FIRST COBALT CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019

(EXPRESSED IN CANADIAN DOLLARS)

GENERAL

This Management's Discussion and Analysis of First Cobalt Corp. ("First Cobalt" or the "Company") ("MD&A") was prepared on April 8, 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 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, 2017, the Company filed a Certificate of Continuance into Canada and adopted Articles of Continuance as a Federal Company under the Canada Business Corporations Act (the "CBCA"). The Company is in the business of 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 entails metallurgical testing, engineering, cost estimating, field work and permitting activities to recommission the refinery, including a Definitive Feasibility Study (DFS) for a refinery expansion. The agreement also provides a framework for a fully funded, phased approach to recommissioning and expanding the refinery. This could involve an interim step where the refinery is initially recommissioned under existing permits at its current capacity in 2020 then expanded in 2021 utilizing the current site infrastructure and buildings.

The partnership with Glencore is a significant step towards the Company becoming a cash flow positive business that provides ethically sourced battery grade cobalt for the North American electric vehicle market. The Company is continuing to work with Glencore, engineering firms, process experts and financial advisers to finalize the business plan to restart the facility. 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. The Company's completion date for its DFS and other engineering studies is now expected to be near the end of April.

Private Placement Financing

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.

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 the next 12 months of general operations as well as additional dedicated funds remaining from the Glencore loan to advance work at the refinery beyond the feasibility studies. 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

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.

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 in partnership with Glencore 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 Company is working with Glencore to restart First Cobalt's wholly owned cobalt refinery in Ontario, Canada. A scoping study indicated that the refinery could be expanded to a 55 tpd throughput within the footprint of existing buildings and that it has the potential to produce up to 5,000 tonnes per year of high-purity battery grade cobalt in sulfate product for the North American electric vehicle market. First Cobalt is now conducting advanced metallurgical testing, a prefeasibility study on a restart scenario and a definitive feasibility study for an expansion scenario.

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 or alternatively as a source of metallic cobalt for superalloys or military applications. At a high-level, the Company's refinery plan is as follows:

1. Partner with Glencore, the world's largest cobalt miner
2. Divert ethically sourced African mine production from China to North America
3. Recommission an existing, permitted Canadian cobalt refinery
4. Produce cobalt sulfate in Canada for use in the North American EV market

5. 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 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. The agreement also provides a framework for a fully funded, phased approach to recommissioning and expanding the refinery. This could involve an interim step where the refinery is recommissioned within current permit levels in 2020 then expanded in 2021 utilizing the current site infrastructure and buildings. The metallurgical testing and engineering studies are currently in progress and the Company expects to deliver the DFS and other engineering studies within the next few weeks. 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.

The partnership with Glencore is a significant step towards the Company achieving its objective of providing ethically sourced battery grade cobalt for the North American electric vehicle market. The Company will work with Glencore, engineering firms, process experts and financial advisers to finalize the business plan and aims to commence recommissioning of the facility in late 2020.

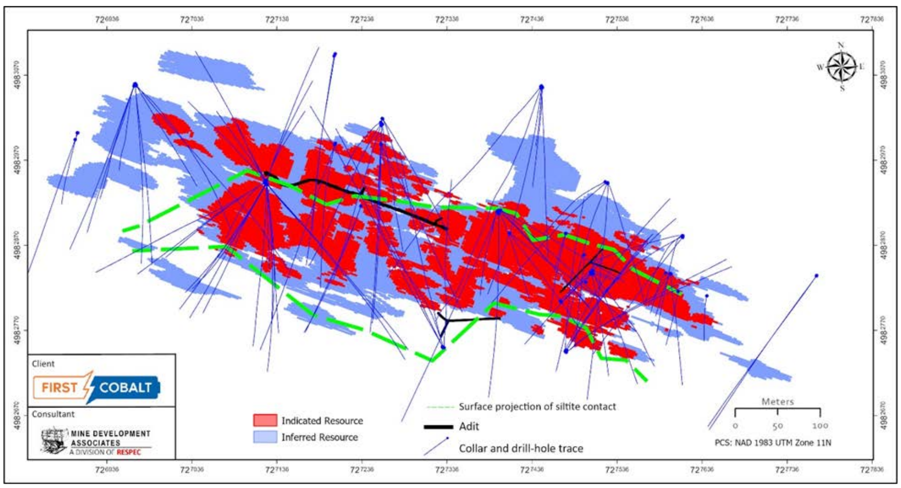
2. The Iron Creek Project (USA)

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 plans to conduct geophysics and other site work during 2020. A significant drill program is not expected to resume until the cobalt market strengthens.

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. For 2020, the Company is focusing the majority of its resources on the First Cobalt Refinery as it offers the prospect of near-term cash flow. Future costs required to keep all asset rights in the Cobalt Camp are minimal.

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 (Note 10)	ARO Adjustment	Other Adjustments	Balance December 31, 2019
Cobalt Camp, Ontario	$ 106,372,001	$ 200,000	$ (94,897,376)	$ 271,000	$ -	$ 11,945,625
Iron Creek	87,312,865	107,256	-	-	-	87,420,121
Other Properties	213,779	-	(213,779)	-	-	-
Total	$ 193,898,645	$ 307,256	$ (95,111,155)	$ 271,000	$ -	$ 99,365,746

	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.

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	99,365,746	193,898,645
Total Assets	110,287,517	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	(104,496,899)	(26,822,069)
Loss per Share	(0.29)	(0.09)

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.

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	99,365,746	194,263,122	194,476,901	194,476,901
Total Assets	110,287,517	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	(97,437,980)	(1,469,012)	(2,794,498)	(2,795,409)
Loss per Share	(0.27)	(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)

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.

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.

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.

In 2019, the Company has recorded a non-cash impairment charge of $94.9 million to bring the carrying value of the Cobalt Camp mineral properties down to its estimated fair value. The fair value was determined based on the value of the mineralized land and the exploration investment since acquisition.

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.

CAPITAL STRUCTURE

As of the date of this MD&A, the Company has 387,347,114 common shares issued and outstanding. In addition, there are outstanding share purchase warrants and stock options for a further 24,560,942 and 15,253,333 common shares, respectively. In addition, the Company has 2,745,879 Deferred Share Units (DSUs) 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
		24,560,942	$0.23

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 15,256,476 share purchase warrants. A total of 15,097,430 warrants were issued to subscribers in the Company's private placement which closed on February 5, 2020. A further 159,046 warrants were issued as finders' fees associated with the private placement.

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
$ 1.43	75,000	3.22	$ 1.43	75,000	$ 1.43
0.69	1,290,000	2.15	$ 0.69	1,290,000	0.69
0.66	1,500,000	1.90	$ 0.66	1,500,000	0.66
0.52	450,000	2.82	$ 0.52	450,000	0.52
0.51	810,000	2.78	$ 0.51	810,000	0.51
0.49	2,273,333	3.22	$ 0.49	757,778	0.49
0.42	225,000	2.32	$ 0.42	225,000	0.42
0.36	1,300,000	3.47	$ 0.36	433,333	0.36
0.36	1,000,000	5.47	$ 0.36	1,000,000	0.36
0.36	562,500	1.11	$ 0.36	562,500	0.36
0.29	187,500	1.84	$ 0.29	187,500	0.29
0.27	400,000	3.55	$ 0.27	133,333	0.27
0.18	1,000,000	3.87	$ 0.18	750,000	0.18
0.14	3,830,000	4.41	$ 0.14	-	0.14
0.16	350,000	4.48	$ 0.16	-	0.16
	15,253,333	3.40	$ 0.38	8,174,444	$ 0.49

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 326,657 DSUs 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.

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. With the proceeds from this financing the Company has sufficient funds on hand to continue operations for the next 12 months. However, beyond 2020 the Company would require additional funding 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.

The Company has continued to take steps to reduce overhead costs and its ongoing expenditure burn rate, including personnel reductions, the elimination of spending at the Cobalt Camp, decreased investor relations activity and reduced travel spending. With lower Corporate overhead and less expensive asset-level programs, the Company's burn rate has been significantly reduced.

(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%. 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. 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.

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.

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.

(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.

(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.

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 test work planned. There is no assurance that the outcomes of this test work will be positive and that the refinery with have the capabilities to produce specific end products. Furthermore, prior to completion of the feasibility studies, no assurance can be given that operating the refinery will be economically viable. The Company will manage this risk through contracting technical experts on metallurgy and engineering to perform extensive analysis and studies on the capability of the refinery and its projected economics.

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.

SIGNIFICANT ACCOUNTING POLICIES

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