payback	years	1.6	1.8
NPV (8%) / Initial Capital	:	3.4	3.4
Financials Post-Tax			
NPV (8%)	US$M	$139	$147
IRR (%)	%	53%	48%
Payback (years)	years	1.8	2.0
NPV (8%) / Initial Capital	:	2.5	2.4

(*) Only tailings area one was used as the life-of-mine for financial calculation purposes. As there are two tailings areas of equal size on the wholly-owned refinery property, the actual estimated capacity is 26 years of tailings.

The current estimated timeline to bring the refinery into production is outlined below:

- Q4 2020 – Submit permits for a 55 tpd facility and complete Refinery pilot plant
- Q1 2021 – Finalize commercial arrangements with Glencore and other parties
- Q2 2021 – Receive final permits necessary to commence Refinery construction and secure project financing
- Q3 2021 – Complete detailed engineering and commence construction activities
- Q4 2022 – Commence production

The Company continues to make progress towards achieving its objective of providing ethically sourced battery grade cobalt for the North American electric vehicle market. The Company continues to work with Glencore, engineering firms, process experts and financial advisers to finalize and execute on the plans to recommission and expand the Refinery.

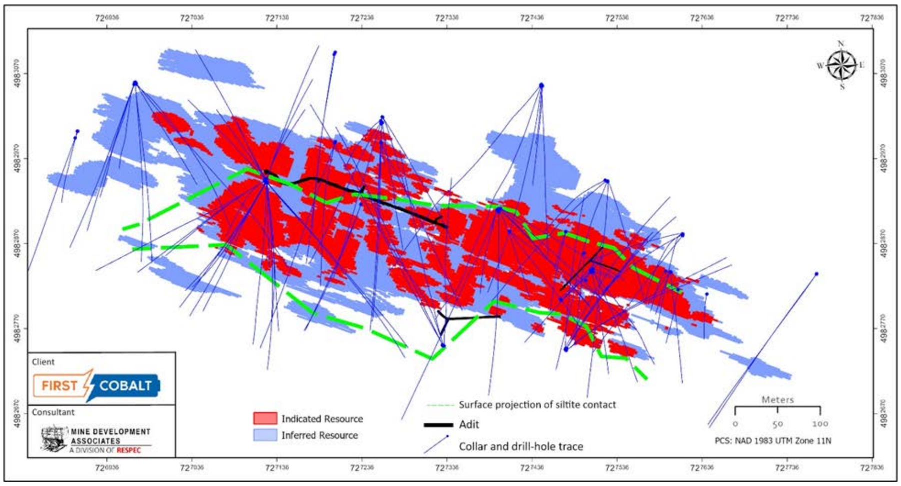
2. The Iron Creek Project (USA)

Following the acquisition of US Cobalt in June of 2018, the Company commenced an extensive drill program at Iron Creek. The objectives were to define a maiden inferred resource estimate within a historically drilled area and to expand the resource along strike of the known mineralization and at depth. In October 2018, the Company filed a technical report supporting the maiden resource estimate for the Iron Creek Project in Idaho.

A second phase drill campaign was initiated to increase the resource along strike and at depth in addition to conducting infill drilling to upgrade a portion of the inferred resources to the indicated category for mine planning and to improve the confidence for future engineering studies. However, as the cobalt price declined in 2018, the Company elected to suspend step-out drilling until market conditions improved. During 2019, the Company completed assaying work and further geological modeling to support a resource update, with a new technical report filed in early 2020.

The 2020 technical report includes a new mineral resource estimate based on infill drilling and limited step-out drilling which includes the conversion of 49% of resources from the Inferred category to the Indicated category while also increasing the overall tonnage. The indicated resource is 2.2 million tonnes grading 0.32% cobalt equivalent (0.26% cobalt and 0.61% copper) containing 12.3 million pounds of cobalt and 29.1 million pounds of copper. The inferred mineral resource is 2.7 million tonnes grading 0.28% cobalt equivalent (0.22% cobalt and 0.68% copper) for an additional 12.7 million pounds of cobalt and 39.9 million pounds of copper.

Figure 1. Distribution of Indicated and Inferred cobalt-copper resources at Iron Creek (view from above)



Extensional drilling has extended the strike length of Iron Creek mineralization to nearly 900 metres and mineralization has also been extended to depth over 650 metres below surface. The mineralization remains open along strike and downdip. Management believes that there is potential to continue to expand the size of the Iron Creek resource and commenced a new geophysics program at the property in October 2020.

The current program will trace extensions of mineralization and follow-up on geophysical anomalies detected by previous work. The objective is to refine follow-up drill targets further east along strike of the cobalt-rich zone as well as the western extension of the copper-rich zone. Interpretation of the geophysical results is expected later this year and will support planned resource drilling at Iron Creek in 2021 as well as further testing of nearby cobalt-copper mineralized targets, including the Ruby zone.

3. The Cobalt Camp (Canada)

First Cobalt controls almost half of the historic Canadian Cobalt Camp, with more than 50 past producing mines over 100km^2. The focus for exploration has been to identify near-surface cobalt-silver mineralization amenable to open pit mining.

During 2018, 30,280 metres were drilled in the Cobalt Camp across 192 drill holes. Early in 2018, drilling identified two mineralized zones in the Kerr Area within Cobalt North. Continuity of mineralization has yet to be determined, but intersection widths and grades show the potential for open pit resources remains. Towards the end of 2018, work was directed to evaluating areas in Cobalt Central with high potential of yet-undiscovered deposits based on a new understanding of favourable structural settings and tools developed while exploring the Kerr Lake area and other historic silver-cobalt mines and prospects. A number of areas within the 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. These areas are encouraging for future follow-up work.

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 several new, untested targets. The Company raised approximately $1.3 million in flow-through funding in August 2020 and is currently developing the associated exploration program in Ontario. The Company expects to incur the majority of these exploration costs during 2021.

RESTATED MINERAL PROPERTIES

The Company is focused on building a North American cobalt supply chain. The Company's Iron Creek Project in Idaho, U.S. is its flagship mineral property and a new, upgraded resource estimate was published in January 2020. The Iron Creek property includes patented and unpatented claims totalling 2,600 acres as well as 600 metres of underground drifting from three adits. Other cobalt-copper targets exist on the Company's property away from the Iron Creek resource. In Canada, the Company also controls over 10,000 hectares of prospective land and 50 historic mining operations in the Cobalt Camp as well as what is believed to be the only permitted primary cobalt refinery in North America able to produce battery grade cobalt sulfate.

	Balance December 31, 2018	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance December 31, 2019
Cobalt Camp, Ontario	$ 106,372,001	$ 200,000	$(106,843,000)	$ 271,000	$ -	$ 1
Iron Creek	87,312,865	107,256	-	-	-	87,420,121
Other Properties	213,779	-	(213,779)	-	-	-
Total	$ 193,898,645	$ 307,256	$(107,056,779)	$ 271,000	$ -	$ 87,420,122

	Balance December 31, 2017	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance December 31, 2018
Cobalt Camp, Ontario	$ 105,396,728	$ 137,833	$ -	$ 1,540,000	$ (702,560)	$ 106,372,001
Iron Creek	-	87,312,865	-	-	-	87,312,865
Other Properties	461,300	213,779	(461,300)	-	-	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 the 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.

During the first quarter of 2019, the Company acquired additional surface rights on certain Iron Creek land packages for a payment of $107,256.

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

The Company has a 50% joint venture interest in the past producing Keeley and Frontier mines ("Keeley-Frontier") with Canadian Silver Hunter after making the final required anniversary payment of $200,000 in January 2019. The mines are located within the historic Silver Centre camp in Cobalt South.

EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenditures incurred by the Company for the years ended December 31, 2019 and 2018 are outlined below:

	December 31, 2019			December 31, 2018		
	Cobalt, Canada	Iron Creek, USA	Total	Cobalt, Canada	Iron Creek, USA	Total
Drilling	$ -	$ -	$ -	$ 2,836,685	$ 4,666,275	$ 7,502,960
Exploration support and administration	3,042	-	3,042	84,374	451	84,825
Field Operations and consumables	4,359	30,526	34,884	307,914	1,206,723	1,514,637
Geochemistry	17,982	14,505	32,487	1,527,880	450,129	1,978,009
Geological consulting	729	246,582	247,311	643,249	736,515	1,379,764
Geologist salaries	165,736	-	165,736	916,100	-	916,100
Property taxes	29,962	32,227	62,188	24,214	-	24,214
Sampling and geological costs	209,740	545,005	754,746	1,522,058	2,070,479	3,592,537
Total	$ 431,549	$ 868,845	$ 1,300,394	$ 7,862,474	$ 9,130,572	$16,993,046

Exploration and evaluation expenditures during the year ended December 31, 2019 were lower than the comparative 2018 period, primarily driven by the reduced activity at both the Cobalt Camp and Iron Creek.

Expenditures for the Cobalt Camp during the year ended December 31, 2019 relating to minor geological costs associated with 2018 drilling activity and salaries for geologist personnel. All Cobalt Camp positions were eliminated by the end of April 2019, and exploration expenditures associated with the Cobalt Camp are expected to be minimal through the remainder of 2019.

Expenditures for Iron Creek during the year ended December 31, 2019 mainly related to assaying, geological consulting, and resource estimation costs. The Company announced an upgraded mineral resource estimate for Iron Creek in January 2020 and also acquired additional mineral claims on surrounding land.

RESTATED SELECTED ANNUAL INFORMATION

	Year ended December 31, 2019 ($)	Year ended December 31, 2018 ($)
Financial Position		
Current Assets	5,126,675	5,228,886
Current Liabilities	286,589	3,883,203
Exploration and evaluation Assets	87,420,122	193,898,645
Total Assets	98,341,893	204,600,629
Operations		
Exploration and evaluation expenditures	(1,300,394)	(16,993,047)
Salary and benefits	(1,488,229)	(2,013,353)
Consulting fees	(469,055)	(548,934)
Professional fees	(924,031)	(977,652)
Investor relations, marketing, and travel	(865,690)	(1,829,923)
Refinery and associated Studies	(1,191,065)	(233,671)
Environmental and reclamation expenses	(364,562)	(126,162)
General and administrative	(447,590)	(1,093,977)
Share-based payments	(1,384,904)	(4,047,811)
Total Operating Expenses	(8,435,520)	(27,864,530)
Net Loss	(116,442,523)	(26,822,069)
Loss per Share	(0.32)	(0.09)

(*) Note: The December 31, 2019 information has been restated.

RESTATED RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2019

The following are highlights from the Company's results of operations for the years ended December 31, 2019 and 2018:

- Exploration and evaluation expenditures were $1,300,394 for the year ended December 31, 2019, compared to $16,993,047 for the year ended December 31, 2018. The decrease is driven by reduced activity at both the Cobalt Camp and Iron Creek as both properties had extensive exploration programs in progress in 2018. 2019 activity for Iron Creek focused on assaying and geological modeling while all Cobalt Camp activities were wound down.
- Refinery and associated studies costs were $1,191,065 for the year ended December 31, 2019, compared to $233,671 for the year ended December 31, 2018. The 2019 costs incurred mainly relate to the SGS test work on cobalt hydroxide feed, costs for the Ausenco Scoping Study, and engineering costs for the current work plan. As the Company's business strategy is to recommission and expand the refinery, these costs have increased in 2019.

- Salary and benefits were $1,488,229 for the year ended December 31, 2019, compared to $2,013,353 for the year ended December 31, 2018. The Company has taken steps to decrease personnel costs moving forward, including the elimination of positions.
- Investor relations, marketing, and travel expenses were $865,690 for the year ended December 31, 2019 which was a significant decrease from the $1,829,923 incurred in the year ended December 31, 2018 due to a reduction in discretionary spending on marketing, investor relations and travel. A significant portion of travel expenses relate to refinery-related items.
- Environmental and reclamation expenses were $364,562 for the year ended December 31, 2019 compared to $126,162 for the year ended December 31, 2018. Environmental activities mainly relate to the refinery and include baseline studies, water treatment reviews, and general maintenance. These items have increased in 2019 as the Company advances its plans for the refinery, including tailings management support, determining water management strategies and baseline data collection for future expansion permit amendment applications.
- Share-based payment expenses were $1,384,904 for the year ended December 31, 2019 compared to $4,047,811 for the year ended December 31, 2018. This was mainly due to certain options and share units fully vesting by the end of 2018, and a reduction in the value of stock-based compensation grants in 2019 compared to previous years.

RESTATED SUMMARY OF QUARTERLY RESULTS

Key financial information for the three months ended December 31, 2019, as well as the quarters spanning the most recently preceding fiscal years, are summarized as follows, reported in Canadian dollars except for per share amounts.

	December 31, 2019 ($)	September 30, 2019 ($)	June 30, 2019 ($)	March 31, 2019 ($)
Financial Position				
Current Assets	5,126,675	7,449,576	2,846,574	2,749,427
Current Liabilities	286,589	215,145	1,236,551	2,183,896
Exploration and Evaluation Assets	87,420,122	194,263,122	194,476,901	194,476,901
Total Assets	98,341,893	207,296,788	202,781,244	202,699,426
Operations				
Exploration and evaluation expenditures	(130,035)	(80,995)	(163,808)	(925,556)
Salary and benefits	(328,729)	(377,577)	(368,324)	(413,599)
Consulting fees	(60,000)	(194,692)	(35,473)	(178,890)
Professional fees	(121,643)	(150,358)	(319,910)	(332,120)
Investor relations, marketing, and travel	(198,253)	(242,715)	(239,323)	(185,399)
Refinery and Associated Studies	(964,874)	(112,989)	(52,711)	(60,491)
Environmental Expenses	(151,790)	(59,264)	(85,819)	(67,689)
General and administrative	(137,028)	(125,407)	(92,523)	(92,632)
Share-based payments	(181,798)	(284,176)	(363,376)	(555,554)
Total Operating Expenses	(2,274,150)	(1,628,173)	(1,721,267)	(2,811,930)
Net Loss	(109,383,604)	(1,469,012)	(2,794,498)	(2,795,409)
Loss per Share	(0.30)	(0.00)	(0.01)	(0.01)

	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 and benefits	(664,125)	(310,080)	(848,528)	(190,620)
Consulting fees	(117,388)	(175,885)	(223,161)	(32,500)
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)

(*) Note: The December 31, 2019 information has been restated.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

The following are highlights from the Company's results of operations for the three months ended December 31, 2019 and 2018:

- Exploration and evaluation expenditures were $130,035 for the three months ended December 31, 2019, compared to $7,304,472 for the three months ended December 31, 2018. The decrease is driven by reduced activity at both the Cobalt Camp and Iron Creek as both properties had extensive exploration programs in progress in 2018. Iron Creek activity in the fourth quarter of 2019 focused on geological modeling, which is far less costly.
- Refinery and associated studies costs were $964,874 for the three months ended December 31, 2019, compared to $55,217 for the three months ended December 31, 2018. The costs incurred for the three months ended December 31, 2019 mainly relate to engineering costs supporting various studies in support of the feasibility study.
- Salary and benefits were $328,729 for the three months ended December 31, 2019, compared to $664,125 for the three months ended December 31, 2018. Included in the costs for the fourth quarter of 2019 are $45,732 of directors' fees that were subsequently satisfied with DSUs requiring no cash outflow.
- Professional fees were $121,643 for the three months ended December 31, 2019, compared to a credit of $648,171 incurred during the three months ended December 31, 2018. 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. During 2019, overall professional fees decreased as result of lower legal costs incurred during 2019 due to less Corporate development activity.

- Investor relations, marketing, and travel expenses were $198,253 for the three-months ended December 31, 2019 which was a significant decrease from the $333,338 incurred in the three months ended December 31, 2018 due to an overall planned reduction in marketing activities.
- Environmental expenses were $151,790 for the three months ended December 31, 2019, compared to $66,359 for the three months ended December 31, 2018. These costs have increased due to additional environmental work at the refinery to support a future restart decision and associated permitting.
- Share-based payment expenses were $181,798 for the three months ended December 31, 2019 compared to $1,068,089 for the three months ended December 31, 2018, due to timing of vesting, and a reduction in the value of stock-based compensation grants in 2019 compared to previous years.

RESTATED IMPAIRMENT CHARGES

The Company's current focus is on recommissioning and expanding the First Cobalt Refinery and advancing Iron Creek as its flagship mineral property. While all mineral patents and claims at the Cobalt Camp will be maintained in the future, there was minimal exploration work conducted in 2019 and no significant work is planned for 2020. Under IFRS, the fact that no further exploration work is planned is an impairment indicator for the Cobalt Camp and a comparison of the recoverable amount of these assets to their carrying value was conducted.

The properties that encompass the Cobalt Camp were acquired in 2017 in share transactions when cobalt prices were strong. There is no underlying resource statement or mine plan for these properties to allow for traditional valuation techniques such as a discounted cash flow analysis or an in-situ valuation based on metal content. Given the lack of data on similar cobalt-specific properties in the market, the Company was unable to determine an independent value for the cobalt mineral properties, and thus they have been written down to a value of $1.

The Cobalt Camp assets encompass over 100 square kilometres of property that contain 50 past-producing mines. The significant exploration work conducted in 2017 and 2018 has furthered the understanding of the properties and defined the more prospective areas to focus on to maximize exploration success in the future. Additionally, there are historical mineralized muckpiles on many of these properties that contain both cobalt and silver. While the Cobalt Camp assets were written down under IFRS, the Company continues to believe in the prospectivity of the mineral property package and expects to continue exploration on these assets as the cobalt market strengthens.

RESTATED CAPITAL STRUCTURE

As of the date of this MD&A, the Company has 404,100,757 common shares issued and outstanding. In addition, there are outstanding share purchase warrants and stock options for a further 38,054,835 and 17,878,333 common shares, respectively. The Company currently has 3,890,522 Deferred Share Units (DSUs) and 1,300,000 Restricted Share Units (RSUs) issued under its Long-Term Incentive Plan.

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 29, 2019	March 29, 2021	9,104,466	$0.27
February 5, 2020	February 5, 2022	15,256,476	$0.21
August 27, 2020	August 27, 2022	13,493,893	$0.21
		38,054,835	$0.22

During the year ended December 31, 2019, the Company issued 9,104,466 share purchase warrants. A total of 8,913,251 warrants were issued to subscribers in the Company's private placement which closed on March 29, 2019. A further 191,215 warrants were issued as finders' fees associated with the private placement.

Subsequent to December 31, 2019, the Company issued 28,750,369 share purchase warrants as part of two private placement financings in 2020.

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

	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
$ 0.69	1,290,000	1.53	$ 0.69	1,290,000	$ 0.69
0.66	1,500,000	1.28	$ 0.66	1,500,000	0.66
0.52	450,000	2.20	$ 0.52	450,000	0.52
0.51	810,000	2.16	$ 0.51	810,000	0.51
0.49	2,273,333	2.60	$ 0.49	1,515,555	0.49
0.42	225,000	1.70	$ 0.42	225,000	0.42
0.36	1,300,000	2.86	$ 0.36	866,667	0.36
0.36	1,000,000	4.86	$ 0.36	-	0.36
0.36	562,500	0.49	$ 0.36	562,500	0.36
0.29	187,500	1.23	$ 0.29	187,500	0.29
0.27	400,000	2.93	$ 0.27	133,333	0.27
0.18	1,000,000	3.26	$ 0.18	1,000,000	0.18
0.16	350,000	3.87	$ 0.16	-	0.16
0.145	500,000	4.78	$ 0.145	-	0.145
0.14	3,830,000	3.80	$ 0.14	1,276,667	0.14
0.14	2,200,000	4.64	$ 0.14	1,000,000	0.14
	17,878,333	3.07	$ 0.34	10,817,222	$ 0.41

During the year ended December 31, 2019, the Company issued a total of 1,446,688 DSUs, with the majority of DSUs issued to directors of the Company in lieu of cash compensation for services provided. DSUs vest immediately and may not be exercised until a director ceases to serve on the board. A total of 321,267 DSUs were exercised into common shares by a former Director during the year ended December 31, 2019.

Subsequent to December 31, 2019, a total of 1,471,300 DSUs were issued to directors and management and 1,300,000 RSUs were issued to directors, management and consultants under the Company's 2019 Long-Term Incentive Plan. A total of 326,657of the DSUs issued were issued to directors of the Company in lieu of cash compensation for services provided in the fourth quarter.

CAPITAL RESOURCES

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, 2019 the Company is not subject to any externally imposed capital requirements. Under the Company's debt agreement with Glencore, there are a number of basic covenants related to the use of funds and ensuring the refinery studies remain on schedule, though there are no financial metric-related covenants. The proceeds from the debt agreement are permitted to be used for the following items:

- Advancement of the refinery in line with the current work plan to complete engineering studies (including a DFS), metallurgical testing, a field program and permitting work;
- Legal costs associated with executing the debt agreement;
- A portion of First Cobalt's owner's costs and general and administrative costs; and
- Any other items as permitted by Glencore

The addition of the Glencore loan has added a debt component to the Company's capital structure in 2019. The Company will continue to adjust its capital structure based on Management's assessment of the best capital mix to effectively advance its assets.

RESTATED 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; however, in August 2019, the Company agreed to a debt arrangement with Glencore to help fund the advancement of its refinery and continue to move it towards first cash flow.

At December 31, 2019, the Company had cash of $4,419,642 (December 31, 2018 - $3,262,121) and working capital of $4,840,086 (December 31, 2018 – $1,345,683).

On August 26, 2019, the Company completed a US$5 million loan arrangement with Glencore AG to fund the next phase of activities required to advance the First Cobalt Refinery, which includes engineering studies and metallurgical testing. Should both parties agree to move forward after this next phase, the loan arrangement provides a framework to roll this facility into a larger financing facility for a phased approach to fully recommission and expand the refinery. Therefore, the current activities required to advance the refinery are expected to be funded through debt arrangements.

A portion of the Glencore loan proceeds can be utilized to cover owner's costs and general and administrative costs of the Company. Additionally, on February 5, 2020, the Company completed a private placement for $2.1 million to improve its liquidity position and on August 28, 2020 the Company completed another private placement which included $1.3 million of proceeds on a flow-through basis and $1.2 million of proceeds on a non-flow-through basis. With the proceeds from these financings the Company has sufficient funds on hand to continue operations for the next 12 months. However, the Company would require additional funding in Q4 2021 to continue its operations and conduct any other exploration activities. 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, 2019 as follows:

- On March 29, 2019, the Company completed a non-brokered private placement by issuing 8,913,251 Units at a unit price of $0.18 for gross proceeds of $1.6 million. Each Unit consists of one common share in the share 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.

(expressed in Canadian Dollars)		**Year ended December 31, 2019**		**Year ended December 31, 2018**
Cash Flows used in operating activities	$	(9,110,309)	$	(24,944,616)
Cash Flows provided by (used in) investing activities		2,234,546		(2,371,118)
Cash Flows provided by financing activities		8,159,024		518,928
Effect of exchange rates on cash		(125,740)		241,896
Changes in cash during the period		1,157,521		(26,554,910)
Cash – Beginning of the period		3,262,121		29,817,031
Cash – End of the period	$	4,419,642	$	3,262,121

Cash used in operating activities was $9,110,309 during the year ended December 31, 2019, compared to $24,944,616 used in operating activities during the year ended December 31, 2018. The decrease in cash used in operating activities was driven primarily by the reduction in exploration activities, investor relations, legal fees, and personnel costs. There were extensive exploration programs ongoing at both Cobalt Camp and Iron Creek in 2018 which required significant cash outflows. In 2019, while the Company paid down a portion of the accounts payable outstanding at the previous year-end, this use of cash was partially offset by the receipt of GST refunds during the year.

Cash provided by investing activities was $2,234,546 during the year ended December 31, 2019 compared to $2,371,118 used in investing activities during the year ended December 31, 2018. The 2019 inflows were related to sales of marketable securities and equipment sales.

Cash flows from financing activities were $8,159,024 during the year ended December 31, 2019 relating to the proceeds from the Company's debt agreement with Glencore and its March private placement, compared to the $518,928 from financing activities during the year ended December 31, 2018. The 2018 inflows related to proceeds of share issuances.

The development of the Company in the future will depend on the Company's ability to complete additional financings. In the past, the Company has relied on the issuance of equity securities to meet its cash requirements and has now recently competed a debt arrangement to fund refinery activities. Assuming that the Company's refinery work is successful, there is also near term cash flow potential from recommissioning the First Cobalt Refinery, otherwise, funding for potential future obligations, in excess of funds on hand, will depend on the Company's ability to obtain financing through debt and equity financing, joint venture transactions for the Company's extensive land holdings, or other means. There can be no assurances that the Company will be successful with its refinery strategy or in completing any such financing or in joint venturing its property; failure to obtain additional capital could result in the delay or indefinite postponement of further advancement of the Company's assets.

COMMITMENTS

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

- At Iron Creek, current 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 assessment credits and no exploration activity is required in 2020 to maintain its claims.

- For the First Cobalt Refinery, on an annual basis there are activities required for the proper maintenance of the tailings management facility – 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.

Outside of the routine asset maintenance noted above, the Company now must comply with a mutually agreed work and spending schedule relating to the advancement of the refinery. This can be amended from time to time between the Company and Glencore. In connection with the current refinery work plan, the Company has signed contracts with numerous vendors, including Ausenco Engineering Canada, SGS Canada, and Story Environmental, though if work is halted for any reason there are no locked in contractual minimums that would be required to be paid. All contracts are on a time and materials basis.

The Company has recorded a provision for environmental remediation, reclamation and decommissioning for its Ontario assets. For the refinery, a liability of $926,321 has been recorded, linked to a currently filed closure plan. In relation to the refinery closure plan, an amount of $918,732 is on deposit with the Ministry of Energy, Northern Development, and Mines as financial assurance.

For the Cobalt Camp exploration 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 $1,811,000 has been recorded for the associated rehabilitation work, reflecting the Company's best estimate. The known features that comprise this estimate will be progressively rehabilitated to reduce the liability over time.

On August 26, 2019 The Company completed a US$5 million loan arrangement with Glencore which has now committed the Company to future repayment. The interest rate is variable at LIBOR + 5%. In November 2020, the Company announced a one-year extension of the loan maturity date to August 23, 2022. The table below reflects the current estimate of cash outflows for interest and principal payments under the loan in Canadian dollars, taking into account the maturity date extension.

The Company holds the option to pay the interest on the loan in-kind, by accruing it to the principal and paying it upon maturity. Additionally, Glencore has the option to convert the full balance owing at maturity to common shares of the Company at a 15% discount to the Company's 10-day volume weighted average trading price. As each of these items is dependent on the exercise of a future right or option, they have not been reflected in the commitments table below.

	Interest	Principal	Total Debt Commitments
2020	$93,484	$-	$93,484
2021	370,887	-	370,887
Thereafter	237,774	7,086,267	7,324,041
Total	$ 702,145	$ 7,086,267	$ 7,788,412

The Company now must comply with a mutually agreed work and spending schedule relating to the advancement of the refinery. This can be amended from time to time between the Company and Glencore. In connection with the current refinery work plan, the Company has signed contracts with numerous vendors, including Ausenco Engineering Canada, SGS Canada, and Story Environmental, though if work is halted for any reason there are no locked in contractual minimums that would be required to be paid.

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, 2019 and 2018, the Company paid and/or accrued the following fees to management personnel and directors:

	December 31, 2019	December 31, 2018
Management	$ 932,186	$1,002,789
Directors	340,310	433,650
	$ 1,272,496	$ 1,436,439

During the year ended December 31, 2019 the Company had share-based payments made to management and directors of $1,240,502 (year ended December 31, 2018 - $3,289,353), the majority of which relates to amortization of previous grants over their vesting period. As at December 31, 2019, the Company had $61,468 payable to directors/management (December 31, 2018 - $64,621). This balance mainly related to fourth quarter directors' fees, which were paid in DSUs in January 2019.

OFF BALANCE SHEET ARRANGEMENTS

The Company currently has no off balance sheet arrangements.

RESTATED SUBSEQUENT EVENTS

Subsequent to December 31, 2019:

(a) On January 1, 2020, the Company issued 326,657 DSUs to directors in lieu of cash compensation they would have been entitled to for the fourth quarter of 2019 (Note 21).

(b) On January 15, 2020, the Company announced a new mineral resource estimate for the Iron Creek Project in Idaho, USA. Infill drilling and limited step-out drilling has upgraded 49% of the tonnes from the 2018 inferred resource estimate to indicated resources while tonnage has increased by 10%.

(c) On February 5, 2020, the Company completed a non-brokered private placement by issuing 15,097,430 Units for gross proceeds of $2.1 million. Each Unit consists of one common share in the share 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 $0.21 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 10 consecutive trading days, the Company shall have the option, but not the obligation, to effect an accelerate expiration date that shall be 20 calendar days from the issuance of a notice of acceleration. A further 159,046 warrants were issued as finders' fees associated with the private placement.

(d) Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact the COVID-19 outbreak may have on the Company is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

(e) On May 4, 2020, the Company announced positive engineering study results for the First Cobalt Refinery expansion. The feasibility study demonstrated that the Refinery could become a viable, globally competitive players in the North American and European electric vehicle (EV) supply chain.

(f) On July 10, 2020, the Company issued 1,114,643 DSUs, 1,050,000 RSUs, and 2,200,000 options to Directors and employees of the Company under its 2019 Long-Term Incentive Plan. The options are exercisable at a price of $0.14 per share for a period of five years. Compensation for senior management was significantly reduced in 2019 due to challenging market conditions and long-term incentive grants are a key retention and incentive tool for key employees.

(g) On August 6, 2020, the Company announced that it is undertaking a review of its silver assets in Ontario, Canada with a view towards value creation for shareholders. Given the greatly improved silver market and inquiries received about its silver assets, management is reviewing all opportunities to create value from these non-core portfolio holdings including potential spin outs, divestitures, or joint ventures.

(h) On August 26, 2020, the Company issued 250,000 RSUs and 500,000 options under its 2019 Long-Term Incentive Plan in connection with the appointment of a new Vice President, Project Development. The options are exercisable at a price of $0.145 per share for a period of five years and vest over a two-year period.

(i) On August 28, 2020, the Company completed a non-brokered private placement for total proceeds of $2.5 million. The offering consists of (i) an aggregate of 8,225,000 units of the Company ("Flow-Through Units") at a price of $0.16 per Flow-Through Unit for gross proceeds of approximately $1.3 million (the "FT Offering") and (ii) an aggregate of 8,528,643 units (the "Units") of the Company at a price of $0.14 per Unit for gross proceeds of approximately $1.2 million. Each Flow-Through Unit consists of one common share of the Company qualifying as a 'flow-through share' (a "Flow-Through Share") and one-half of one common share purchase warrant (each whole common share purchase warrant a "Warrant"). Each Unit consists of one common share of the Company (a "Common Share") and one Warrant. Each full Warrant will entitle the holder thereof to purchase one Common Share of the Company at a price of $0.21 per Common Share, for a period of 24 months following the Closing Date. All proceeds from the sale of the Flow-Through Units will be used to incur eligible Canadian Exploration Expenses as defined in the *Income Tax Act* (Canada) related to the Company's projects in Ontario, Canada. A further 852,750 warrants were issued as finders' fees associated with the private placement.

(j) On September 24, 2020, the Company announced an update to its engineering study, which estimated a 13% reduction in operating costs.

(k) On November 10, 2020, the Company announced an extension in the maturity date on the US$5 million loan with Glencore by one year to August 2022 to better align with expected refinery commissioning timelines.

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, 2019, the Company had an embedded derivative liability relating to the conversion option included in its debt agreement with Glencore. This is a Level 2 fair value measurement, as the fair value is impacted by both the foreign exchange rate between the Canadian dollar and the US dollar and the risk free interest rate for the time period between the balance sheet date and the date at which Glencore can choose to exercise the conversion option. The conversion option provides Glencore with the ability to elect to have the balance owing under the debt agreement settled by shares of the Company at a 15% discount to the 10-trading day volume weighted average trading price of the Company's shares on the TSXV. Upon execution of the loan agreement in August 2019, the fair value of this embedded derivative was recorded as a financial derivative liability with the residual loan balance, net of transaction costs, recorded as long-term debt under an amortized cost basis. As at December 31, 2019 the fair value of this embedded conversion derivative is $417,915.

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's debt with Glencore bear interest at a rate of LIBOR + 5% and thus is a floating rate instrument. Therefore, changes in the market LIBOR interest rate will impact the cash flows ultimately required to settle interest payment obligations under the debt agreement.

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, accrued liabilities, and its long-term debts 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.

Technical Capabilities of the Refinery

The Company's strategic priority is the advancement of the First Cobalt Refinery, with significant engineering studies and metallurgical testing conducted to date. There is no assurance that the final refining process will have the capabilities to produce specific end products. The Company will manage this risk through contracting technical experts on metallurgy and engineering to support refinery process decisions.

Ability to meet Debt Service Obligations

With the loan agreement with Glencore, the Company has secured debt for the first time and has certain repayment obligations. The Company expects for this debt to roll into a larger financing facility to construct an expanded refinery and for the debt to be serviced and repaid through cash flows generated from refinery operations. In the event the refinery is not constructed or sufficient cash flow from operations is not generated, there is a risk that the Company may not have sufficient available capital to meet its debt obligations in which case the assets pledged may be transferred to the lender.

Global Pandemic

The ability for the Company to source financing, equipment and construction and operation personnel for its refinery may be impacted by the COVID-19 global pandemic. The ultimate impacts of the current pandemic are not known, but could have significant impacts on the Company's ability to attract financing and advance its assets.

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 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.

- *Loan Payable & Financial Derivative Liability*
  Loan Payable & Financial Derivative Liability values involve significant judgment. The company estimates loan payable at inception and is carried at amortized cost, whereas FV of financial derivative liability is reviewed and adjusted on a on a quarterly basis. Factors considered in the amortized cost of the loan payable, and the fair value of the financial derivative liability are risk free rate, share price volatility, LIBOR, effective interest, and foreign exchange fluctuations.

- *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. and Cobalt Projects International Corp., 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. and Cobalt Projects International Corp. did not meet the definition of a business under IFRS 3: Business Combinations In addition, the basis for the calculation of the fair values of the assets acquired included significant estimates of the fair values of the consideration transferred.

- *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.

- *Valuation of Mineral Properties*
  In cases where an impairment indicator is present, the fair value of mineral properties will need be estimated to compare to the book value of the assets. Given the Company's properties are mainly focused on cobalt, which is a specialty metal and not as common as other precious metals or base metals, there is limited information and data availability for use in this estimation process. Significant judgement is required in evaluating appropriate comparable mineral properties and determining the ultimate valuation methodology.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are summarized in Note 3 to the amended and restated audited consolidated financial statements for the years ended December 31, 2019 and 2018.

FUTURE CHANGES IN ACCOUNTING POLICIES

There are no new standards issued by the International Accounting Standards Board ("IASB") that were not effective at December 31, 2019 that are expected to have an 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, 2019 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, 2019, 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 the advancement of the refinery, 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, successful outcome of the work in support of the recommissioning of the Refinery, 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 work programs 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 work programs on its assets 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.