FIRST COBALT CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018
AND THE NINE MONTHS ENDED DECEMBER 31, 2017

(EXPRESSED IN CANADIAN DOLLARS)

MNP LLP

Independent Auditor's Report

To the Shareholders of First Cobalt Corp.:

Opinion

We have audited the consolidated financial statements of First Cobalt Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2018 and the 9 months ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and the 9 months ended December 31, 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $26,822,069 during the year ended December 31, 2018 and, as of that date, the Company's deficit is $39,583,605. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, may indicate that a material uncertainty exists that casts significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joseph J. Chirkoff.

MNP LLP

Vancouver, British Columbia

March 27, 2019

Chartered Professional Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 and 2017

(expressed in Canadian Dollars)	**December 31, 2018**	**December 31, 2017**
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,262,121	$ 29,817,031
Restricted cash (Note 5)	11,500	-
Prepaid expenses and deposits (Note 7)	236,796	708,966
Receivables (Note 6)	1,718,469	718,106
	5,228,886	31,244,103
Non-Current Assets		
Exploration and evaluation assets (Note 9)	193,898,645	105,858,028
Plant and equipment (Note 8)	4,770,538	4,705,776
Long-term restricted cash (Note 5)	702,560	-
Total Assets	$ 204,600,629	$ 141,807,907
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	$ 3,883,203	$ 1,991,221
Flow-through share liability (Note 12)	-	1,489,760
	3,883,203	3,480,981
Non-Current Liabilities		
Asset retirement obligations (Note 11)	2,340,000	800,000
Total Liabilities	$ 6,223,203	$ 4,280,981
Shareholders' Equity		
Common shares (Note 12)	225,477,272	141,945,521
Common shares to be issued	-	2,214,433
Share subscriptions receivable (Note 12)	-	(339,928)
Reserve (Note 13 and 14)	11,834,934	1,803,046
Warrants to be issued (Note 12)	-	4,258,460
Accumulated other comprehensive income	648,825	406,930
Deficit	(39,583,605)	(12,761,536)
	$ 198,377,426	$ 137,526,926
Total Liabilities and Shareholders' Equity	$ 204,600,629	$ 141,807,907

Nature of operations (Note 1)
Subsequent events (Note 24)
Going Concern (Note 5)

Approved on behalf of the Board of Directors and authorized for issue on March 27, 2019

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND NINE MONTHS ENDED DECEMBER 31, 2017

(expressed in Canadian Dollars)		**Year ended December 31, 2018**		**Nine months ended December 31, 2017**
Operating expenses				
Consulting and management fees	$	1,126,051	$	519,316
Exploration and evaluation expenditures (Note 15)		16,993,047		1,685,816
General and administrative		1,093,978		480,565
Investor relations		1,022,270		938,173
Refinery and associated studies		233,671		-
Environmental expenses		126,162		-
Marketing and conferences		263,857		320,859
Professional fees		977,652		1,122,522
Salary and benefits		1,436,236		2,128,686
Share-based payments (Note 14)		4,047,811		756,579
Travel		543,795		306,211
Operating loss		(27,864,530)		(8,258,727)
Other				
Foreign exchange gain (loss)		(150,315)		(1,113)
Interest income (expense)		219,268		3,112
Gain on short term investment		103,515		-
Write-off of debt		33,042		-
Write-off of prepaid expenses		(188,084)		-
Write-off of exploration and evaluation assets (Note 9)		(461,300)		(375,058)
Flow-through share premium		1,489,760		-
Other non-operating income		(3,425)		22,872
Loss before taxes		(26,822,069)		(8,608,914)
Income tax expense (Note 16)		-		-
Net loss		(26,822,069)		(8,608,914)
Other comprehensive income				
Foreign currency translation		241,896		406,930
Net loss and comprehensive loss		(26,580,173)		(8,201,984)
Basic and diluted loss per share	$	(0.09)	$	(0.12)
Weighted average number of shares outstanding (basic and diluted) (Note 17)		289,547,714		72,025,462

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND NINE MONTHS ENDED DECEMBER 31, 2017

(expressed in Canadian Dollars)	**Year ended December 31, 2018**	**Nine months ended December 31, 2017**
Operating activities		
Net loss	$ (26,822,069)	$ (8,608,914)
Adjustments for items not affecting cash		
Gain on investments (Note 9a)	(103,515)	-
Write-off exploration and evaluation assets	461,300	375,058
Write-off of debt	(33,043)	-
Write-off of prepaid expenses	188,083	-
Share-based payments	4,047,811	756,579
Flow-through share premium	(1,489,760)	-
	(23,751,193)	(7,477,277)
Changes in non-cash working capital		
Decrease (Increase) in receivables	(784,086)	(384,638)
Decrease (Increase) in prepaid and other current assets	(764,744)	(247,797)
Increase (Decrease) in accounts payable and accrued liabilities	355,407	487,427
Cash Flows used in operating activities	(24,944,616)	(7,622,285)
Investing activities		
Capital expenditures	(64,763)	-
Acquisition of exploration and evaluation assets, net of cash (Note 9)	(2,199,575)	(1,393,501)
Acquisition of Cobalt One Limited	-	995,198
Acquisition of CobalTech Mining Inc.	-	780,470
Acquisition of US Cobalt (Note 9a)	1,171,451	-
Purchase of short term investments	(1,278,231)	-
Cash Flows (used in) provided by investing activities	(2,371,118)	382,167
Financing activities		
Proceeds from issuance of common shares	452,428	31,401,301
Proceeds from exercise of warrants	4,000	1,122,822
Proceeds from exercise of options	62,500	359,250
Subscriptions received in advance	-	772,652
Share issuance costs	-	(1,932,549)
Cash Flows provided by financing activities	518,928	31,723,476
Changes in cash during the year	(26,796,806)	24,483,358
Effect of exchange rates on cash	241,896	(6,463)
Cash – Beginning of the year	29,817,031	5,340,136
Cash – End of the year	$ 3,262,121	$ 29,817,031

Supplemental information (Note 21)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018 AND THE NINE MONTHS ENDED DECEMBER 31 2017
(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, 2017	219,888,826	$ 141,945,521	$ 2,214,433	$ (339,928)	$ 1,803,046	$ 4,258,460	$ 406,930	$ (12,761,536)	$ 137,526,926
Net loss for the year	-	-	-	-	-	-	-	(26,822,069)	$ (26,822,069)
Share based payment expense	-	-	-	-	4,047,812	-	-	-	$ 4,047,812
Shares and units issued for:									
Acquisition of property (Note 9)	117,109,290	81,023,447	(1,453,781)	-	-	-	-	-	$ 79,569,666
Replacement options issued for USCO (Note 9)	-		-	-	3,294,268	-	-	-	$ 3,294,268
Cash (Note 12)	151,364	166,500	(50,000)	-	-	-	-	-	$ 116,500
Exercise of DSU/PSU/RSU (Note 14)	1,326,675	1,544,990	-	-	(1,544,990)	-	-	-	$ -
Subscriptions receivable (Note 12)	-	-	-	339,928	-	-	-	-	$ 339,928
Shares to be issued (Note 12)	-	23,662	-	-	(23,662)	-	-	-	$ -
Warrants to be issued (Note 13)	-	-		-	4,258,460	(4,258,460)	-	-	$ -
Exercise of warrants (Note 13)	595,674	710,652	(710,652)	-		-	-	-	$ -
Exercise of options (Note 14)	250,000	62,500	-	-		-	-	-	$ 62,500
Unrealized gain on foreign exchange translation	-	-	-	-		-	241,895	-	$ 241,895
Balance – December 31, 2018	339,321,829	225,477,272	-	-	11,834,934	-	648,825	(39,583,605)	$ 198,377,426
Balance – March 31, 2017	44,117,750	$ 10,360,835	$ -	$ -	$ 1,677,704	$ -	$ -	$ (4,152,622)	$ 7,885,917
Net loss for the year	-	-	-	-	-	-	-	(8,608,914)	$ (8,608,914)
Shares and units issued for:									
Acquisition of property (Note 9)	136,821,347	105,410,917	1,441,781	-	-	-	-	-	$ 106,852,698
Cash (Note 12)	27,934,001	31,699,221	-	-	-	-	-	-	$ 31,699,221
Flow-through share liability (Note 12)	-	(1,489,760)	-	-	-	-	-	-	$ (1,489,760)
Subscriptions receivable (Note 12)	-	-		(339,928)	-	-	-	-	$ (339,928)
Shares to be issued (Note 12)	-	(710,652)	772,652	-	-	-	-	-	$ 62,000
Warrants to be issued (Note 13)	-	(4,258,460)	-	-	-	4,258,460	-	-	$ -
Exercise of warrants (Note 13)	9,840,728	2,344,197	-	-	(468,715)	-	-	-	$ 1,875,482
Exercise of options (Note 14)	1,175,000	521,772	-	-	(162,522)	-	-	-	$ 359,250
Issuance of stock options (Note 12)	-	-	-	-	756,579	-	-	-	$ 756,579
Share issuance cost (Note 12)	-	(1,932,549)	-	-	-	-	-	-	$ (1,932,549)
Unrealized gain on foreign exchange translation	-	-	-	-	-	-	406,930	-	$ 406,930
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

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. 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 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 consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on an historical cost basis, except for financial instruments, which are classified as fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the consolidated financial statements are presented in Canadian dollars.

Going Concern

The Company incurred a net loss of $26.8 million for the year-end December 31, 2018, had a deficit of $39.6 million as at December 31, 2018 and had a net working capital position of $1.35 million at December 31, 2018.

On March 4, 2019, the Company announced a private placement for $2.0 million to improve its liquidity position (Note 24), which it expects to close by the end of March 2019. 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.

(expressed in Canadian dollars)

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.

Change in Year-End

The Company changed its financial year end from March 31 to December 31, effective for the period ending December 31, 2017. As a result of the change in year-end, the comparative amounts are not directly comparable with the current period's balance. These financial statements were approved by the board of directors for issue on April 2, 2018.

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.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

Financial Instruments
The Company adopted IFRS 9 *Financial* Instruments effective January 1, 2018. Under IFRS 9, the Company recognizes all financial assets initially at fair value and classifies them into one of the following measurement categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost, as appropriate. On adoption of IFRS 9, there was no accounting impact to the financial statements and there were no changes in the carrying values of any of the Company's financial assets.

Financial liabilities are initially recognized at fair value and classified as either FVTPL or amortized cost, as appropriate.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired.

The Company had made the following classification of its financial instruments:

Financial Assets or liabilities	Measurement Category
Cash	FVTPL
Accounts Receivables	Amortized Cost
Account Payable and Accrued Liabilities	Amortized Cost

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
Level 3 – Inputs that are not based on observable market data.

Mineral Property Interests
The acquisition costs of mineral property interests have been capitalized as Mineral Property assets with the Company's financial statements. Subsequent exploration and evaluation costs are expensed until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair market value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements. Proceeds received from a partial sale or option of a mineral property interest are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Management reviews its mineral property interests at each reporting period for signs of impairment annually and if there is impairment in value taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Should a project be put into production, the costs of acquisition will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds its estimated net realizable value or value in use, an impairment provision is recorded.

Exploration costs renounced to shareholders pursuant to flow-through share subscription agreements remain expensed, however, for income tax purposes the Company has no right to claim these costs as tax deductible expenses.

When entitled, the Company records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Company is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(ii) Non-financial assets

Non-financial assets are evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company's mineral property interest impairment policy is more specifically discussed above.

Share Capital
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, and the residual value being allocated to shares. The Company does not measure the impact of modification to the terms of warrants previously issued. Any fair value attributed to the warrants is recorded as contributed surplus.

Share-Based Payment Transactions
The Company has a stock option plan that provides for the granting of options to officers, directors, consultants and related company employees to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest. Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital.

Deferred, Restricted and Performance Share Units
Deferred share units ("DSUs"), Restricted share units ("RSUs") and performance share units ("PSUs") are measured at fair value on the grant date. The expense for DSUs, RSUs and PSUs, to be redeemed in shares, is recognized over the vesting period, or using management's best estimate when contractual provisions restrict vesting until completion of certain performance conditions, with a corresponding charge as an expense or capitalized to PP&E. DSUs to be redeemed in cash are adjusted at each financial position reporting date for changes in fair value until such time when the directors retire from all positions with the Company.

Flow-Through Shares
The proceeds from the offering of flow-through shares are allocated between the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the market value of the shares and the amount the investors pay for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in the results of operations in the period the eligible exploration expenditures are incurred.

The Company may renounce the deductions for tax purposes under what is referred to as the “general” method or the “look-back” method.

When tax deductions are renounced under the general method, the Company records a deferred tax liability with the corresponding change to income tax expense when the Company has the expectation of renouncing and has expensed its expenditures. At the same time, the liability related to the flow-through shares is reduced, with a corresponding increase to other income related to flow-through shares.

When the tax deductions are renounced under the look-back method, the Company records a deferred tax liability with a corresponding change to income tax expense when the expenditures are incurred and expensed. At the same time, the liability related to the flow-through shares would be reduced, with a corresponding increase to other income related to flow-through shares.

Environmental Rehabilitation
An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the future decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pretax rate that reflect the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each period-end, for the unwinding of the discount rate, for changes to the current market-based discount rate and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Income Taxes
Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Loss Per Share
The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares related to outstanding stock options and warrants issued by the Company.

Related Party Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities and include key management of the Company and its parent. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

3. Recently Adopted Accounting Standards and Accounting Standards Issued But Not Yet Effective

The Company has reviewed amendments to accounting pronouncements that have been issued but do not impact the Company, or have been issued but are not yet effective and determined that the following are not expected to have an impact on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 Revenue from Contracts with Customers, which specifies how and when an entity will recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 was effective for annual periods beginning on or after January 1, 2018. Given the Company does not have revenue, the adoption of IFRS 15 did not have an impact on the consolidated financial statements.

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. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. As the Company does not have any material lease contracts at this time, it does not expect the adoption of IFRS 16 to have an impact on the consolidated financial statements.

IFRS 2 – Share-based Payment
On June 30, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Company has adopted the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The adoption of these amendments did not have an impact on the consolidated financial statements.

4. Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Areas requiring a significant degree of judgment relate to the recoverability and measurement of deferred tax assets and liabilities, the ability to continue as a going concern, the capitalization of development costs, the fair value of the assets acquired in acquisitions, environmental rehabilitation costs and valuation of share options and warrants. Actual results may differ from those estimates and judgments.

Judgments that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- *Exploration and Evaluation Assets*
  The net carrying value of each mineral property is reviewed regularly for conditions that suggest potential indications of impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*
  The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Company's ability to generate adequate financing. Significant judgements are used in the Company's assessment of its ability to continue as a going concern.

- *Income Taxes*
  Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

  The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- *Acquisition Accounting*
  The Company has accounted for the acquisitions of US Cobalt Inc., Cobalt One Limited, CobalTech Inc., Cobalt Projects International Corp., and Cobalt Industries of Canada Inc. as asset acquisitions. Significant

judgment was required to determine that the application of this accounting treatment was appropriate for the transactions. These included, among others, the determination that US Cobalt Inc., CobalTech Inc., Cobalt Projects International Corp. and Cobalt Industries of Canada Inc. did not meet the definition of a business under IFRS 3: Business Combinations. The acquisition of Cobalt One Limited was considered an asset acquisition due to the fact that management and the board of directors remained under the control of the Company. In addition, the basis for the calculation of the fair value of the asset acquired included significant estimates of the fair value of the consideration transferred. The Company assessed the fair value of the consideration transferred using the last trading price of the date of which control was obtained over the acquired entity for each transaction.

- *Environmental Rehabilitation*
  Management's determination of the Company's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required, the additional contingent mitigation measures it identifies as potentially being required and its assessment of the likelihood of such contingent measures being required, and its estimate of the probable costs and timing of such activities and measures. Significant judgements must be made when determining such reclamation and closure activities and measures required and potentially required.

- *Share Based Payments*
  The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes pricing model.

5. Restricted Cash

	December 31, 2018	December 31, 2017
Current	$ 11,500	$ -
Long-term	702,560	-
	$ 714,060	$ -

Long-term Restricted cash relates too amounts on deposit with the Ministry of Energy, Northern Development and Mines as financial assurance for the refinery.

(expressed in Canadian dollars)

6. Receivables

	December 31, 2018	December 31, 2017
GST receivable	$ 1,718,469	$ 718,106
	$ 1,718,469	$ 718,106

First Cobalt has significant GST receivables outstanding at December 31, 2018. Subsequent to year-end, $1,590,996 was collected, reducing the outstanding receivable balance. All amounts currently outstanding are expected to be collected within the next twelve months.

7. Prepaid Expenses and Deposits

	December 31, 2018	December 31, 2017
Prepaid expenses	$ 217,365	$ 619,378
Deposits	19,431	89,588
	$ 236,976	$ 708,966

8. 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 $4,705,775 (December 31, 2017 - $4,705,775). As at December 31, 2018, the Company’s estimated closure costs for the Refinery are estimated to be $800,000 (December 31, 2017: $800,000) and are recorded as asset retirement obligations. No depreciation was recorded for the Refinery in the current year (December 31, 2017 - $Nil).

(expressed in Canadian dollars)

9. Exploration and Evaluation Assets

	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 Caribou	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

	Balance March 31, 2017	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance December 31, 2017
Cobalt North, Ontario						
Lawson Kerr	$ -	$ 13,026,368	$ -	$ -	$ -	$ 13,026,368
Cobalt Ontario	-	56,018,275				56,018,275
Cobalt Central, Ontario						-
Cobalt Central properties	-	30,753,009	-	-	-	30,753,009
Gold Rush Carribou	-	297,200	-	-	-	297,200
Cobalt South, Ontario						-
South Lorrain	1,810,000	10,000	-	-	-	1,820,000
Keeley-Frontier	-	3,156,876	-	-	-	3,156,876
Bellellen	-	325,000	-	-	-	325,000
Werner	-	296,300	-	-	-	296,300
Dickens	375,058	-	(375,058)	-	-	-
Quebec	-	165,000	-	-	-	165,000
Iron Creek	-	-	-	-	-	-
Paradox Basin	-	-	-	-	-	-
Total	$ 2,185,058	$ 104,048,028	$ (375,058)	$ -	$ -	$ 105,858,028

(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:

(expressed in Canadian dollars)

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.

(b) Acquisition of Cobalt One Limited ("Cobalt One")

On June 23, 2017, the Company entered into a letter of intent with Cobalt One to acquire 100% of the issued and outstanding common shares of Cobalt One. Under the terms of the agreement, Cobalt One shareholders received 0.145 of a common share of the Company for each Cobalt One ordinary share, based on a share exchange ratio using the last trading price ($0.76) of the Company's shares on June 23, 2017.

In November 2017, the Company completed the acquisition of all the issued and outstanding shares of Cobalt One through the issuance of 107,948,909 common shares. The fair value of the shares was measured by the last trading price ($0.73) of the date of shareholder approval, November 20, 2017.

(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 (107,948,909 shares at $0.73 per share)	$	78,802,704
Net assets acquired:		
Current assets	$	1,127,637
Current liabilities		(854,463)
Plant and equipment (Note 8)		4,476,528
Asset retirement obligations		(800,000)
Exploration and evaluation assets		74,853,002
	$	78,802,704

The exploration and evaluation assets acquired from Cobalt One have been allocated to Cobalt North, Ontario (comprised primarily the Silverfields mine and other Cobalt North Properties) and Cobalt Central, Ontario.

In relation to the acquisition of Cobalt One and CobalTech, the Company capitalized acquisition costs of $1,143,861 to be paid in the form of 1,566,934 common shares measured at a fair value of $0.73 per share. The Company has attributed $875,301 of the acquisition cost to the exploration assets of Cobalt One based on the value of the net assets acquired.

(c) Acquisition of CobalTech Inc. ("CobalTech")

On August 18, 2017, the Company entered into an arrangement agreement with CobalTech to acquire 100% of the issued and outstanding common shares of CobalTech. Under the terms of the agreement, CobalTech shareholders received 0.2632 of a common share of the Company for each CobalTech ordinary share, based on the share exchange ratio using last trading price ($0.76) of the Company's shares on June 23, 2017.

In November 2017, the Company completed the acquisition of all the issued and outstanding shares of CobalTech through the issuance of 24,422,438 common shares. The fair value of the shares was measured by the last trading price ($0.99) of the date of shareholder approval, November 22, 2017.

(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 (24,422,438 shares at $0.99 per share)	$	24,178,214
Net assets acquired:		
Current assets	$	1,122,415
Current liabilities		(211,789)
Exploration and evaluation assets		23,267,588
	$	24,178,214

The exploration and evaluation assets acquired from CobalTech have been allocated to Other Cobalt North Properties (comprising of Kerr, Drummond, Conisil, and Silver Banner.), Werner Lake East Cobalt and Quebec Properties.

In relation to the acquisition of Cobalt One and CobalTech, the Company capitalized acquisition costs of $1,143,861 to be paid in the form of 1,566,933 common shares measured at a fair value of $0.73 per share. The Company has attributed $268,560 of the acquisition cost to the exploration assets of CobalTech based on the value of the net assets acquired.

(d) 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 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.

(expressed in Canadian dollars)

Subsequent to year-end, the Company made the final payment required under the option agreement to earn a 50% interest in the properties.

(e) *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.

(f) Impairment

For the Werner Lake East and Quebec properties, no further work is planned, and it is likely that the Company will let any rights or claims lapse in the future. These properties have been written down to a nil value at December 31, 2018, resulting in a total impairment charge of $461,300.

10. Accounts Payable and Accrued Liabilities

	December 31, 2018	December 31, 2017
Accounts Payable	$ 2,273,348	$ 1,485,471
Accrued Liabilities	1,609,855	505,750
	$ 3,883,203	$ 1,991,221

Accounts payable and accrued liabilities comprise primarily of trade payables incurred in the normal course of business. Included in accounts payable are amounts total $64,621 (December 31, 2017 - $219,764) due to related parties (see note 23).

11. Asset Retirement Obligations

As at December 31, 2018, 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 during 2018, 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 for the year-ended December 31, 2018. This amounted to $1,540,000. The Company plans to progressively reduce this obligation over time. A long-term inflation rate of 2% was used in the analysis, which equated to a long-term risk-free discount rate of 2%, meaning the impact of discounting was not significant. The future cash flows required to settle this obligation involve a degree of uncertainty, as the are estimates at this time.

12. Share Capital

(a) ***Authorized Share Capital***

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2018, the Company had 339,321,827 (December 31, 2017 – 219,888,826) common shares outstanding.

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

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, as part of the Offering, 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 (each whole common share purchase warrant (a "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 9e). 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.

During the nine-months ended December 31, 2017, the Company issued common shares as follows:

- The Company issued 9,840,728 common shares on exercise of warrants for total gross proceeds of $1,164,830. The Company received funds of $710,652 for the exercise of 595,674 warrants which were issued in 2018. The amount was recorded as common shares to be issued.

- The Company issued 1,175,000 common shares on exercise of stock options for total gross proceeds of $359,250.

- On April 10, 2017, the Company issued 4,450,000 common shares with a fair value of $2,430,000 for the acquisition of Cobalt Projects.

- On May 31, 2017, the Company issued 2,050,001 flow-through shares at $0.60 per share for total gross proceeds of $1,230,001. In connection with the flow-through share offering, the Company paid cash finders' fee of $37,029.

  The Company renounced $1,230,001 under the general method on December 31, 2017. As at December 31, 2017, the Company had spent all proceeds reserved for flow-through exploration expenditures.

- On November 30, 2017, the Company issued 107,948,909 common shares at $0.73 per share for the acquisition of Cobalt One (Note 9)

- On November 30, 2017, the Company issued 24,422,438 common shares at $0.99 per share for the acquisition of CobalTech (Note 9)

- On December 21, 2017, the Company issued on a bought deal basis (i) 4,700,000 units of the Company ("Flow-Through Units") at $1.51 per unit and 20,950,000 units (the "Units") at $1.10 per unit for gross proceeds of $30,142,000 (the "Offering").

  Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant (a "Warrant")) of the Company. Each Flow-Through Unit consists of one 'flow-through share' (a "Flow-Through Share") of the Company and one-half of one Warrant. Each full warrant is exercisable at $1.50 per share for a period of 24 months following the date of issue of Warrants.

  Of the cash proceeds received from the Units, $24,492,000 was allocated to share capital and $4,193,000 was allocated to warrants based on their relative fair value.

  The amount of the flow-through share liability associated with the flow-through shares was determined to be $1,457,000 based on the difference between the fair value price per share of the Flow-Through Units and the Units.

The Company renounced $7,097,000 under the look-back method on December 31, 2017. During the year ended December 31, 2018, the Company spent all proceeds reserved for flow-through exploration expenditures. The full flow-through share liability has been amortized to other income.

- Concurrent with the Offering, the Company completed a non-brokered private placement on December 28, 2017 of 234,000 Flow-Through Units at $1.33 per unit for gross proceeds of $311,220, of which $297,920 was recorded as a subscription receivable. Each Flow-Through Unit consists of one flow-through share and one-half share purchase warrant. Each full warrant is exercisable at $1.50 per share for 24 months from the date of issue of Warrants. The issuance of the warrants was subject to shareholder approval.

  The amount of the flow-through share liability associated with the flow-through shares was determined to be $32,760 based on the difference between unit price of the flow-through unit less the stock price as at the date of grant. The remaining proceeds from the flow-through shares, after deducting the flow-through share liability was $278,460, of which $213,000 was allocated to share capital and $65,460 was allocated to warrants based on their relative fair value. As at December 31, 2017, the Company had recorded the warrants as warrants to be issued.

  The Company renounced $311,220 under the look-back method on December 31, 2017. During the year ended December 31, 2018, the Company spent all proceeds reserved for flow-through exploration expenditures. The full flow-through share liability has been amortized to other income.

- The issuance of the Warrants was subject to the approval of the Australian Stock Exchange ("ASX") and approval of the shareholders of the Company. Pursuant to ASX listing requirements, the Company called a special meeting of shareholders to seek approval for the issuance of the Warrants. On March 9, 2018, the shareholders of the Company have approved the issuance of all common share purchase warrants under the Offering. Accordingly, an aggregate of 13,017,682 common share purchase warrants which formed part of the Company's December 2017 bought deal private placement (12,825,000 warrants) and non-brokered private placement (192,682 warrants) were issued.

(expressed in Canadian dollars)

13. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – March 31, 2017	$0.10	9,840,000
Issuance of warrants	$1.14	1,674,584
Issuance of warrants	$1.20	526,400
Exercise of warrants	$0.06	(700,000)
Exercise of warrants	$0.10	(8,940,000)
Exercise of warrants	$1.14	(270,002)
Exercise of warrants	$1.20	(526,400)
Expiry of warrants, unexercised	$1.14	(1,404,582)
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

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
		13,217,682	$1.48

During the year ended December 31, 2018, the Company issued 13,017,682 share purchase warrants (Note 12). 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 has been 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.

During the nine months ended December 31, 2017, the Company issued an aggregate of 11,550,000 share purchase warrants and recorded a total fair value of $531,869. The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 0.60% to 0.61%, an expected life of 2.5 years, an expected volatility of 84% to 86% and no expected dividends.

(expressed in Canadian dollars)

14. 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 ("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:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – March 31, 2017	$0.50	4,050,000
Stock options granted	$1.07	3,248,482
Stock options exercised	$0.31	(1,175,000)
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

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 year-end 2018, 4,850,000 of these options had expired.

During the nine months ended December 31, 2017, the Company granted 3,248,482 incentive stock options to employees, consultants, and directors. The options may be exercised within 5 years from the date of grant at a price of ranging from $0.69 to $1.43 per share.

(expressed in Canadian dollars)

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 ranging from 0.69% to 0.77% per annum, an expected life of options of 2.5 years, an expected volatility ranging from 85% to 87%, and no expected dividends.

Incentive share options outstanding and exercisable December 31, 2018 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
$ 0.27	400,000	4.82	$ 0.27	-	0.27
$ 0.29	187,500	3.11	$ 0.29	187,500	0.29
$ 0.29	2,212,500	0.08	$ 0.29	2,212,500	0.29
$ 0.36	37,500	0.08	$ 0.36	37,500	0.36
$ 0.36	562,500	2.38	$ 0.36	562,500	0.36
$ 0.36	1,300,000	4.74	$ 0.36	-	0.36
$ 0.36	1,000,000	6.75	$ 0.36	250,000	0.36
$ 0.38	300,000	2.98	$ 0.38	300,000	0.38
$ 0.42	25,000	0.08	$ 0.42	25,000	0.42
$ 0.42	225,000	3.59	$ 0.42	225,000	0.42
$ 0.49	2,273,333	4.49	$ 0.49	-	0.49
$ 0.51	810,000	4.05	$ 0.51	450,000	0.51
$ 0.52	450,000	4.09	$ 0.52	810,000	0.52
$ 0.66	1,500,000	3.17	$ 0.66	1,500,000	0.66
$ 0.69	1,000,000	3.42	$ 0.69	500,000	0.69
$ 0.69	565,000	3.42	$ 0.69	282,500	0.69
$ 1.43	1,683,482	4.49	$ 1.43	841,741	1.43
	14,531,815	3.55	$ 0.57	8,184,241	$ 0.56

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

During the nine months ended December 31, 2017, the Company issued 898,964 DSUs to certain non-executive directors of the Company and 581,682 PSUs to the chairman and certain officers of the Company. DSUs vest immediately and may not be exercised until a director ceases to serve on the board. PSUs may vest in two tranches over a 12-month period contingent on achieving strategic corporate objectives. The manner in which the Granted Securities under the LTIP were granted did not comply with the ASX Listing Rules and therefore, at the request of the ASX the Granted Securities were cancelled on May 24, 2018. Under the rules of the TSX-V, this method of making long-term incentive grants to directors, officers, employees and consultants under an approved long-term incentive plan is customary. However, since the Company's admission to the ASX, it must also comply with Australian listing rules, which vary in a few significant respects. On June 26, 2018, the Company received approval from requisite shareholders and securities regulators and as such, these LTIPs were re-issued.

In addition, during the year ended December 31, 2018, the Company issued 255,000 RSUs, 120,833 PSUs, and 765,000 DSUs to certain officers and directors of the Company. DSUs vest immediately and may not be exercised until a director ceases to serve on the board. PSUs may vest in two tranches over a 12-month period contingent on achieving strategic corporate objectives. RSUs vested immediately.

(expressed in Canadian dollars)

During the year ended December 31, 2018, the Company has recorded $1,096,292 (2017 - $144,408) for DSUs, $736,062 (2017 - $143,455) for PSUs and $125,715 (2017 - $Nil) for RSUs as share-based payment expense for DSUs, PSUs and RSUs respectively.

15. Exploration and Evaluation Expenses

Exploration and evaluation expenditures incurred for the year ended December 31, 2018 and the nine months ended 2017 are as follows:

	December 31, 2018			December 31, 2017		
	Cobalt, Canada	**Iron Creek, USA**	**Total**	**Cobalt, Canada**	**Iron Creek, USA**	**Total**
Drilling	$ 2,836,685	$ 4,666,275	$ 7,502,960	$ 529,775	$ -	$ 529,775
Exploration support and administration	84,374	451	84,825	14,679	-	14,679
Field Operations and consumables	307,914	1,206,723	1,514,637	135,281	-	135,281
Geochemistry	1,527,880	450,129	1,978,009	346,468	-	346,468
Geological consulting	643,249	736,515	1,379,764	390,012	-	390,012
Geologist salaries	916,100	-	916,100	-	-	-
Property taxes	24,214	-	24,214	11,222	-	11,222
Sampling and geological costs	1,522,058	2,070,479	3,592,536	258,380	-	258,380
Total	$ 7,862,473	$ 9,130,573	$ 16,993,047	$ 1,685,816	$ -	$ 1,685,816

16. Income Tax

Income Tax Reconciliation

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the year ended December 31, 2018 and the nine-month period ended December 31, 2017:

	December 31, 2018	December 31, 2017
Loss before income taxes	$ (26,822,069)	$ (8,608,914)
Statutory tax rate	26.5%	26.0%
Expected (recovery) at statutory rate	(7,107,848)	(2,238,318)
Non-deductible items	1,070,259	289,454
Flow through share renunciation	1,568,392	319,800
Change in unrecognized Deferred tax assets	4,469,197	1,629,064
Income tax recovery	$ -	$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences at December 31, 2018 and December 31, 2017 are as follows:

(expressed in Canadian dollars)

	December 31, 2018	December 31, 2017
Non-capital loss carry-forwards	$ 15,639,964	$ 7,404,673
Exploration and evaluation properties	9,817,862	2,390,463
Total unrecognized temporary differences	$ 25,457,826	$ 9,795,136

The Company has non-capital loss carryforwards of approximately $15,639,964 (December 31, 2017 – $7,404,673) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year	Loss carry-forward amount
2032	$ 238,782
2033	70,662
2034	229,661
2035	1,810,244
2036	4,068,879
2037	1,956,055
2038	7,265,681
Total	$ 15,639,964

The Company also has non-capital loss carryforwards of approximately $325,195 to apply against future year income tax in Australia. These carryforwards do not expire.

17. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for years ended December 31, 2018 and December 31, 2017

	December 31, 2018	December 31, 2017
Numerator		
Net loss for the year / period	$ (26,822,069)	$ (8,608,914)
Denominator		
Basic – weighted average number of shares outstanding	289,547,714	72,025,462
Effect of dilutive securities	-	-
Diluted – adjusted weighted average number of shares outstanding	289,547,714	72,025,462
Loss Per Share – Basic and Diluted	$(0.09)	$(0.12)

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 years ended December 31, 2018 and the nine months ended December 31, 2017 as the warrants and stock options were anti-dilutive since the Company was in a loss position.

18. 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.

19. 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 year December 31, 2018.

20. Commitments and Contingencies

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

21. Supplemental Cash Flow Information

The Company did not make any cash payments and had no cash receipts for interest or income taxes during the year ended December 31, 2018 and the nine months ended 2017, other than minor interest on cash balances.

22. 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 9 and 15 for segmented information by geographic locations.

(expressed in Canadian dollars)

23. Related Party Transactions

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

(a) Key Management Personnel Compensation

During the year ended December 31, 2018 and the nine months ended December 31, 2017, the Company paid and/or accrued the following fees to management personnel and directors:

	December 31, 2018	December 31, 2017
Management	$ 1,002,789	$ 896,396
Directors	433,650	305,000
	$ 1,436,439	$ 1,201,396

During the year ended December 31, 2018 the Company also had share-based payments made to management and directors of $3,289,353 (nine months ended December 31, 2017 - $690,763).

(b) Due to Related Parties

As at December 31, 2018 and 2017, the Company had the follow amounts due to related parties:

	December 31, 2018	December 31, 2017
Accounts payable and accrued liabilities	$ 64,621	$ 219,764
	$ 64,621	$ 219,764

24. Subsequent Events

Subsequent to December 31, 2018:

(a) In January 2019, the Company paid $200,000 to Canadian Silver Hunter to meet all requirements to earn a 50% interest in Keeley-Frontier.

(b) In February 2019, the Company announced the appointment of former Idaho Governor Butch Otter to its Board of Directors. The addition of Gov. Otter will allow the Company to draw on his extensive knowledge of the Idaho state landscape to advance the Iron Creek Project.

(c) In March 2019, the Company announced a non-brokered private placement of 11,111,111 units (the "Units") for the gross proceeds of $2.0 million. Each Unit issued pursuant to the Offering will consist of one common share in the 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. Proceeds of the Offering will be used by the Company to support ongoing work at the First Cobalt Refinery as well as general corporate purposes. The Offering is expected to close by the end of March 2019.