FIRST COBALT CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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 "Company") have been prepared by and are the responsibility of the Company'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 Company'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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2019 AND DECEMBER 31, 2018 (UNAUDITED)

(expressed in Canadian Dollars)	**June 30, 2019**	**December 31, 2018**
ASSETS		
Current Assets		
Cash and cash equivalents	$ 449,034	$ 3,262,121
Marketable securities	1,940,817	-
Restricted cash (Note 4)	11,500	11,500
Prepaid expenses and deposits (Note 6)	270,087	236,796
Receivables (Note 5)	175,136	1,718,469
	2,846,574	5,228,886
Non-Current Assets		
Exploration and evaluation assets (Note 8)	194,476,901	193,898,645
Plant and equipment (Note 7)	4,755,209	4,770,538
Long-term restricted cash (Note 4)	702,560	702,560
Total Assets	$ 202,781,244	$ 204,600,629
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	1,236,551	3,883,203
	1,236,551	3,883,203
Non-Current Liabilities		
Asset retirement obligations (Note 10)	2,611,000	2,340,000
Total Liabilities	$ 3,847,551	$ 6,223,203
Shareholders' Equity		
Common shares (Note 11)	230,374,837	225,477,272
Reserve (Note 12 and 13)	13,053,777	11,834,934
Accumulated other comprehensive income	678,591	648,825
Deficit	(45,173,512)	(39,583,605)
Total Shareholders' Equity	$ 198,933,693	$ 198,377,426
Total Liabilities and Shareholders' Equity	$ 202,781,244	$ 204,600,629

Nature of operations (Note 1)
Going Concern (Note 2)
Commitments and Contingencies (Note 18)
Subsequent events (Note 22)

Approved on behalf of the Board of Directors and authorized for issue on August 28, 2019

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (UNAUDITED)

(expressed in Canadian Dollars)	**Three months ended June 30, 2019**	**Three months ended June 30, 2018**	**Six months ended June 30, 2019**	**Six months ended June 30, 2018**
Operating expenses				
Consulting and management fees	$ 35,473	$ 604,078	$ 214,363	$ 683,078
Exploration and evaluation expenditures (Note 14)	163,808	2,620,591	1,089,364	4,070,194
General and administrative	92,523	323,041	185,155	557,367
Investor relations	181,706	251,082	328,111	708,630
Refinery and associated studies	52,711	125,140	113,202	132,515
Environmental expenses	85,819	17,850	153,508	20,215
Marketing and conferences	122	40,150	1,470	115,795
Professional fees	319,910	971,215	652,030	1,136,675
Salary and benefits	368,324	467,611	781,923	611,731
Share-based payments (Note 13)	363,376	220,114	918,930	1,409,386
Travel	57,495	112,612	95,141	201,545
Operating loss	(1,721,267)	(5,753,484)	(4,533,197)	(9,647,131)
Other				
Foreign exchange gain (loss)	21,261	(121)	(3,924)	(1,283)
Interest income (expense)	859	117,225	5,703	99,952
Gain (loss) on sale of equipment	26,981	-	76,531	-
Realized gain (loss) on marketable securities	(63,192)	(264,934)	(63,192)	107,114
Unrealized gain (loss) on marketable securities	(1,023,155)	-	(1,023,155)	-
Flow-through share premium	-	302,025	-	563,369
Other non-operating income (expense)	(35,985)	(70,109)	(48,673)	(46,380)
Loss before taxes	(2,794,498)	(5,669,398)	(5,589,907)	(8,924,359)
Income tax expense	-	-	-	-
Net loss	(2,794,498)	(5,669,398)	(5,589,907)	(8,924,359)
Other comprehensive income				
Foreign currency translation income (expense)	(25,478)	209,674	29,766	199,412
Net loss and comprehensive loss	(2,819,976)	(5,459,724)	(5,560,141)	(8,724,947)
Basic and diluted loss per share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.04)
Weighted average number of shares outstanding (basic and diluted) (Note 15)	362,599,597	255,591,932	351,661,871	239,059,635

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (UNAUDITED)

(expressed in Canadian Dollars)		**Six months ended June 30, 2019**		**Six months ended June 30, 2018**
Operating activities				
Net loss	$	(5,589,907)	$	(8,972,828)
Adjustments for items not affecting cash:				
Share-based payments		918,930		1,457,855
(Gain) Loss on marketable securities		1,086,347		(107,114)
(Gain) Loss on sale of Equipment		(76,531)		-
Flow-through share premium		-		(563,369)
		(3,661,161)		(8,185,456)
Changes in non-cash working capital:				
Decrease (Increase) in receivables		1,559,855		(653,890)
Decrease (Increase) in prepaid and other current assets		(33,291)		376,745
Increase (Decrease) in accounts payable and accrued liabilities		(2,282,698)		(2,072,313)
Cash Flows used in operating activities		(4,417,295)		(10,534,914)
Investing activities				
Capital expenditures		-		(10,620)
Acquisition of exploration and evaluation assets, net of cash (Note 8)		(307,256)		(61,028)
Acquisition of US Cobalt		-		1,171,451
Sale (Purchase) of marketable securities		185,881		(1,274,633)
Proceeds from sale of equipment		91,860		-
Cash Flows used in investing activities		(29,515)		(174,830)
Financing activities				
Proceeds from issuance of common shares		1,603,957		447,248
Proceeds from exercise of warrants		-		4,000
Proceeds from exercise of options		-		62,500
Cash Flows provided by financing activities		1,603,957		513,748
Changes in cash during the period		(2,842,853)		(10,195,996)
Effect of exchange rates on cash		29,766		199,412
Cash – Beginning of the period	$	3,262,121	$	29,817,031
Cash – End of the period	$	449,034	$	19,820,447

Supplemental information (Note 19)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND THE YEAR ENDED DECEMBER 31 2018 (UNAUDITED)
(Expressed in Canadian Dollars, except per share amounts)

	Common Shares								
	Number of Shares	**Amount**	**Common Shares to be issued**	**Subscriptions receivable**	**Reserves**	**Warrants to be issued**	**Accumulated Other Comprehensive Income**	**Deficit**	**Total**
Balance – December 31, 2018	339,321,829	$ 225,477,272	$ -	$ -	$ 11,834,934	$ -	$ 648,825	$ (39,583,605)	$ 198,377,426
Net loss for the year								(5,589,907)	$ (5,589,907)
Other comprehensive loss for the period							29,766		$ 29,766
Share based payment expense	-	-	-	-	918,930	-	-	-	$ 918,930
Shares and units issued for:									
Exercise of DSU/PSU/RSU (Note 11)	321,265	148,605	-	-	(148,605)	-	-	-	$ -
Cash (Note 11)	8,913,251	1,155,439	-	-	448,518	-	-	-	$ 1,603,957
Private Share Purchase Agreement (Note 11)	21,265,809	3,229,567	-	-	-	-	-	-	$ 3,229,567
Debt Settlement Arrangement (Note 11)	2,427,530	363,954	-	-	-	-	-	-	$ 363,954
Balance – June 30, 2019	372,249,684	230,374,837	-	-	13,053,777	-	678,591	(45,173,512)	$ 198,933,693
Balance – December 31, 2017	219,888,826	$ 141,945,521	$ 2,214,433	$ (339,928)	$ 1,803,046	$ 4,258,460	$ 406,930	$ (12,761,536)	$ 137,526,926
Net loss for the year								(8,972,828)	$ (8,972,828)
Other comprehensive loss for the period							199,412		$ 199,412
Share based payment expense	-	-	-	-	1,457,855	-	-	-	$ 1,457,855
Shares and units issued for:									
Acquisition of property	117,109,290	89,095,732	(1,453,781)	-	-	-	-	-	$ 87,641,951
Cash	151,364	166,500	(50,000)	-	-	-	-	-	$ 116,500
Exercise of warrants	595,674	710,652	(710,652)	-	-	-	-	-	$ -
Exercise of options	250,000	62,500	-	-	-	-	-	-	$ 62,500
Subscriptions received	-	-	-	339,928	-	-	-	-	$ 339,928
Fair value of options exercised	-	23,662	-	-	(23,662)	-	-	-	$ -
Warrants issued	-	(24,218)	-	-	4,282,678	(4,258,460)	-	-	$ -
Share issuance costs	-	(5,180)	-	-	-	-	-	-	$ (5,180)
Stock options purchased from US Cobalt Inc.	-	-	-	-	3,910,355	-	-	-	$ 3,910,355
Balance – June 30, 2018	337,995,154	231,975,169	-	-	11,430,272	-	606,342	(21,734,364)	222,277,419

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) (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 financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). 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 Company'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 August 28, 2019, the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company'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 unless otherwise stated.

Going Concern

The Company incurred a net loss of $5.59 million for the six months ended June 30, 2019, had a deficit of $45.17 million as at June 30, 2019 and had a net working capital position of $1.61 million at June 30, 2019.

On March 29, 2019, the Company completed a private placement for $1.6 million to improve its liquidity position (Note 11). On May 2, 2019, the Company completed a share swap transaction and acquired 9,640,500 shares of eCobalt Solutions Inc. (“ECS”), a company that is publicly traded on the TSX, in exchange for 21,265,809 common shares of the Company. This investment in ECS was made for strategic purposes but a portion was sold down to fund operations as needed. Prior to June 30, 2019, the Company sold 746,500 shares of ECS to improve its cash position. In July 2019, ECS merged with Jervois Mining Limited (“JRV”) and the Company no longer considered these shares a strategic investment. Therefore, subsequent to June 30, 2019, the Company divested 65% of its original holdings of ECS/JRV for cash proceeds of $1.6 million. As at August 28, 2019, the Company holds 4,394,475 JRV shares representing 28% of its original position.

On August 26, 2019, the Company completed a US$5 million loan arrangement with Glencore AG (“Glencore”) to fund the next phase of activities required to advance the First Cobalt Refinery, which includes engineering studies and metallurgical testing. 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.

The Company will require additional funding to continue its operations and conduct any other exploration activities 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

(expressed in Canadian dollars)

- 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):

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

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

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

	June 30, 2019	**December 31, 2018**
Current	$ 11,500	$ 11,500
Long-term	702,560	702,560
	$ 714,060	$ 714,060

(expressed in Canadian dollars)

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 six months ended June 30, 2019.

5. Receivables

	June 30, 2019	December 31, 2018
GST Receivable	$ 175,136	$ 1,718,469
	$ 175,136	$ 1,718,469

During the first six months of 2019, $1,543,333 of GST receivables were collected, reducing the outstanding receivable balance.

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

6. Prepaid Expenses and Deposits

	June 30, 2019	December 31, 2018
Prepaid expenses	$ 250,656	$ 217,365
Deposits	19,431	19,431
	$ 270,087	$ 236,976

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 $4,755,209 (December 31, 2018 - $4,755,209). As at June 30, 2019, the Company's 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).

(expressed in Canadian dollars)

8. Exploration and Evaluation Assets

	Balance December 31, 2018	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance June 30, 2019
Cobalt North, Ontario						
Lawson Kerr	$ 14,378,368	-	-	-	-	$ 14,378,368
Silverfields and claims	55,784,739	-	-	-		55,784,739
Cobalt Central, Ontario						
Cobalt Central properties	30,560,318	-	-	-	-	30,560,318
Gold Rush Caribou	297,200	-	-	-	-	297,200
Cobalt South, Ontario						
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
Total	$ 193,898,645	$ 307,256	$ -	$ 271,000	$ -	$ 194,476,901

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

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

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

(expressed in Canadian dollars)

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

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

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

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

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

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

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

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

On April 10, 2017, the Company acquired all of the outstanding share capital of Cobalt Projects International Corp., a privately held Ontario-based mineral exploration company. Cobalt Project held the rights to earn up to a 100% interest from Canadian Silver Hunter Inc. in the Keeley and Frontier mines ("Keeley-Frontier"), which is located within the historic Silver Centre camp in Cobalt South. As consideration for the acquisition, the

(expressed in Canadian dollars)

Company issued 4,450,000 common shares, with a fair value of $2,430,000, to existing shareholders of Cobalt Projects, which vest in 6 equal tranches over a 4 to 18-month period. Additionally, promissory notes totaling $435,000 were forgiven. The fair value of the common shares transferred was estimated to be $2,430,000 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 0.76%, an expected life of 0.67 years, an expected volatility of 88% and an exercise price of $0.70 per share.

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

(c) *Gold Rush Cariboo*

On December 7, 2017, the Company entered into an agreement to acquire mineral claims from Gold Rush Cariboo Inc. in exchange for 224,000 common shares at a fair value of $1.33 per share for a total carrying value of $297,920. During the year ended December 31, 2018, the 224,000 common shares were issued (Note 11). These claims are included within the Cobalt Central Properties.

9. Accounts Payable and Accrued Liabilities

	June 30, 2019	December 31, 2018
Accounts Payable	$ 810,211	$ 2,273,348
Accrued Liabilities	426,340	1,609,855
	$ 1,236,551	$ 3,883,203

Accounts payable and accrued liabilities comprise primarily of trade payables incurred in the normal course of business. Included in accounts payable and accrued liabilities are amounts totalling $129,284 (December 31, 2018 - $64,621) due to related parties (see note 21).

During the six months ended June 30, 2019, the Company settled a balance owing of $364,130 owed to an arm's length creditor through the issuance of 2,427,530 common shares of the Company.

10. Asset Retirement Obligations

	June 30, 2019	December 31, 2018
Current	$ -	$ -
Long-term	2,611,000	2,340,000
	$ 2,611,000	$ 2,340,000

As at June 30, 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 six months ended June 30, 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 they are estimates at this time.

With the exercise of the 50% option in Keeley-Frontier in January 2019, the Company now holds a 50% interest on various patented properties. Following the same methodology that was employed in the 2018 review of Cobalt Camp patents, the Company has recorded an additional liability of $271,000 during the six months ended June 30, 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 June 30, 2019, the Company had 372,249,684 (December 31, 2018 – 339,321,827) common shares outstanding.

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

During the six-month period ended June 30, 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.

- On May 2, 2019, the Company issued 21,265,809 common shares in a private share purchase agreement to acquire 9,640,500 common shares of eCobalt Solutions Inc. for investment purposes.

- On May 13, 2019, the Company issued 2,427,530 common shares to settle $364,130 of indebtedness owed to a creditor.

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

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

- On January 16, 2018, the Company completed a non-brokered private placement by issuing 151,364 units at $1.10 per unit for gross proceeds of $166,500. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each full warrant is exercisable at $1.50 per share for a period of 24 months following the date of issue of warrants.

- 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.

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

(expressed in Canadian dollars)

12. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – December 31, 2017	$0.06	200,000
Issuance of warrants	$1.50	13,017,682
Balance – December 31, 2018	$1.48	13,217,682
Issuance of warrants	$0.27	9,104,466
Balance – June 30, 2019	$0.99	22,322,148

The expiry of warrants are as follows:

Grant Date	Expiry Date	Number of warrants outstanding	Weighted Average Exercise Price
May 31, 2016	May 31, 2021	200,000	$0.06
March 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 six months ended June 30, 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 June 26, 2018 (the "Plan") whereby it can grant stock options, restricted share units ("RSUs"), Deferred Share Units ("DSUs"), and Performance Share Units ("PSUs") to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company at any time.

(expressed in Canadian dollars)

(a) ***Stock Options***

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

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – December 31, 2017	$0.84	6,123,482
Grant - USCO options	$0.40	9,360,000
Grant	$0.49	2,273,333
Grant	$0.36	2,300,000
Exercise	$0.25	(250,000)
Grant	$0.27	400,000
USCO expiries	$0.43	(4,850,000)
Former FCC Personnel Expiries	$0.53	(825,000)
Balance – December 31, 2018	$0.57	14,531,815
Stock options granted	$0.18	1,000,000
USCO expiries	$0.30	(2,275,000)
Former FCC Personnel Expiries	$0.62	(575,000)
Balance June 30, 2019	$0.59	12,681,815

During the six months ended June 30, 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 June 30, 2019, a total of 7,125,000 of these options had expired.

(expressed in Canadian dollars)

Incentive share options outstanding and exercisable June 30, 2019 are summarized as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	**Number of Shares Issuable on Exercise**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**	**Number of Shares Issuable on Exercise**	**Weighted Average Exercise Price**
$ 0.18	1,000,000	4.65	$ 0.18	250,000	0.18
$ 0.27	400,000	4.32	$ 0.27	-	0.27
$ 0.29	187,500	2.62	$ 0.29	187,500	0.29
$ 0.36	562,500	1.88	$ 0.36	562,500	0.36
$ 0.36	1,300,000	4.25	$ 0.36	-	0.36
$ 0.36	1,000,000	6.25	$ 0.36	750,000	0.36
$ 0.42	225,000	3.09	$ 0.42	225,000	0.42
$ 0.49	2,273,333	3.99	$ 0.49	757,778	0.49
$ 0.51	810,000	3.55	$ 0.51	810,000	0.51
$ 0.52	450,000	3.59	$ 0.52	450,000	0.52
$ 0.66	1,500,000	2.67	$ 0.66	1,500,000	0.66
$ 0.69	1,000,000	2.92	$ 0.69	1,000,000	0.69
$ 0.69	365,000	2.92	$ 0.69	365,000	0.69
$ 1.43	1,608,482	3.99	$ 1.43	804,241	1.43
	12,681,815	3.81	$ 0.59	7,662,019	$ 0.62

Subsequent to June 30, 2019, the Company agreed with certain Officers to cancel an aggregate of 1,283,482 incentive stock options, bringing the total outstanding options to 11,398,333.

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

During the six months ended June 30, 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 six months ended June 30, 2019, the Company has recorded $272,400 (2018 - $249,956) for DSUs and $11,859 (2018 - $191,750) for PSUs as shared-based payment expense.

(expressed in Canadian dollars)

14. Exploration and Evaluation Expenses

Exploration and evaluation expenditures incurred for the six months ended June 30, 2019 and 2018:

	June 30, 2019			June 30, 2018		
	Cobalt, Canada	Iron Creek, USA	Total	Cobalt, Canada	Iron Creek, USA	Total
Drilling	$ -	$ -	$ -	$ 1,119,753	$ 595,336	$ 1,715,089
Exploration support and administration	963	-	963	4,219	3,776	7,995
Field Operations and consumables	3,787	-	3,787	84,086	-	84,086
Geochemistry	17,893	14,505	32,398	736,530	116,143	852,673
Geological consulting	671	195,124	195,795	390,861	248,300	639,161
Geologist salaries	165,736	-	165,736	308,248	-	308,248
Property taxes	16,451	-	16,451	22,301	-	22,301
Sampling and geological costs	204,457	469,778	674,235	440,641	-	440,641
Total	$ 409,958	$ 679,406	$ 1,089,364	$ 3,106,639	$ 963,555	$4,070,194

15. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for the six months ended June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Numerator		
Net loss for the year / period	$ (5,589,907)	$ (8,924,359)
Denominator		
Basic – weighted average number of shares outstanding	351,661,871	239,059,635
Effect of dilutive securities	-	-
Diluted – adjusted weighted average number of shares outstanding	351,661,871	239,059,635
Loss Per Share – Basic and Diluted	$(0.02)	$(0.04)

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 six months ended June 30, 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 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 debt, and will make adjustments to it depending on the funds available to the Company for its future refinery and exploration activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the six months ended June 30, 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 June 30, 2019, the Company was not committed to any material operating contracts that require significant future outflow of resources.

Subsequent to June 30, 2019, the Company completed a US$5 million loan arrangement with Glencore which has now committed the Company to future repayments. 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
2019	$ 165,210	$ -	$ 165,210
2020	476,117	-	476,117
2021	308,305	6,641,250	6,949,555
Total	$ 949,632	$ 6,641,250	$ 7,590,882

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 six months ended June 30, 2019 and 2018, other than minor interest on cash balances.

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.

(expressed in Canadian dollars)

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 six months ended June 30, 2019 and 2018, the Company paid and/or accrued the following fees to management personnel and directors:

	June 30, 2019	June 30, 2018
Management	$ 541,057	$608,635
Directors	197,405	340,833
	$ 738,462	$ 949,468

During the six months ended June 30, 2019 the Company also had share-based payments made to management and directors of $843,324 (six months ended June 2018 - $935,053). Subsequent to June 30, 2019 the directors were issued 612,800 DSUs in lieu of their normal quarterly fees that would have been due for the second quarter of 2019 and certain Officers were granted a total of 76,563 DSUs as an annual incentive.

(b) Due to Related Parties

As at June 30, 2019 and 2018, the Company had the follow amounts due to related parties:

	June 30, 2019	June 30, 2018
Accounts payable and accrued liabilities	$ 129,284	$ 25,369
	$ 129,284	$ 25,369

22. Subsequent Events

Subsequent to June 30, 2019:

(a) On July 15, 2019, the Company issued 612,800 DSUs to directors in lieu of cash compensation they would have been entitled to for the second quarter of 2019. An additional 76,563 DSUs were issued to certain officers of the Company in lieu of incentive payments. These same officers agreed to a 5% reduction in their base salaries to reduce the Company's cash outflows. The Company and certain insiders also agreed to cancel 1,283,482 incentive stock options.

(b) On August 26, 2019, The Company executed a US$5 million loan agreement with Glencore to fund the next phase of key activities for the First Cobalt Refinery. The proceeds were received as a single payment upon closing and will be used for metallurgical testing, engineering, cost estimating, field work and permitting activities.

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 conversion price of $0.13 per share.

(c) Subsequent to June 30, 2019, the Company has sold additional shares of ECS/JRV for cash proceeds of $1.6 million. The Company currently holds 4,394,475 JRV shares, representing 28% of its original holdings.