



eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended

November 30, 2016

Suite 1810 – 999 West Hastings Street
Vancouver, BC, Canada
V6C 2W2

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

November 30, 2016

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eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Condensed Interim Consolidated Statements of Financial Position

(Stated in Canadian dollars)

(Unaudited)

	Note	November 30, 2016 \$	February 29, 2016 \$
Assets			
Current assets			
Cash and cash equivalents		3,145,622	1,095,357
Trade and other receivables		32,079	4,944
Prepaid expenses, deposits and others		200,650	68,774
Total current assets		3,378,351	1,169,075
Reclamation bond	3	3,006,574	3,029,411
Mineral properties	4	23,088,815	20,648,858
Property, plant and equipment	5	40,656,109	40,388,191
Total assets		70,129,849	65,235,535
Liabilities			
Current liabilities			
Accounts payable		504,640	74,669
Accrued liabilities		132,330	139,902
Total current liabilities		636,970	214,571
Provision for site reclamation and closure costs	6	7,004,374	5,972,114
Deferred tax liabilities		26,375	26,375
Total liabilities		7,667,719	6,213,060
Shareholders' Equity			
Common shares	7	164,952,854	160,945,419
Share purchase warrants reserve		8,028,803	7,343,318
Share-based payments reserve		9,662,185	9,031,102
Foreign currency translation reserve		533,251	552,769
Deficit		(120,714,963)	(118,850,133)
Total shareholders' equity		62,462,130	59,022,475
Total liabilities and shareholders' equity		70,129,849	65,235,535

Nature of business and going concern (Note 1)

Commitments (Note 13)

Subsequent events (Note 14)

"Scott B. Hean"

Director

"J. Paul Farquharson"

Director

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Stated in Canadian dollars)

(Unaudited)

		Three months ending		Nine months ending	
	Note	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015
		\$	\$	\$	\$
Expenses					
Accounting and audit		23,827	29,231	53,058	50,813
Accretion expense on site reclamation and closure	6	31,765	27,235	81,871	78,576
Bank charges and interest expense		840	699	2,728	2,350
Depreciation	5	13,006	13,135	38,160	37,524
Directors' fees and expenses	8(b)	19,755	27,875	74,805	94,585
Foreign exchange loss (gain)		(5,865)	(30,442)	24,328	(179,552)
Legal fees		24,132	10,751	61,460	33,131
Listing and filing fees		4,632	5,424	37,528	36,617
Office		87,673	66,445	256,035	247,887
Salary and wages		112,775	130,364	311,812	402,153
Shareholder relations		38,713	20,995	131,798	112,307
Share based compensation	7(b)(iii)	745,689	-	812,125	333,981
Loss from operating activities		(1,096,942)	(301,712)	(1,885,708)	(1,250,372)
Interest income		10,345	2,496	20,878	10,771
Net loss		(1,086,597)	(299,216)	(1,864,830)	(1,239,601)
Other comprehensive income (loss):					
Currency translation adjustment		(97,975)	(11,927)	(19,518)	(66,870)
Total comprehensive loss for the period		(1,184,572)	(311,143)	(1,884,348)	(1,306,471)
Basic and diluted (loss) per share	7(d)	(0.01)	(0.00)	(0.02)	(0.01)
Weighted average number of shares outstanding					
Basic		106,964,691	90,887,205	101,183,570	90,887,205

eCobalt Solutions Inc.

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Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Stated in Canadian dollars)

(Unaudited)

	Note	Common shares without par value Shares	Amount	Share purchase warrants	Share-based payments reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity
			\$	\$	\$	\$	\$	\$
Balance, February 28, 2015		90,887,205	160,945,419	7,343,318	8,697,121	723,693	(65,849,005)	111,860,546
Share-based compensation		-	-	-	333,981	-	-	333,981
Net loss and comprehensive loss		-	-	-	-	(66,870)	(1,239,601)	(1,306,471)
Balance, November 30, 2015		90,887,205	160,945,419	7,343,318	9,031,102	656,823	(67,088,606)	110,888,056
Net loss and comprehensive loss		-	-	-	-	(104,054)	(51,761,527)	(51,865,581)
Balance, February 29, 2016		90,887,205	160,945,419	7,343,318	9,031,102	552,769	(118,850,133)	59,022,475
Issuance of common shares on exercise of stock options	7(a)(ii)	1,488,000	528,442	-	(181,042)	-	-	347,400
Issuance of common shares and warrants for cash, net of share issue costs	7(a)(iii)	14,755,200	3,413,248	697,230	-	-	-	4,110,478
Issuance of common shares on exercise of share purchase warrants	7(a)(i)	135,000	65,745	(11,745)	-	-	-	54,000
Share-based compensation	7(b)(iii)	-	-	-	812,125	-	-	812,125
Net loss and comprehensive loss		-	-	-	-	(19,518)	(1,864,830)	(1,884,348)
Balance, November 30, 2016		107,265,405	164,952,854	8,028,803	9,662,185	533,251	(120,714,963)	62,462,130

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Condensed Interim Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

(Unaudited)

		Nine months ending	
	Note	November 30, 2016	November 30, 2015
		\$	\$
Operating activities			
Net loss for the period		(1,864,830)	(1,239,601)
Items not involving cash			
Accretion expense on site reclamation and closure	6	81,871	78,576
Depreciation		38,160	37,524
Unrealized foreign exchange (gain) loss		(11,022)	(201,148)
Shared-based compensation	7(b)(iii)	812,125	333,981
Change in working capital items	9	262,075	(9,838)
Net cash provided (used) by operating activities		(681,622)	(1,000,506)
Investing activities			
Mineral property expenditures	4	(1,474,884)	(1,254,025)
Purchase of property, plant and equipment, net of deposits	5	(306,078)	(585,709)
Net cash provided (used) by investing activities		(1,780,962)	(1,839,734)
Financing activities			
Issuance of common shares and warrants	7(a)(iii)	4,426,560	-
Share issue expenses	7(a)(iii)	(316,082)	-
Share purchase warrants	7(a)(i)	54,000	-
Exercise of stock options	7(b)(ii)	347,400	-
Net cash provided (used) by financing activities		4,511,878	-
Effects of exchange rate changes on the balance of cash held in foreign currencies		971	201,623
Net cash inflows (outflows) during the period		2,050,265	(2,638,617)
Cash and cash equivalents, beginning of period		1,095,357	4,522,450
Cash and cash equivalents, end of period		3,145,622	1,883,833
Financial position as at		November 30, 2016	November 30, 2015
Cash and cash equivalents are comprised of:			
Cash		351,781	54,849
Short-term investments		2,793,841	1,828,984
		3,145,622	1,883,833

Supplemental cash flow information (Note 9)

eCobalt Solutions Inc.

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Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended November 30, 2016 and 2015

Expressed in Canadian Dollars unless otherwise noted

1. Nature of business and going concern

eCobalt Solutions Inc. ("the Company") was incorporated on June 13, 1988 under the Company Act of British Columbia and commenced operations on that date. The Company is in the process of exploring its mineral properties and has determined that certain of these properties contain measured and indicated resources of cobalt and copper.

The Company's primary project, located in the mining friendly state of Idaho, is the 100% owned and fully environmentally permitted, Idaho Cobalt Project (the "ICP"). The ICP is comprised of the mine and mill located in Lemhi County outside of the town of Salmon, Idaho. A feasibility level study was completed on the ICP in 2007 to produce a high purity cobalt metal suitable for critical applications in the aerospace sector. By November 2012, the Company had spent US\$65.3M and completed two of three stages of construction on the ICP mine and mill site. The project was subsequently placed on care and maintenance in May 2013 due to unfavourable market conditions.

A National Instrument 43-101 compliant Technical Report on the Preliminary Economic Assessment ("PEA") on the ICP to produce cobalt sulfate crystals from the ICP suitable for the rechargeable batteries and electric vehicles market was filed on SEDAR on May 8, 2015. The Company announced successful metallurgical test work results on bench test production of cobalt sulfate crystals on March 3, 2016. Following these successful results, the Company completed a private placement on June 1, 2016 and commissioned a Feasibility Study ("FS") on the ICP on June 21, 2016. All obligations, commitments, and permits related to the ICP remain in good standing.

Going concern

At November 30, 2016, the Company had working capital of \$2,741,381 (February 29, 2016 - \$954,504). For the nine month period ended November 30, 2016, the Company reported a comprehensive loss of \$1,884,348 (November 30, 2015 - loss of \$1,306,471) and accumulated deficit of \$120,714,963 (February 29, 2016 - \$118,850,133).

The ability of the Company to continue as a going concern over a longer term is dependent on the Company's ability to raise the financing necessary to complete development of the ICP and ultimate production. The Company closed a private placement on June 1, 2016 for gross proceeds of \$4,426,560. Most of the proceeds of the private placement are being used to finance an independent FS with the balance adding to the Company's working capital. In conjunction with commissioning the FS, the Company continues market the ICP, pursue product off-take arrangements to facilitate Capex financing for project development and seek further equity and debt funding in the capital markets. The Company has been working with the regulators to address queries related to the Shelf Prospectus since the initial filing and expects to receive final receipt by early January 2017.

The Company filed a preliminary base shelf prospectus on October 19, 2016. Upon a final short form base shelf prospectus (the "Shelf Prospectus") becoming effective, these filings will, subject to securities regulatory requirements, allow the Company to make offerings of up to \$100,000,000 of common shares, preference shares, debt securities, warrants, subscription receipts, units, or any combination of such securities during the 25-month period that the Shelf Prospectus is effective. Once the final Shelf Prospectus is filed, it may provide the Company flexibility for future securities based financings and enhance access to the capital markets. This allows the Company to take advantage of opportunities as they arise to increase value for its stakeholders.

Raising capital sufficient to complete planned development costs is based upon favourable FS results and this is a material uncertainty. Raising further capital sufficient to establishing profitable operations is also a material uncertainty. The need to raise external financing and lack of established profitable operations are material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

The Company's registered office is Suite 1200 – 750 West Pender Street, Vancouver, British Columbia V6C 2T8.

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended November 30, 2016 and 2015

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2. Basis of preparation

Statement of compliance

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34").

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual audited financial statements for the year ended February 29, 2016. These condensed interim consolidated financial statements should be read in conjunction with the Company's February 29, 2016 audited consolidated financial statements. The Board of Directors authorized these condensed interim consolidated financial statements for issue on January 10, 2017.

3. Reclamation bonds

In connection with the ICP, the U.S. Forest Service required the Company to place a Reclamation Performance Bond in the amount of US\$6,379,617 (February 29, 2016 - US\$6,379,617). There has been no change in the Reclamation Performance Bond since February 29, 2012. Earthworks and Tailing Waste Storage construction on the ICP was partially completed, and subsequent disturbances to date has been minimal. The Reclamation Performance Bond will be released upon meeting the reclamation requirement of the U.S. Forest Service at the end of the Life of Mine of the Idaho Cobalt Project.

On June 21, 2011, the Company entered into an agreement with an insurance company to issue a surety bond in the amount required by the Reclamation Performance Bond. As part of the insurance agreement, the Company is required to deposit US\$2,232,000 in trust as collateral for potential liability, as surety, incurred by the insurance company. The Safekeeping Agreement with the trustee requires the trust proceeds to be invested in any securities backed by the US Treasury, including US Treasury Bills and US Treasury Notes. The trustee can only release the trust proceeds under the following conditions:

- (a) Within thirty (30) days following the written request from the insurance company; and
- (b) Within thirty (30) days following the written request from the Company subsequent to the expiration and termination of the bond whereby the insurance company has been exonerated of all past, present and future liability.

		November 30, 2016	February 29, 2016
	\$	\$	\$
Reclamation Performance			
Bond Requirement	US\$	6,379,617	6,379,617
Insured	US\$	6,379,617	6,379,617
In Trust:			
U.S. Treasury Securities	US\$	2,239,196	2,239,196
		2,239,196	2,239,196
Reclamation bond	CDN\$	3,006,574	3,029,411

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4. Mineral properties

Mineral properties at November 30, 2016 consist of:

	November 30, 2016	Additions	February 29, 2016
	\$	\$	\$
Idaho Cobalt Belt			
Idaho Cobalt Project	21,633,855	2,404,254	19,229,601
	21,633,855	2,404,254	19,229,601
Other Projects			
Kernaghan	487,019	4,928	482,091
Virgin River	935,165	30,775	904,390
Other	32,776	-	32,776
	1,454,960	35,703	1,419,257
	23,088,815	2,439,957	20,648,858

During the nine month period ended November 30, 2016, the Company spent \$1,474,884 (November 30, 2015 - \$1,254,025) on mineral properties. A non cash adjustment of \$965,073 (November 30, 2015 - credit of \$857,880) for site reclamation and closure cost was also made (note 6) resulting a net addition of \$2,439,957 (November 30, 2015 - \$396,146).

Idaho Cobalt Project

The Company owns a 100% interest in the Idaho Cobalt Project (the "ICP").

All critical environmental permits are in place with an approved mine Plan of Operations. The ICP is comprised of the primary high grade cobalt deposit and the partially completed mine and mill located in Lemhi County outside of the town of Salmon, Idaho.

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5. Property, plant and equipment

	Land	Buildings	Equipment	Furniture and fixtures	Project Construction and maintenance	Total
	\$	\$	\$	\$	\$	\$
Cost						
As at February 28, 2015	181,545	525,905	489,646	381,802	39,284,520	40,863,418
Additions for the year	-	-	4,843	19,502	567,390	591,735
As at February 29, 2016	181,545	525,905	494,489	401,304	39,851,910	41,455,153
Additions for the period	-	-	1,827	6,220	298,031	306,078
As at November 30, 2016	181,545	525,905	496,316	407,524	40,149,941	41,761,231
Accumulated Depreciation						
As at February 28, 2015	-	(202,603)	(449,786)	(363,325)	-	(1,015,714)
Additions for the year	-	(21,447)	(21,420)	(8,381)	-	(51,248)
As at February 29, 2016	-	(224,050)	(471,206)	(371,706)	-	(1,066,962)
Additions for the period	-	(16,097)	(13,308)	(8,755)	-	(38,160)
As at November 30, 2016	-	(240,147)	(484,514)	(380,461)	-	(1,105,122)
Carrying Value						
As at February 29, 2016	181,545	301,855	23,283	29,598	39,851,910	40,388,191
As at November 30, 2016	181,545	285,758	11,802	27,063	40,149,941	40,656,109

The Company capitalizes the cost associated with construction of its mill and Cobalt Processing Facility and will depreciate those assets when they are put into use.

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6. Provision for site reclamation and closure costs

The Company's provision for site reclamation and closure relates to the ICP and is based on the Company's legal obligations for environmental remediation, reclamation, and decommissioning at the end of the mine life. The undiscounted cash flows of the obligation as at November 30, 2016 were \$5,162,117 or US\$3,815,030 (February 29, 2016 - \$5,162,119 or US\$3,815,030). The discount rate used to determine the present value of the obligation was based on US Treasury Bond rate of 2.00% and rate of inflation of 3.70% (February 29, 2016 - US Treasury Bond rate of 1.63% and rate of inflation of 2.20%) resulting in a combined rate of -1.64% (February 29, 2016 - 0.56%), discounted by 15 years. The Company assumes that reclamation and decommissioning will take place over a three year period, commencing after the 12 year Mine Life.

	\$
Reclamation and closure cost- February 28, 2015	5,674,924
Additions	-
Accretion expense	102,498
Change in discount rate	(226,506)
Foreign exchange	421,198
Reclamation and closure cost- February 29, 2016	5,972,114
Additions	-
Accretion expense	81,871
Change in discount rate	965,073
Foreign exchange	(14,684)
Reclamation and closure cost - November 30, 2016	7,004,374

7. Share capital

a) Authorized and issued

The Company has 50,000,000 preferred shares without par value authorized for issue and an unlimited number of common shares without par value authorized for issue.

At November 30, 2016, the Company had no preferred shares outstanding and 107,265,405 (February 29, 2016 - 90,887,205) common shares issued and outstanding.

- (i) For the period ended November 30, 2016, 135,000 warrants were exercised with an exercise price of \$0.40 for total proceeds of \$54,000. Upon exercise, the Company transferred \$11,745 to common shares.
- (ii) During the period ended November 30, 2016, 1,488,000 stock options were exercised and these include 828,000 options with an exercise price of \$0.20, 180,000 options with an exercise price of \$0.21, and 480,000 options with an exercise price of \$0.30 for total proceeds of \$347,400. Upon exercise, the Company transferred \$181,042 from share based payment reserve to common share.

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Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended November 30, 2016 and 2015

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7. Share capital

a) Authorized and issued (continued)

- (iii) On June 1, 2016, the Company completed an offering and issued 14,755,200 units at \$0.30 per unit for gross proceeds of \$4,426,560. Each unit purchased in the offering consisted of one common share and one half common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.40 expiring June 1, 2018. The Company paid \$316,082 for commission, legal and other expenses related to the financing. The Company also issued 592,954 share purchase warrants to brokers with an exercise price of \$0.37 expiring June 1, 2018. These common share purchase warrants had a fair value of \$697,230 computed using the Black-Scholes option pricing model, using the parameters outlined below. The fair value of the equity was determined using the fair value of the Company's shares on the date of grant. The gross proceeds were then proportionately allocated using the relative fair value method.

	<u>Unit Warrants</u>	<u>Broker Warrants</u>
Risk free interest	0.69%	0.69%
Expected life (years)	2	2
Annualized volatility	80%	80%
Expected dividend	\$nil	\$nil
Stock price	\$0.30	\$0.30
Exercise price	\$0.40	\$0.37

b) Stock Options

The Company has a Stock Option Plan ("the Plan") for directors, officers and employees. Under this Plan, the aggregate number of common shares which may be subject to issuance pursuant to options granted under the Plan shall in aggregate be a fixed maximum percentage such that the percentage of common shares in the capital of the Company may be reserved for issuance is a maximum 10% of the issued and outstanding shares of the Company. The number of shares reserved for issuance at any one time to any one person shall not exceed 5% of the outstanding shares issued within any one year period. Options granted must be exercised no later than 10 years after the date of the grant or such lesser periods as regulations require.

All options are subject to vesting restrictions based on the Plan and at the discretion of the Board of Directors. The exercise price is the fair value of the Company's common shares at the grant date. The maximum number of common shares to be issued under the Plan reserved for issuance as at November 30, 2016 was 10,726,540 (November 30, 2015, 2016 – 9,088,720). The maximum number of shares reserved for issuance to insiders may not exceed 10% of the outstanding shares issued. Under certain conditions, Option holders may elect to exercise their stock options on a cashless basis.

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7. Share capital (continued)

b) Stock Options (continued)

(i) As at November 30, 2016 the outstanding and exercisable stock options were as follows:

Options outstanding	Exercise price \$	Weighted avg remaining contractual life	Expiry date
175,000	1.50	0.13 years	January 15, 2017
450,000	0.80	0.13 years	January 15, 2017
815,000	0.30	1.18 years	February 1, 2018
715,000	0.21	2.57 years	June 24, 2019
2,195,000	0.20	3.40 years	April 27, 2020
218,182	0.52	4.60 years	July 8, 2021
2,010,000	0.60	4.75 years	September 1, 2021
6,578,182	0.42		

As at February 29, 2016 the outstanding and exercisable stock options were as follows:

Options outstanding	Exercise price \$	Weighted avg remaining contractual life	Expiry date
215,000	1.50	0.65 years	October 25, 2016
550,000	0.80	0.65 years	October 25, 2016
220,000	0.30	0.65 years	October 25, 2016
175,000	1.50	0.88 years	January 15, 2017
450,000	0.80	0.88 years	January 15, 2017
1,220,000	0.30	1.93 years	February 1, 2018
930,000	0.21	3.32 years	June 24, 2019
3,103,000	0.20	4.15 years	April 27, 2020
6,863,000	0.38		

(ii) The changes in stock options during the current and previous periods were as follows:

	November 30, 2016	Weighted avg exercise price \$	February 29, 2016	Weighted avg exercise price \$
Balance outstanding, beginning of period	6,863,000	0.38	3,760,000	0.54
Activity during the period				
Options granted	2,228,182	0.59	3,103,000	0.20
Options exercised	(1,488,000)	0.23	-	-
Options expired	(765,000)	1.00	-	-
Options cancelled	(260,000)	0.26	-	-
Balance outstanding end of period	6,578,182	0.42	6,863,000	0.38

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7. Share capital (continued)

b) Stock Options (continued)

- (iii) During the nine month period ended November 30, 2016, 2,228,182 (November 30, 2015- 3,103,000) stock options were granted to employees, consultants, officers and directors. Using the Black-Scholes option pricing model, the fair value of stock options granted was \$812,125 (November 30, 2015 – \$333,981).

The fair value of each option granted is estimated at the time of grant with weighted average assumptions used to estimate the fair value as follows:

	July 8, 2016	September 6, 2016	April 27, 2015
Stock options granted	218,182	2,010,000	3,103,000
Risk free interest	0.52%	0.69%	0.94%
Expected life (years)	5	5	5
Annualized volatility	77%	77%	73%
Expected dividend	\$nil	\$nil	\$nil
Stock price	\$0.50	\$0.60	\$0.185
Exercise price	\$0.52	\$0.60	\$0.20

Black-Scholes option pricing model requires the input of highly subjective assumptions regarding volatility. The Company has used historical volatility of the Company's share price to estimate the volatility used in its Black Scholes option pricing model.

c) Warrants

As at November 30, 2016 the outstanding and exercisable stock options were as follows:

Warrants outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
	\$		
592,954	0.37	1.75 years	June 1, 2018
7,242,600	0.40	1.75 years	June 1, 2018
7,835,554	0.40		

The changes in warrants during the current and previous periods were as follows:

	November 30, 2016	Weighted avg exercise price	February 29, 2016	Weighted avg exercise price
		\$		\$
Balance outstanding, beginning of period	-	-	-	-
Activity during the period				
Warrants issued	7,970,554	0.40	-	-
Warrants exercised	(135,000)	0.40	-	-
Warrants cancelled	-	-	-	-
Balance outstanding end of period	7,835,554	0.40	-	-

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For the nine months ended November 30, 2016 and 2015

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7. Share capital (continued)

d) Loss per share

	Three months ending		Nine months ending	
	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015
Net loss	\$ (1,086,597)	\$ (299,216)	\$ (1,864,830)	\$ (1,239,601)
Weighted ave. number of common shares outstanding	106,964,691	90,887,205	101,183,570	90,887,205
Loss per share- basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)

The following potential common shares, are anti-dilutive and are therefore excluded from the weighted average number of common shares for the purposes

Stock options	6,578,182	6,863,000	6,578,182	6,863,000
Warrants	7,835,554	-	7,835,554	-

8. Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

a) Subsidiaries

	Ownership interest	
	November 30, 2016	February 29, 2016
Formation Holdings Corp.	100%	100%
Formation Holdings US, Inc.	100%	100%
US Cobalt, Inc.	100%	100%
Formation Capital Corporation, U.S.	100%	100%
Essential Metals Corporation	100%	100%
Coronation Mines Ltd.	100%	100%
Minera Terranova S.A. de C.V.	100%	100%

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

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8. Related party transactions (continued)

b) Compensation of key management personnel

The compensation to directors and officers of the Company during the nine months ended November 30, 2016 and 2015 were as follows:

	November 30, 2016	November 30, 2015
	\$	\$
Salaries and short-term employee benefits including bonuses	319,844	333,750
Share-based compensation (i)	623,280	262,867
Directors' fees	65,375	86,125
	1,008,499	682,742

Outstanding balances owed to directors and officers at November 30, 2016 were \$91,500 (November 30, 2015 - \$27,875).

- (i) Share-based payments (non-cash expense) are based on fair value of stock options granted to directors and officers of the Company. During the period ended November 30, 2016, 1,680,000 (November 30, 2015 - 418,000) stock options were granted to directors and officers who are considered key management of the Company, with weighted average exercise price of \$0.60 per share, expiring five years from the issue date. Using the Black-Scholes option pricing model, the fair value of stock options granted was \$623,280 (November 30, 2015 - \$262,867). Refer to note 7 (b) (iii) for pricing assumptions.

Some executive officers are entitled to termination and change of control benefits. These executive officers are entitled to lump sum compensation ranging from 6 to 36 months of base compensation in the event of termination without sufficient advance notice. These executive officers are also entitled to lump sum compensation ranging from 6 to 36 months of base compensation in the event of change of control. Pursuant to employment agreements, the Company may be obligated to pay up to \$744,000 in the event that executive officers are terminated without cause or upon a change of control.

9. Supplementary cash flow information

Changes in working capital and mineral properties for the nine month periods ended:

	Note	November 30, 2016	November 30, 2015
		\$	\$
Accounts receivable		(27,135)	517
Prepaid expenses, deposits and others		(131,876)	2,175
Accounts payable and accrued liabilities, relating to operating items		421,086	(12,530)
Change in working capital for the periods ended		262,075	(9,838)
Mineral property expenditures		1,474,884	1,254,025
Site reclamation and closure cost adjustment	6	965,073	(857,879)
Net addition to mineral properties for the periods ended	4	2,439,957	396,146

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10. Segmented information

The Company operated in two operating segments, that being exploration of mineral properties and corporate support. The Company's revenue and non-current assets by geographic location and operating segment are as follows:

	November 30, 2016		
	Canada	United States	Total
	\$	\$	\$
Non-current Assets			
Mineral properties	1,422,184	21,666,631	23,088,815
Property, plant & equipment	30,321	40,625,788	40,656,109
Reclamation bonds	-	3,006,574	3,006,574
Total non-current assets	1,452,505	65,298,993	66,751,498

	February 29, 2016		
	Canada	United States	Total
	\$	\$	\$
Non-current Assets			
Mineral properties	1,386,481	19,262,377	20,648,858
Property, plant & equipment	30,994	40,357,197	40,388,191
Reclamation bonds	-	3,029,411	3,029,411
Total non-current assets	1,417,475	62,648,985	64,066,460

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10. Segmented information (continued)

	For the nine month period ended November 30, 2016		
	Exploration and development	Corporate	Total
	\$	\$	\$
Expenses			
Accretion & interest expense	(83,018)	(1,582)	(84,600)
Depreciation	(29,440)	(8,720)	(38,160)
Foreign exchange gain	-	(24,328)	(24,328)
General and administrative	(28,094)	(898,401)	(926,495)
Share based compensation	-	(812,125)	(812,125)
Other gain	-	20,878	20,878
Loss before income taxes	(140,552)	(1,724,278)	(1,864,830)
Net loss for the period	(140,552)	(1,724,278)	(1,864,830)
Total Assets	66,756,647	3,373,202	70,129,849
Total Liabilities	7,145,396	522,323	7,667,719

	For the nine month period ended November 30, 2015		
	Exploration and Exploration	Corporate	Total
	\$	\$	\$
Expenses			
Accretion and interest expense	(79,709)	(1,217)	(80,926)
Depreciation	(28,792)	(8,732)	(37,524)
Foreign exchange gain	-	179,552	179,552
General and administrative	(62,796)	(914,697)	(977,493)
Share based compensation	-	(333,981)	(333,981)
Other gain	-	10,771	10,771
Loss before income taxes	(171,297)	(1,068,304)	(1,239,601)
Net loss for the period	(171,297)	(1,068,304)	(1,239,601)
Total Assets as at February 29, 2016	64,052,618	1,182,917	65,235,535
Total Liabilities as at February 29, 2016	6,021,948	191,112	6,213,060

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11. Financial instruments

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value.

The Company's financial assets consist of assets classified as fair value through profit and loss which includes cash and cash equivalents and restricted cash, and loans and receivables which includes reclamation bond and trade and other receivables. The fair value of these instruments approximate their carrying value because of the short term nature of these instruments except for the reclamation bond whereby its fair value will not be realized until the bond is released from the trustee (Note 3).

The Company's financial liabilities include other liabilities which consist of accounts payable and accrued liabilities. The fair value of these instruments approximate their carrying value because of the short term nature of these instruments.

12. Fair values and financial risk management

The Company has exposure to risk of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are credit risk, liquidity risk, interest rate risk and foreign exchange rate risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, cash equivalents and reclamation bonds.

The Company invests its excess cash, cash equivalents and reclamation bond principally in highly rated government and corporate debt securities, which may be liquidated at any time. The Company has established guidelines relative to diversification, credit ratings and maturities that maintain safety and liquidity. These guidelines are periodically reviewed by the Company's audit committee and modified to reflect changes in market conditions.

The Company's maximum exposure to credit risk is as follows:

	November 30, 2016	February 29, 2016
	\$	\$
Cash and cash equivalents	3,145,622	1,095,357
Reclamation bond	3,006,574	3,029,411
Total	6,152,196	4,124,768

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 in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work, capital and operating expenditures. To meet its liquidity requirements, the Company has discretion to modify capital investment plans as required. Also, additional liquidity may arise from reduced expenses, the sale of non-core assets and/or the sale of equity.

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12. Fair values and financial risk management (continued)

Liquidity risk (continued)

The following summarizes the financial assets and their maturity that are held to manage liquidity risk:

	November 30, 2016			February 29, 2016	
	Within 1 year	2-5 years	Over 5 years	Total	Total
	\$	\$	\$	\$	\$
Cash	351,781	-	-	351,781	62,949
Short term investment	2,793,841	-	-	2,793,841	1,032,408
	3,145,622	-	-	3,145,622	1,095,357

Interest rate risk

The Company is subject to interest rate risk on its cash and cash equivalents and believes that the results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short term nature of the investments. Excess cash is invested in highly rated investment securities at fixed interest rates with varying terms to maturity but generally with maturities of three months or less from the date of purchase.

As at November 30, 2016, US short term savings account of US \$nil (February 29, 2016- \$769,994) earns an interest rate of up to 0.45%. The Company has interests in equity instruments of other corporations which are not material.

Foreign exchange rate risk

The Company reports its consolidated financial statements in Canadian dollars; however, the Company has extensive operations in the US. As a consequence, the financial results of the Company's operations as reported in Canadian dollars are subject to changes in the value of the Canadian dollar relative to the US dollar.

Exploration activities in the US are held in the Company's US subsidiaries and are recorded in US dollars and translated into Canadian dollars on the consolidated financial statements date; as such, the Company can be exposed to significant fluctuations in the exchange rate between the US dollar and the Canadian dollar. The Company does not currently enter into any foreign exchange hedges to limit exposure to exchange rate fluctuations. The Board of Directors continually assesses the Company's strategy toward its foreign exchange rate risk, depending on market conditions.

Translation exposure

A number of the Company's subsidiaries are located in countries other than Canada. Therefore, exchange rate movements in the US dollar can have a significant impact on the Company's consolidated operating results due to the translation of monetary assets and liabilities.

A 10% strengthening (weakening) of the Canadian dollar against the US\$ dollar would have increased (decreased) the Company's net loss before taxes of approximately \$289,400 (November 30, 2015 - \$450,600).

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13. Commitments

The following is a schedule of the Company's commitments as at November 30, 2016:

	Note	2017	2018	2019
		\$	\$	\$
Mineral property expenditure	(a)	21,000	-	-
General liability insurance	(b)	63,309	-	-
Office operating leases	(c)	110,861	101,505	93,046
Professional fees - Feasibility Study	(d)	1,135,191	-	-
		1,330,361	101,505	93,046

- (a) As per the February 28, 1999 Virgin River joint venture exploration agreement whereby the Company has 2% interest, the Company's commitment to the 2017 exploration program budget is \$10,000. The Company is also committed to spend \$11,000 for Kernaghan project representing 20% of its budget.
- (b) The Company has a total liability of \$63,309 on premiums for its commercial general and umbrella liability insurance policies payable monthly until October 12, 2017.
- (c) The Company has an office lease commitment totalling \$305,412 ended January 31, 2020.
- (d) The Company has a total remaining commitment of \$1,135,191 as a result of commissioning a Feasibility Study on the ICP with Micon Engineering Ltd., metallurgical testing program with SGS, marketing study with CRU and financing advisory services with Red Cloud.
- (e) Pursuant to employment agreements, the Company may be obligated to pay up to \$744,000 in the event that certain senior management is terminated without cause or due to a change in control as defined in the agreements.

14. Subsequent events

- (a) As a result the preliminary base shelf prospectus (the "Shelf Prospectus") filing on October 19, 2016 and in response to subsequently regulatory reviews, the Company has filed a January 5, 2017 Revised Preliminary Economic Assessment on the Idaho Cobalt Project ("Revised PEA") on January 10, 2017. Non material changes were made to the March 10, 2015 Preliminary Economic Assessment and these changes has been incorporated in the Revised PEA. Filing of the Revised PEA will allow the Company to file a final Shelf Prospectus. When the Shelf Prospectus becomes effective, these filings will, subject to securities regulatory requirements, allow the Company to make corporate securities offerings of up to \$100,000,000. These securities may be debt, warrants, subscription receipts, units, preference shares and/or common shares any combination of such securities during the 25-month period that the Shelf Prospectus is effective. The filing of this Shelf Prospectus provides flexibility for future securities based financings and this will enhance the Company's access to the capital markets. This allows the Company to take advantage of opportunities as they arise to increase value its stakeholders.