



## **FIRST COBALT CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

**(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

**MANAGEMENT'S COMMENTS ON  
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM  
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the unaudited condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of First Cobalt Corp. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Corporation's independent auditor, MNP LLP, has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.

**FIRST COBALT CORP.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (UNAUDITED)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2019 and DECEMBER 31, 2018**

| <i>(expressed in Canadian Dollars)</i>            | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|---|---------------------------|------------------------------|
| <b>ASSETS</b>                                     |                           |                              |
| <b>Current Assets</b>                             |                           |                              |
| Cash and cash equivalents                         | \$ 1,732,819              | \$ 3,262,121                 |
| Restricted cash (Note 4)                          | 11,500                    | 11,500                       |
| Prepaid expenses and deposits (Note 6)            | 473,318                   | 236,796                      |
| Receivables (Note 5)                              | 531,790                   | 1,718,469                    |
|   | <u>2,749,427</u>          | <u>5,228,886</u>             |
| <b>Non-Current Assets</b>                         |                           |                              |
| Exploration and evaluation assets (Note 8)        | 194,476,901               | 193,898,645                  |
| Plant and equipment (Note 7)                      | 4,770,538                 | 4,770,538                    |
| Long-term restricted cash (Note 4)                | 702,560                   | 702,560                      |
| <b>Total Assets</b>                               | <u>\$ 202,699,426</u>     | <u>\$ 204,600,629</u>        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                           |                              |
| <b>Current Liabilities</b>                        |                           |                              |
| Accounts payable and accrued liabilities (Note 9) | 2,280,395                 | 3,883,203                    |
|   | <u>2,280,395</u>          | <u>3,883,203</u>             |
| <b>Non-Current Liabilities</b>                    |                           |                              |
| Asset retirement obligations (Note 10)            | 2,611,000                 | 2,340,000                    |
| <b>Total Liabilities</b>                          | <u>\$ 4,891,395</u>       | <u>\$ 6,223,203</u>          |
| <b>Shareholders' Equity</b>                       |                           |                              |
| Common shares (Note 11)                           | 226,781,315               | 225,477,272                  |
| Reserve (Note 12 and 13)                          | 12,690,401                | 11,834,934                   |
| Accumulated other comprehensive income            | 704,069                   | 648,825                      |
| Deficit   | (42,367,754)              | (39,583,605)                 |
| <b>Total Shareholders' Equity</b>                 | <u>\$ 197,808,031</u>     | <u>\$ 198,377,426</u>        |
| <b>Total Liabilities and Shareholders' Equity</b> | <u>\$ 202,699,426</u>     | <u>\$ 204,600,629</u>        |
| Nature of operations (Note 1)                     |                           |                              |
| Subsequent events (Note 22)                       |                           |                              |
| Going Concern (Note 2)                            |                           |                              |

**Approved on behalf of the Board of Directors and  
authorized for issue on May 29, 2019**

/s/ John Pollesel  
John Pollesel, Director

/s/ Trent Mell  
Trent Mell, Director

**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND YEAR ENDED DECEMBER 31, 2018**

| <i>(expressed in Canadian Dollars)</i>   | Three months ended<br>March 31,<br>2019 | Three months ended<br>March 31,<br>2018 |
|--|---|---|
| <b>Operating expenses</b>  |   |   |
| Consulting and management fees   | \$ 178,890                              | \$ 79,000                               |
| Exploration and evaluation expenditures (Note 14)                                  | 925,556                                 | 1,449,603                               |
| General and administrative   | 92,632                                  | 234,326                                 |
| Investor relations   | 146,405                                 | 457,548                                 |
| Refinery and associated studies  | 60,491                                  | 7,375                                   |
| Environmental expenses   | 67,689                                  | 2,365                                   |
| Marketing and conferences  | 1,348                                   | 75,645                                  |
| Professional fees  | 332,120                                 | 165,460                                 |
| Salary and benefits  | 413,599                                 | 144,120                                 |
| Share-based payments (Note 13)   | 555,554                                 | 1,189,272                               |
| Travel   | 37,646                                  | 88,933                                  |
| <b>Operating loss</b>  | <b>(2,811,930)</b>                      | <b>(3,893,647)</b>                      |
| <b>Other</b>   |   |   |
| Foreign exchange gain (loss)   | (25,185)                                | (1,162)                                 |
| Interest income (expense)  | 4,844                                   | (17,273)                                |
| Gain on sale of equipment  | 49,550                                  | -                                       |
| Unrealized gain on investment  | -                                       | 372,048                                 |
| Write-off of debt  | -                                       | 23,729                                  |
| Flow-through share premium   | -                                       | 261,344                                 |
| Other non-operating income   | (1,428)                                 | -                                       |
| <b>Loss before taxes</b>   | <b>(2,784,149)</b>                      | <b>(3,254,961)</b>                      |
| <b>Income tax expense</b>  | <b>-</b>                                | <b>-</b>                                |
| <b>Net loss</b>  | <b>(2,784,149)</b>                      | <b>(3,254,961)</b>                      |
| <b>Other comprehensive income</b>  |   |   |
| Foreign currency translation   | 55,244                                  | (10,262)                                |
| <b>Net loss and comprehensive loss</b>   | <b>(2,728,905)</b>                      | <b>(3,265,223)</b>                      |
| <b>Basic and diluted loss per share</b>  | <b>\$ (0.01)</b>                        | <b>\$ (0.01)</b>                        |
| <b>Weighted average number of shares outstanding (basic and diluted) (Note 15)</b> | <b>339,566,302</b>                      | <b>233,307,908</b>                      |

**FIRST COBALT CORP.**  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (UNAUDITED)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND YEAR ENDED DECEMBER 31, 2018**

| <i>(expressed in Canadian Dollars)</i>                                 | Three months ended<br>March 31,<br>2019 | Three months ended<br>March 31,<br>2018 |
|--|---|---|
| <b>Operating activities</b>  |   |   |
| Net loss   | \$ (2,784,149)                          | \$ (3,254,960)                          |
| Adjustments for items not affecting cash                               |   |   |
| Share-based payments   | 555,554                                 | 1,189,273                               |
| Unrealized gain on investments   | -                                       | (372,048)                               |
| Flow-through share premium   | -                                       | (261,344)                               |
|  | (2,228,595)                             | (2,699,079)                             |
| Changes in non-cash working capital                                    |   |   |
| Decrease (Increase) in receivables                                     | 1,501,796                               | (356,774)                               |
| Decrease (Increase) in prepaid and other current assets                | (236,523)                               | 259,198                                 |
| Increase (Decrease) in accounts payable and accrued liabilities        | (1,602,808)                             | (728,395)                               |
| <b>Cash Flows used in operating activities</b>                         | <b>(2,566,130)</b>                      | <b>(3,525,050)</b>                      |
| <b>Investing activities</b>  |   |   |
| Capital expenditures   | -                                       | (10,620)                                |
| Acquisition of exploration and evaluation assets, net of cash (Note 9) | (307,256)                               | (7,500)                                 |
| Purchase of short term investments                                     | -                                       | (1,278,237)                             |
| <b>Cash Flows used in investing activities</b>                         | <b>(307,256)</b>                        | <b>(1,296,357)</b>                      |
| <b>Financing activities</b>  |   |   |
| Proceeds from issuance of common shares                                | 1,288,840                               | 452,428                                 |
| Proceeds from exercise of warrants                                     | -                                       | 4,000                                   |
| <b>Cash Flows provided by financing activities</b>                     | <b>1,288,840</b>                        | <b>456,428</b>                          |
| <b>Changes in cash during the period</b>                               | <b>(1,584,546)</b>                      | <b>(4,364,979)</b>                      |
| <b>Effect of exchange rates on cash</b>                                | <b>55,244</b>                           | <b>27,583</b>                           |
| <b>Cash – Beginning of the period</b>                                  | <b>\$ 3,262,121</b>                     | <b>\$ 29,817,031</b>                    |
| <b>Cash – End of the period</b>  | <b>\$ 1,732,819</b>                     | <b>\$ 25,479,635</b>                    |

Supplemental information (Note 19)

**FIRST COBALT CORP.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (UNAUDITED)

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND THE YEAR ENDED DECEMBER 31 2018**

(Expressed in Canadian Dollars, except per share amounts)

|   | Common Shares       |                       | Common Shares<br>to be issued | Subscriptions<br>receivable | Reserves            | Warrants to<br>be issued | Accumulated Other<br>Comprehensive Income | Deficit                | Total                 |
|---|---------------------|-----------------------|-------------------------------|-----------------------------|---------------------|--------------------------|---|------------------------|-----------------------|
|   | Number of<br>Shares | Amount                |                               |                             |                     |                          |   |                        |                       |
| <b>Balance – December 31, 2018</b>      | 339,321,829         | \$ 225,477,272        | \$ -                          | \$ -                        | \$ 11,834,934       | \$ -                     | \$ 648,825                                | \$ (39,583,605)        | \$ 198,377,426        |
| Net loss for the year                   | -                   | -                     | -                             | -                           | -                   | -                        | -   | (2,784,149)            | \$ (2,784,149)        |
| Other comprehensive loss for the period | -                   | -                     | -                             | -                           | -                   | -                        | 55,244                                    | -                      | \$ 55,244             |
| Share based payment expense             | -                   | -                     | -                             | -                           | 555,554             | -                        | -   | -                      | \$ 555,554            |
| Shares and units issued for:            |                     |                       |                               |                             |                     |                          |   |                        |                       |
| Exercise of DSU/PSU/RSU (Note 11)       | 321,265             | 148,605               | -                             | -                           | (148,605)           | -                        | -   | -                      | \$ -                  |
| Cash (Note 11)                          | 8,913,251           | 1,155,438             | -                             | -                           | 448,518             | -                        | -   | -                      | \$ 1,603,956          |
| <b>Balance – March 31, 2019</b>         | <b>348,556,345</b>  | <b>226,781,315</b>    | <b>-</b>                      | <b>-</b>                    | <b>12,690,401</b>   | <b>-</b>                 | <b>704,069</b>                            | <b>(42,367,754)</b>    | <b>\$ 197,808,031</b> |
| <b>Balance – December 31, 2017</b>      | <b>219,888,826</b>  | <b>\$ 141,945,521</b> | <b>\$ 2,214,433</b>           | <b>\$ (339,928)</b>         | <b>\$ 1,803,046</b> | <b>\$ 4,258,460</b>      | <b>\$ 406,930</b>                         | <b>\$ (12,761,536)</b> | <b>\$ 137,526,926</b> |
| Net loss for the year                   | -                   | -                     | -                             | -                           | -                   | -                        | -   | (3,254,960)            | \$ (3,254,960)        |
| Other comprehensive loss for the period | -                   | -                     | -                             | -                           | -                   | -                        | (10,262)                                  | -                      | \$ (10,262)           |
| Share based payment expense             | -                   | -                     | -                             | -                           | 1,189,273           | -                        | -   | -                      | \$ 1,189,273          |
| Shares and units issued for:            |                     |                       |                               |                             |                     |                          |   |                        |                       |
| Acquisition of property                 | 1,790,933           | 1,453,781             | (1,453,781)                   | -                           | -                   | -                        | -   | -                      | \$ -                  |
| Cash                                    | 151,364             | 166,500               | (50,000)                      | -                           | -                   | -                        | -   | -                      | \$ 116,500            |
| Exercise of warrants                    | 595,674             | 710,652               | (710,652)                     | -                           | -                   | -                        | -   | -                      | \$ -                  |
| Subscriptions received                  | -                   | -                     | -                             | 339,928                     | -                   | -                        | -   | -                      | \$ 339,928            |
| Warrants issued                         | -                   | (24,218)              | -                             | -                           | 4,282,678           | (4,258,460)              | -   | -                      | \$ -                  |
| <b>Balance – March 31, 2018</b>         | <b>222,426,797</b>  | <b>144,252,236</b>    | <b>-</b>                      | <b>-</b>                    | <b>7,274,997</b>    | <b>-</b>                 | <b>396,668</b>                            | <b>(16,016,496)</b>    | <b>\$ 135,907,405</b> |

**FIRST COBALT CORP.**

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (UNAUDITED)

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(expressed in Canadian dollars)

**1. General Information and Nature of Operations**

**General Information**

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

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

**Nature of Operations**

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

**2. Significant Accounting Policies and Basis of Preparation**

**Basis of Presentation and Statement of Compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Corporation’s audited financial statements for the year ended December 31, 2018. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of May 29, 2019, the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Corporation’s consolidated financial statements for the year ended December 31, 2018.

All amounts on the condensed interim consolidated financial statements are presented in Canadian dollars.

**Going Concern**

The Company incurred a net loss of \$2.78 million for the three months ended March 31, 2019, had a deficit of \$42.37 million as at March 31, 2019 and had a net working capital position of \$0.5 million at March 31, 2019.

**FIRST COBALT CORP.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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(expressed in Canadian dollars)

On March 29, 2019, the Company completed a private placement for \$1.6 million to improve its liquidity position (Note 11). The Company will require additional funding to advance its assets and continue its operations over the next 12 months. The Company has historically been successful in financing activities; however, there can be no assurances that the Company will be able to obtain financing. This represents a material uncertainty that casts doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not include the adjustments to the amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

**Functional Currency**

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

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

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

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

**Basis of Consolidation**

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

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

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



**FIRST COBALT CORP.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (UNAUDITED)

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(expressed in Canadian dollars)

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

**3. Recently Adopted Accounting Standards**

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

*IFRS 16 - Leases*

This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. As the Company does not have any material lease contracts at this time, the adoption of IFRS 16 did not have an impact on the condensed interim consolidated financial statements.

**4. Restricted Cash**

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|           | March 31,<br>2019 | December 31,<br>2018 |
|-----------|-------------------|----------------------|
| Current   | \$ 11,500         | \$ 11,500            |
| Long-term | 702,560           | 702,560              |
|           | \$ 714,060        | \$ 714,060           |

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Long-term restricted cash relates to amounts on deposit with the Ministry of Energy, Northern Development and Mines as financial assurance for the refinery closure plan. There was no change in the amounts on deposit during the three months ended March 31, 2019.

**5. Receivables**

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|                   | March 31,<br>2019 | December 31,<br>2018 |
|-------------------|-------------------|----------------------|
| GST Receivable    | \$ 216,673        | \$ 1,718,469         |
| Other Receivables | 315,117           | -                    |
|                   | \$ 531,790        | \$ 1,718,469         |

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During the first quarter of 2019, \$1,588,817 of GST receivables were collected, reducing the outstanding receivable balance. The other receivables relate to payments received from subscribers in the Company's March 2019 private placement that were deposited into the bank in early April 2019.

All amounts currently outstanding are expected to be collected within the next twelve months.

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(expressed in Canadian dollars)

**6. Prepaid Expenses and Deposits**

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|                  | March 31,<br>2019 | December 31,<br>2018 |
|------------------|-------------------|----------------------|
| Prepaid expenses | \$ 453,887        | \$ 217,365           |
| Deposits         | 19,431            | 19,431               |
|                  | \$ 473,318        | \$ 236,976           |

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**7. Plant and Equipment**

As part of the acquisition of Cobalt One Limited ("Cobalt One"), the Company acquired the properties, permits, assets and rights of a cobalt-silver-nickel refinery ("Refinery") located in North Cobalt, Ontario, Canada. The carrying value of the Refinery is \$4,770,538 (December 31, 2018 - \$4,770,538). As at March 31, 2019, the Company's estimated closure costs for the Refinery are estimated to be \$800,000 (December 31, 2018: \$800,000) and are recorded as asset retirement obligations. No depreciation has been recorded for the Refinery in the current year (December 31, 2018 - \$Nil).

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(expressed in Canadian dollars)

**8. Exploration and Evaluation Assets**

|                                | Balance<br>December 31,<br>2018 | Acquisition<br>Costs | Writedown   | ARO<br>Adjustment | Other<br>Adjustments | Balance<br>March 31,<br>2019 |
|--------------------------------|---------------------------------|----------------------|-------------|-------------------|----------------------|------------------------------|
| <b>Cobalt North, Ontario</b>   |                                 |                      |             |                   |                      |                              |
| Lawson Kerr                    | \$ 14,378,368                   | -                    | -           | -                 | -                    | \$ 14,378,368                |
| Silverfields and claims        | 55,784,739                      | -                    | -           | -                 | -                    | 55,784,739                   |
| <b>Cobalt Central, Ontario</b> |                                 |                      |             |                   |                      |                              |
| Cobalt Central properties      | 30,560,318                      | -                    | -           | -                 | -                    | 30,560,318                   |
| Gold Rush Caribou              | 297,200                         | -                    | -           | -                 | -                    | 297,200                      |
| <b>Cobalt South, Ontario</b>   |                                 |                      |             |                   |                      |                              |
| South Lorrain                  | 1,827,500                       | -                    | -           | -                 | -                    | 1,827,500                    |
| Keeley-Frontier                | 3,198,876                       | 200,000              | -           | 271,000           | -                    | 3,669,876                    |
| Bellellen                      | 325,000                         | -                    | -           | -                 | -                    | 325,000                      |
| Werner                         | -                               | -                    | -           | -                 | -                    | -                            |
| Dickens                        | -                               | -                    | -           | -                 | -                    | -                            |
| Quebec                         | -                               | -                    | -           | -                 | -                    | -                            |
| Iron Creek                     | 87,312,865                      | 107,256              | -           | -                 | -                    | 87,420,121                   |
| Paradox Basin                  | 213,779                         | -                    | -           | -                 | -                    | 213,779                      |
| <b>Total</b>                   | <b>\$ 193,898,645</b>           | <b>\$ 307,256</b>    | <b>\$ -</b> | <b>\$ 271,000</b> | <b>\$ -</b>          | <b>\$ 194,476,901</b>        |

|                                | Balance<br>March 31,<br>2018 | Acquisition<br>Costs | Writedown           | ARO<br>Adjustment   | Other<br>Adjustments | Balance<br>December 31,<br>2018 |
|--------------------------------|------------------------------|----------------------|---------------------|---------------------|----------------------|---------------------------------|
| <b>Cobalt North, Ontario</b>   |                              |                      |                     |                     |                      |                                 |
| Lawson Kerr                    | \$ 13,026,368                | \$ -                 | \$ -                | \$ 1,352,000        | \$ -                 | \$ 14,378,368                   |
| Silverfields and claims        | 56,018,275                   | -                    | -                   | 188,000             | (421,536)            | 55,784,739                      |
| <b>Cobalt Central, Ontario</b> |                              |                      |                     |                     |                      |                                 |
| Cobalt Central properties      | 30,753,009                   | 88,333               | -                   | -                   | (281,024)            | 30,560,318                      |
| Gold Rush Caribou              | 297,200                      | -                    | -                   | -                   | -                    | 297,200                         |
| <b>Cobalt South, Ontario</b>   |                              |                      |                     |                     |                      |                                 |
| South Lorrain                  | 1,827,500                    | -                    | -                   | -                   | -                    | 1,827,500                       |
| Keeley-Frontier                | 3,156,876                    | 42,000               | -                   | -                   | -                    | 3,198,876                       |
| Bellellen                      | 325,000                      | -                    | -                   | -                   | -                    | 325,000                         |
| Werner                         | 296,300                      | -                    | (296,300)           | -                   | -                    | -                               |
| Dickens                        | -                            | -                    | -                   | -                   | -                    | -                               |
| Quebec                         | 165,000                      | -                    | (165,000)           | -                   | -                    | -                               |
| Iron Creek                     | -                            | 87,312,865           | -                   | -                   | -                    | 87,312,865                      |
| Paradox Basin                  | -                            | 213,779              | -                   | -                   | -                    | 213,779                         |
| <b>Total</b>                   | <b>\$ 105,865,528</b>        | <b>\$ 87,656,977</b> | <b>\$ (461,300)</b> | <b>\$ 1,540,000</b> | <b>\$ (702,560)</b>  | <b>\$ 193,898,645</b>           |

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

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

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

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**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         |
|   | \$ | <u>84,245,682</u> |

**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        |
|   | \$ | <u>84,245,682</u> |

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

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

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

During the three months ended March 31, 2019, the Company acquired additional surface rights on certain Iron Creek land packages for a payment of \$107,256.

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

On April 10, 2017, the Company acquired all of the outstanding share capital of Cobalt Projects International Corp., a privately held Ontario-based mineral exploration company. Cobalt Project holds the rights to earn up to a 100% interest from Canadian Silver Hunter Inc. in the Keeley and Frontier mines ("Keeley-Frontier"), located within the historic Silver Centre camp, and bordering on the Company's existing South Lorrain cobalt claim blocks. As consideration for the acquisition, the Company issued 4,450,000 common shares, with a fair value of \$2,430,000, to existing shareholders of Cobalt Projects, which vest in 6 equal tranches over a 4 to 18-month

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period. Additionally, promissory notes totaling \$435,000 were forgiven. The fair value of the common shares transferred was estimated to be \$2,430,000 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 0.76%, an expected life of 0.67 years, an expected volatility of 88% and an exercise price of \$0.70 per share.

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

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

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

On January 24, 2019, through making a \$200,000 anniversary payment, the Company met all requirements to Canadian Silver Hunter to earn a 50% interest in Keeley-Frontier.

**(c) Gold Rush Cariboo**

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

**9. Accounts Payable and Accrued Liabilities**

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|                     | March 31,<br>2019  | December 31,<br>2018 |
|---------------------|--------------------|----------------------|
| Accounts Payable    | \$ 2,203,255       | \$ 2,273,348         |
| Accrued Liabilities | 77,140             | 1,609,855            |
|                     | <hr/> \$ 2,280,395 | <hr/> \$ 3,883,203   |

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Accounts payable and accrued liabilities comprise primarily of trade payables incurred in the normal course of business. Included in accounts payable are amounts total \$19,287 (December 31, 2018 - \$64,621) due to related parties (see note 21).

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**10. Asset Retirement Obligations**

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|           | March 31,<br>2019   | December 31,<br>2018 |
|-----------|---------------------|----------------------|
| Current   | \$ -                | \$ -                 |
| Long-term | 2,611,000           | 2,340,000            |
|           | <b>\$ 2,611,000</b> | <b>\$ 2,340,000</b>  |

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As at March 31, 2019, the Company has recorded its best estimate of the asset retirement obligations relating to its properties and assets. The First Cobalt refinery has a formal closure plan filed with the Ministry of Energy, Northern Development, and Mines (ENDM) which notes an expected closure cost of approximately \$800,000, with a corresponding liability recorded upon acquisition of the refinery in 2017. There has been no physical activity or additional disturbance at the refinery since that time, and the associated liability remains unchanged.

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

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

The Company has recorded its best estimate of the cost to rehabilitate the known features on patented lands as an asset retirement obligation. This amounted to \$1,540,000 and was recorded in 2018. There have been no changes to the Company's Cobalt Camp patents during the three months ended March 31, 2019. The Company plans to progressively reduce this obligation over time. The future cash flows required to settle this obligation involve a degree of uncertainty, as the are estimates at this time.

With the exercise of the 50% option in Keeley-Frontier during the three months ended March 31, 2019, the Company now holds a 50% interest on various patented properties. Following the same methodology that was employed in the 2018 review of Cobalt Camp patents, the Company has recorded an additional liability of \$271,000 during the three months ended March 31, 2019 for its share of the estimated rehabilitation costs on these patents.

**11. Share Capital****(a) Authorized Share Capital**

The Company is authorized to issue an unlimited number of common shares without par value. As at March 31, 2019, the Company had 348,556,345 (December 31, 2018 – 339,321,827) common shares outstanding.

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(b) **Issued Share Capital**

During the three-month period ended March 31, 2019, the Company issued common shares as follows:

- On March 18, 2019, the Company issued 321,265 common shares on the vesting and entitlement of certain DSUs, PSUs, and RSUs.
- On March 29, 2019, the Company completed a non-brokered private placement by issuing 8,913,251 Units for gross proceeds of \$1.6 million. Each Unit consists of one common share in the share capital of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share at a price of \$0.27 for a period of two years. The Warrants are subject to an acceleration clause such that, if the closing price of the common shares of the Company is equal to or greater than \$0.37 per share for a period of ten consecutive trading days, the Company shall have the option, but not the obligation, to effect an accelerated expiration date that shall be 20 calendar days from the issuance of a notice of acceleration.

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

- On January 5, 2018, the Company issued 595,674 common shares on exercise of warrants which was recorded as common shares to be issued as at December 31, 2017. The funds of \$710,652 were received during the year ended December 31, 2017.
- On January 16, 2018, the Company completed a non-brokered private placement by issuing 151,364 units at \$1.10 per unit for gross proceeds of \$166,500. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each full warrant is exercisable at \$1.50 per share for a period of 24 months following the date of issue of warrants.
- On January 18, 2018, the Company issued 224,000 common shares at a fair value of \$297,920 to acquire mineral claims from Gold Rush Cariboo Inc. (Note 8c). These shares were included in common shares to be issued at December 31, 2017.
- On February 19, 2018, in relation to the acquisition of Cobalt One and CobalTech (see Note 9) the Company issued 1,566,934 common shares measured at a fair value of \$0.73 per share as payment of a work fee associated with the transaction. This payment was capitalized as an acquisition cost in 2017. These shares were included in common shares to be issued at December 31, 2017.
- On April 12, 2018, 250,000 stock options were exercised at \$0.25 per share for gross proceeds of \$62,500.
- On June 4, 2018, in relation to the acquisition of US Cobalt (see Note 9a) the Company capitalized acquisition costs of \$79,569,666 to be paid in the form of 115,318,357 common shares measured at a fair value of \$0.69 per share.
- On July 15, 2018, the Company issued 1,205,842 common shares on the vesting and entitlement of certain DSUs, PSUs, and RSUs.

**FIRST COBALT CORP.**

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

**12. Warrants**

Details regarding warrants issued and outstanding are summarized as follows:

|                                    | Weighted<br>average<br>exercise price | Number of shares<br>issued or issuable<br>on exercise |
|------------------------------------|---------------------------------------|---|
| <b>Balance – December 31, 2017</b> | \$0.06                                | 200,000   |
| Issuance of warrants               | \$1.50                                | 13,017,682  |
| <b>Balance – December 31, 2018</b> | \$1.48                                | 13,217,682  |
| Issuance of warrants               | \$0.27                                | 9,104,466   |
| <b>Balance – March 31, 2019</b>    | \$0.99                                | 22,322,148  |

The expiry of warrants are as follows:

| Grant Date     | Expiry Date    | Number of<br>warrants<br>outstanding | Weighted Average<br>Exercise Price |
|----------------|----------------|--------------------------------------|------------------------------------|
| May 31, 2016   | May 31, 2021   | 200,000                              | \$0.06                             |
| March 9, 2018  | March 9, 2020  | 13,017,682                           | \$1.50                             |
| March 29, 2019 | March 29, 2021 | 9,104,466                            | \$0.27                             |
|                |                | 22,322,148                           | \$0.99                             |

During the three months ended March 31, 2019, the Company issued 9,104,466 share purchase warrants (Note 11). 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. The total fair value of \$448,518 was recorded in equity. The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.79%, an expected life of 2 years, an expected volatility of 92.70% and no expected dividends.

During the year ended December 31, 2018, the Company issued 13,017,682 share purchase warrants (Note 11). The total fair value of \$4,258,460 was recorded in equity, of which \$4,258,460 was recorded as warrants to be issued and included in equity at December 31, 2017 as subscription receipts had been received. The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.68% to 1.69%, an expected life of 2 years, an expected volatility of 74% to 133% and no expected dividends.

**13. Share based payments**

The Company adopted a new long-term incentive plan on November 21, 2017 (the "Plan") whereby it can grant stock options, restricted share units ("RSUs"), Deferred Share Units ("DSUs"), and Performance Share Units



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(“PSUs”) to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company at any time.

**(a) Stock Options**

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

|                                    | <b>Weighted<br/>average<br/>exercise price</b> | <b>Number of<br/>shares issued<br/>or issuable on<br/>exercise</b> |
|------------------------------------|--|--|
| <b>Balance – December 31, 2017</b> | \$0.84   | 6,123,482  |
| Grant - USCO options               | \$0.40   | 9,360,000  |
| Grant                              | \$0.49   | 2,273,333  |
| Grant                              | \$0.36   | 2,300,000  |
| Exercise                           | \$0.25   | (250,000)  |
| Grant                              | \$0.27   | 400,000  |
| USCO expiries                      | \$0.43   | (4,850,000)  |
| Former FCC Personnel Expiries      | \$0.53   | (825,000)  |
| <b>Balance – December 31, 2018</b> | \$0.57   | 14,531,815   |
| Stock options granted              | \$0.18   | 1,000,000  |
| USCO expiries                      | \$0.30   | (2,275,000)  |
| <b>Balance March 31, 2019</b>      | \$0.59   | 13,256,815   |

During the three months ended March 31, 2019, the Company granted 1,000,000 stock options to a new director. The options may be exercised within 5 years from the date of grant at a price of \$0.18 per share, and vest across a one-year period.

The fair value of the options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 1.79% per year, an expected life of 2.5 years, an expected volatility of 92.93%, and no expected dividends.

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

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

An additional 9,360,000 options were issued to US Cobalt option holders as replacements for existing US Cobalt options as part of the acquisition. At March 31, 2019, 7,125,000 of these options had expired.

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Incentive share options outstanding and exercisable March 31, 2019 are summarized as follows:

| Exercise Price | Options Outstanding                   |   |                                 | Options Exercisable                   |                                 |  |
|----------------|---------------------------------------|---|---------------------------------|---------------------------------------|---------------------------------|--|
|                | Number of Shares Issuable on Exercise | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price | Number of Shares Issuable on Exercise | Weighted Average Exercise Price |  |
| \$ 0.18        | 1,000,000                             | 4.90                                    | \$ 0.18                         | 250,000                               | 0.18                            |  |
| \$ 0.27        | 400,000                               | 4.57                                    | \$ 0.27                         | -                                     | 0.27                            |  |
| \$ 0.29        | 187,500                               | 2.87                                    | \$ 0.29                         | 93,750                                | 0.29                            |  |
| \$ 0.36        | 562,500                               | 2.13                                    | \$ 0.36                         | 281,250                               | 0.36                            |  |
| \$ 0.36        | 1,300,000                             | 4.50                                    | \$ 0.36                         | -                                     | 0.36                            |  |
| \$ 0.36        | 1,000,000                             | 6.50                                    | \$ 0.36                         | 500,000                               | 0.36                            |  |
| \$ 0.38        | 300,000                               | 2.73                                    | \$ 0.38                         | 300,000                               | 0.38                            |  |
| \$ 0.42        | 225,000                               | 3.34                                    | \$ 0.42                         | 112,500                               | 0.42                            |  |
| \$ 0.49        | 2,273,333                             | 4.24                                    | \$ 0.49                         | -                                     | 0.49                            |  |
| \$ 0.51        | 810,000                               | 3.80                                    | \$ 0.51                         | 405,000                               | 0.51                            |  |
| \$ 0.52        | 450,000                               | 3.84                                    | \$ 0.52                         | 225,000                               | 0.52                            |  |
| \$ 0.66        | 1,500,000                             | 2.92                                    | \$ 0.66                         | 1,500,000                             | 0.66                            |  |
| \$ 0.69        | 1,000,000                             | 3.17                                    | \$ 0.69                         | 500,000                               | 0.69                            |  |
| \$ 0.69        | 565,000                               | 3.17                                    | \$ 0.69                         | 282,500                               | 0.69                            |  |
| \$ 1.43        | 1,683,482                             | 4.24                                    | \$ 1.43                         | 841,741                               | 1.43                            |  |
|                | 13,256,815                            | 4.02                                    | \$ 0.59                         | 5,291,741                             | \$ 0.67                         |  |

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

During the three months ended March 31, 2019, the Company issued 150,000 DSUs to a new director of the Company. DSUs vest immediately and may not be exercised until a director ceases to serve on the board.

During the three months ended March 31, 2019, the Company has recorded \$171,581 (2018 - \$379,659) for DSUs and \$11,859 (2018 - \$361,048) for PSUs as shared-based payment expense.

**14. Exploration and Evaluation Expenses**

Exploration and evaluation expenditures incurred for the three months ended March 31, 2019 and 2018:

|  | March 31, 2019    |                   |                   | March 31, 2018      |                 |                    |
|--|-------------------|-------------------|-------------------|---------------------|-----------------|--------------------|
|  | Cobalt, Canada    | Iron Creek, USA   | Total             | Cobalt, Canada      | Iron Creek, USA | Total              |
| Drilling                               | \$ -              | \$ -              | \$ -              | \$ 548,427          | \$ -            | \$ 548,427         |
| Exploration support and administration | 963               | -                 | 963               | 21,665              | -               | 21,665             |
| Field Operations and consumables       | 3,787             | -                 | 3,787             | 48,486              | -               | 48,486             |
| Geochemistry                           | 17,893            | 14,505            | 32,398            | 233,593             | -               | 233,593            |
| Geological consulting                  | -                 | 158,365           | 158,365           | 272,644             | -               | 272,644            |
| Geologist salaries                     | 131,924           | -                 | 131,924           | 185,915             | -               | 185,915            |
| Property taxes                         | 15,160            | -                 | 15,160            | 5,633               | -               | 5,633              |
| Sampling and geological costs          | 192,682           | 390,277           | 582,959           | 133,240             | -               | 133,240            |
| <b>Total</b>                           | <b>\$ 362,408</b> | <b>\$ 563,147</b> | <b>\$ 925,556</b> | <b>\$ 1,449,603</b> | <b>\$ -</b>     | <b>\$1,449,603</b> |

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(expressed in Canadian dollars)

**15. Loss Per Share**

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

---

|  | March 31,<br>2019 | March 31,<br>2018 |
|--|-------------------|-------------------|
| <b>Numerator</b>   |                   |                   |
| Net loss for the year / period                                   | \$ (2,784,149)    | \$ (3,254,960)    |
| <b>Denominator</b>   |                   |                   |
| Basic – weighted average number of shares outstanding            | 339,566,302       | 233,307,908       |
| Effect of dilutive securities                                    | -                 | -                 |
| Diluted – adjusted weighted average number of shares outstanding | 339,566,302       | 233,307,908       |
| <b>Loss Per Share – Basic and Diluted</b>                        | <b>\$(0.01)</b>   | <b>\$(0.01)</b>   |

---

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

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

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

**16. Financial Instruments****Liquidity Risk**

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

**Fair Value**

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

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and short-term

**FIRST COBALT CORP.**

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investments which are being held in bank accounts. The cash and short-term investments are deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company has secondary exposure to risk on its sales tax receivables. The risk is minimal since it is recoverable from the Canadian government.

**Foreign Currency Risk**

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

**Interest Rate Risk**

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

**17. Management of Capital**

The Company manages its capital structure, consisting of share capital, and will make adjustments to it depending on the funds available to the Company for its future acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended March 31, 2019.

**18. Commitments and Contingencies**

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

**19. Supplemental Cash Flow Information**

The Company did not make any cash payments and had no cash receipts for interest or income taxes during the three months ended March 31, 2019 and 2018, other than minor interest on cash balances.

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**20. Segmented Information**

The Company's exploration and evaluation activities are located in the provinces of Ontario and Quebec, Canada and Idaho, USA, with its head office function in Canada. All of the Company's capital assets, including property, plant and equipment and exploration and the exploration and evaluation asset are located in Canada and USA. Refer to notes 8 and 14 for segmented information by geographic locations.

**21. Related Party Transactions**

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

**(a) Key Management Personnel Compensation**

During the three months ended March 31, 2019 and 2018, the Company paid and/or accrued the following fees to management personnel and directors:

|            | March 31,<br>2019 | March 31,<br>2018 |
|------------|-------------------|-------------------|
| Management | \$ 262,027        | \$ 48,333         |
| Directors  | 94,109            | 190,731           |
|            | \$ 356,136        | \$ 239,064        |

During the three months ended March 31, 2019 the Company also had share-based payments made to management and directors of \$511,819 (2018 - \$1,073,654).

**(b) Due to Related Parties**

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

|  | December 31,<br>2019 | December 31,<br>2018 |
|--|----------------------|----------------------|
| Accounts payable and accrued liabilities | \$ 19,287            | \$ 64,621            |
|  | \$ 19,287            | \$ 64,621            |

**22. Subsequent Events**

Subsequent to March 31, 2019:

- (a) In April 2019, the Company announced that it had successfully produced a battery grade cobalt sulfate using the First Cobalt Refinery flowsheet. This was a significant milestone which brings the Company closer to recommissioning the only permitted primary cobalt refinery in North America.

**FIRST COBALT CORP.**

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(expressed in Canadian dollars)

- (b) In May 2019, the Company acquired, by way of a private share purchase agreement, a total of 9,640,500 common shares of eCobalt Solutions Inc. for investment purposes. In connection with the private share purchase agreement, the Company issued 21,265,809 common shares of First Cobalt.
- (c) In May 2019, the ASX approved the Company's request to voluntarily de-list from the exchange. The Company is de-listing due to low ASX trading volumes compared to the TSX-V, to reduce compliance costs, and because it has no material Australian cobalt projects or business operations. It is expected that the formal de-listing will be completed by the end of June 2019.
- (d) In May 2019, the Company settled an aggregate of \$364,130 of indebtedness owed to an arm's length creditor through the issuance of 2,427,530 common shares. The amount owed is included in accounts payable at March 31, 2019.
- (e) 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. This partnership 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 agreement remains subject to due diligence and definitive documentation.
- (f) In May 2019, the Company announced the results of a scoping study for the restart of the First Cobalt Refinery prepared by Ausenco Engineering Canada Inc. The study used third party cobalt hydroxide as feed material and 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. The total capital costs associated with this production level is estimated as US\$37.5 million, representing only US\$7.5 million of incremental capital costs over previous estimates in order to double production. Previous studies assumed that the refinery would treat lower grade arsenic-rich concentrate material. The Company is continuing to work with engineering firms, process experts and financial advisers to finalize a business plan to restart the facility.