FIRST COBALT CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

GENERAL

This Management's Discussion and Analysis of First Cobalt Corp. ("First Cobalt" or the "Company") ("MD&A") was prepared on March 27, 2019 and provides analysis of the Company's financial results for the year ended December 31, 2018 and the nine months ended December 31, 2017. The following information should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2018 and nine months ended December 31, 2017 with accompanying notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures are expressed in Canadian dollars unless otherwise stated. Financial Statements are available at www.sedar.com and the Company's website www.firstcobalt.com.

COMPANY OVERVIEW

First Cobalt Corp. was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia and on September 4, 2017, the Company filed a Certificate of Continuance into Canada and adopted Articles of Continuance as a Federal Company under the Canada Business Corporations Act (the "CBCA"). The Company is in the business of acquisition and exploration of resource properties. The Company is focused on building a diversified portfolio of assets that are highly leveraged to the cobalt market with assets located primarily in North America with the intent of providing a North American supply of cobalt.

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

2018 HIGHLIGHTS AND RECENT EVENTS

Acquisition of US Cobalt and Advancement of the Iron Creek Property

On June 4, 2018 the Company announced completed the acquisition of US Cobalt Inc. ("US Cobalt") by way of plan of arrangement. US Cobalt shareholders received 1.5 common shares of First Cobalt for each US Cobalt share held and US Cobalt became a wholly-owned subsidiary of the Company. Under the terms of the agreement, US Cobalt received 115,318,357 common shares of the Company at a deemed price of $0.69 per share, based on the trading price of the shares on June 4, 2018, totalling $79,569,666. Through the acquisition of US Cobalt, the Company acquired the Iron Creek property, located in Idaho, USA. The Iron Creek cobalt-copper deposit was previously drilled by Noranda in the 1980s, has several historic resource estimates and 600 metres of adits into the high-grade cobalt and copper zones. The deposit sits on patented mining claims surrounded by unpatented mining claims covering an area of 1,698 acres of the Idaho Cobalt Belt.

On September 4, 2018, the Company announced the 100% ownership and elimination of the outstanding royalty on the Iron Creek property, previously under lease to First Cobalt. Under the terms of the lease, the Company was required to make monthly lease payments and the leaseholder retained a 4% royalty over future production, both of which could be eliminated through a one-time payment. The Company and the leaseholder agreed to a one-time payment totalling US $1,067,000, a 47% discount to the amount contained in a 2016 mining lease agreement. Full ownership of the Iron Creek property and elimination of any future royalty payments streamlines future permitting and development activities and accelerates the mine planning process.

On October 19, 2018, the Company filed a technical report supporting the maiden resource estimate for its 100% owned Iron Creek Project in Idaho, USA. Highlights from the report include:

- Inferred mineral resources of 29.6 million tons (26.9 million tonnes) grading 0.11% cobalt equivalent (0.08% cobalt and 0.30% copper) under a base case scenario pit constrained and deeper mineral resource. An alternative underground-only scenario results in 4.9 million tons (4.4 million tonnes) grading 0.30% cobalt equivalent (0.23% cobalt and 0.69% copper);
- Resource contains 45 million pounds (20,411 tonnes) of cobalt and 175 million pounds (79,379 tonnes) of copper for 62.9 million pounds (28,528 tonnes) of cobalt equivalent;
- Mineralized zones are considered to be open along strike and at depth, with true widths between 10m and 30m; and
- Preliminary metallurgical testing concludes that simple flotation methods are applicable, yielding recoveries of 96% for cobalt and 95% for copper in rougher flotation

The technical report, entitled "Technical Report and Estimate of Mineral Resources for the Iron Creek Cobalt Project, Lemhi County, Idaho, USA" dated October 15, 2018 and effective September 18, 2018, was prepared in accordance with National Instrument 43-101 – "Standards of Disclosure for Mineral Projects" by Steven J. Ristorcelli, C.P.G., P.G., of Mine Development Associates and Joseph Schlitt, MMSA QP, of McClelland Laboratories Inc., each independent "qualified persons" for the purposes of NI 43-101. A copy of the Technical Report is available on the Corporation's website and under the Corporation's profile on SEDAR (www.sedar.com).

Refinery Restart Studies And Feedstock Testing

On October 10, 2018, First Cobalt announced the results of three independent studies supporting a restart of the First Cobalt Refinery in Ontario, Canada. The studies were undertaken to estimate capital requirements, operating costs, permit renewal timelines, potential feedstock options and offtake opportunities. Under a 24 tonne per day (tpd) base case scenario using the existing flow sheet and feed sources that are consistent with historic feed, the refinery could potentially produce up to 1,063 tonnes of cobalt per year. The study also considers a 12 tpd scenario and an expansion scenario of up to 50 tpd. At 24 tpd and using the current flowsheet, the capital cost of the restart was estimated at US$25.7 million and operating cost is estimated at US$6.7 million per annum.

The permitting review concluded that a restart is possible 18-24 months from selecting a feedstock under the base case scenario. Potential feed material could include cobalt concentrate from mining operations, ethically-sourced cobalt hydroxide material from the DRC and recycled battery materials from North America. With modest flowsheet modifications, the refinery could produce a cobalt sulphate for the lithium-ion battery market or cobalt metal for the aerospace industry.

Management has initiated discussions with potential sources of feed and testing by SGS commenced in 2018 to test suitability of different cobalt feed material using the First Cobalt Refinery's current flowsheet. Cobalt hydroxide material is being assessed as a source of feed for the refinery to produce cobalt sulphate or metallic cobalt products for sale into the North American market.

Strengthening Of The First Cobalt Board

On September 27, 2018, the Company announced the appointment of Henrik Fisker, Chairman & CEO of California-based electric vehicle OEM Fisker Inc., to the Company's Board of Directors. Mr. Fisker is the vision behind some of the world's most iconic cars, including the BMW Z8, the Aston Martin DB9/V8 Vantage, VLF Force 1 and the Fisker Karma. He is currently working towards developing the next generation of electric vehicle expertise. The addition of Mr. Fisker to the Company's Board of Directors will allow First Cobalt to draw from his many talents as an EV pioneer, entrepreneur and successful OEM car designer.

On February 21, 2019, the Company announced the appointment of three-term former Idaho Governor C.L. "Butch" Otter to its Board of Directors. Gov. Otter has had a long and prominent political career including both federal and state positions, as well as a more than 30-year career as a business leader. The addition of Gov. Otter to the Company's Board of Directors will allow First Cobalt to draw on his extensive business and political experience as well as his knowledge of the Idaho state landscape to advance the Iron Creek project.

Outlook And Overview Of Current Programs

The Company's vision is to become the largest primary cobalt producer outside the Democratic Republic of Congo (DRC). In support of this vision, in 2017 First Cobalt completed a three-way merger with Cobalt One and CobalTech to consolidate the Canadian Cobalt Camp and take ownership of the First Cobalt Refinery. More recently, First Cobalt acquired US Cobalt to secure a prospective patented land position in Idaho, USA, which is known to host primary cobalt deposits. These transactions strategically position First Cobalt as a leading non-DRC cobalt company with North American projects and a refinery located in close proximity to infrastructure as well as electric vehicle and technology hubs such as Michigan and California.

In 2018, First Cobalt commenced work programs to advance each of its three significant North American assets:

1. The First Cobalt Refinery

Most of the cobalt consumed today is mined in the Democratic Republic of Congo and then shipped to China for refining. There are no primary cobalt refining facilities operating in North America today, which gives the First Cobalt Refinery a strategic importance in the electric vehicle supply chain. As a 20-year-old permitted facility with an operating history, Management believes that the refinery could play an important role in North America as a source of refined cobalt for the manufacture of lithium ion batteries or as a source of metallic cobalt for superalloys or military applications.

The First Cobalt Refinery is a hydrometallurgical cobalt refinery located approximately five hours north by road from Toronto, Ontario. The facility was commissioned in 1996 and in its current configuration, has a throughput design of 24 tonnes per day. The facility is located on a 40-acre property that can be expanded to 120 acres with two settling ponds and an autoclave pond. The building footprint also includes an empty feed warehouse that once housed a mill, which could be used under an expansion scenario.

In October 2018, the Company announced the results of three independent studies undertaken to review the capital requirements, operating costs, permit renewal timelines, potential feedstock options and offtake opportunities for the First Cobalt Refinery. The permitting review concluded that a restart is possible within 18-24 months of selecting feedstock, under a base case scenario of 24 tonnes per day. The refinery has the ability to produce a cobalt sulphate for the lithium-ion battery market or cobalt metal for the American aerospace, military and other industries. The desktop study to estimate the capital and operating costs to operate the refinery in its current configuration at various throughput rates is available on the Company's website, www.firstcobalt.com, and on SEDAR, www.sedar.com.

In late 2018, SGS Canada was engaged to test cobalt hydroxide material with the existing flowsheet of the First Cobalt refinery to determine whether this higher-grade feed material could be suitable feedstock. Results from preliminary tests announced in January of 2019 showed 98% of cobalt was successfully leached from cobalt hydroxide material with solvent extraction processes used to further remove deleterious elements as well as the potential to increase the throughput of the refinery through exclusion of the autoclave circuit.

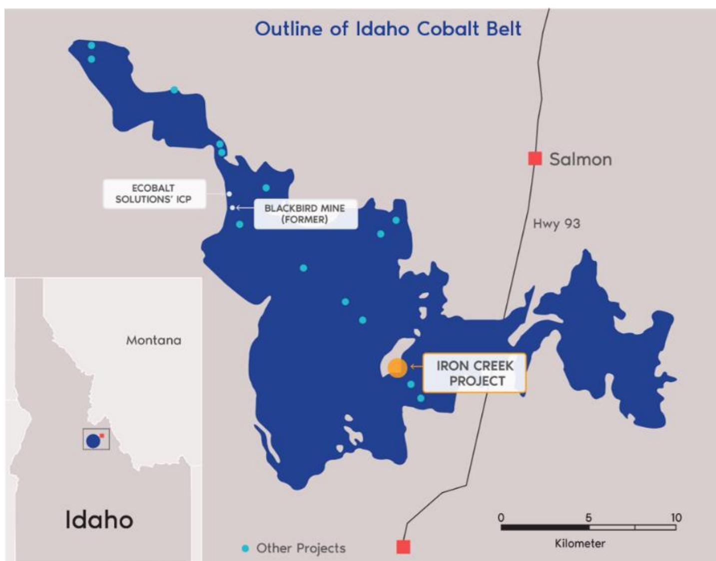
First Cobalt has signed several non-disclosure agreements with cobalt miners, automotive companies and private equity firms. During 2019, Management intends to advance discussions with these counterparties with the intention of securing a supply of mining feedstock and capital to support a decision to restart the refinery. The Company's intention is to give preference to non-equity sources of financing for the refinery restart. Once operating, it is envisioned that cash flow generated from the refinery would be used to fund future exploration activities at Iron Creek.

2. The Iron Creek Project in Idaho

Following the acquisition of US Cobalt in June of 2018, the Company commenced an extensive 14,000-metre drill program at Iron Creek. The objective was to define a maiden inferred resource estimate and then to continue drilling to expand the resource along strike of the known mineralization and at depth.

As noted above, in October 2018 the Company filed a technical report supporting the maiden resource estimate for the Iron Creek Project in Idaho. The technical report includes a resource that contains 45 million pounds of cobalt and 175 million pounds of copper for 62.9 million pounds of cobalt equivalent. The inferred mineral resource of contains 29.6 million tons (26.9 million tonnes) grading 0.11% cobalt equivalent (0.08% cobalt and 0.30% copper) under a base case scenario pit constrained and deeper mineral resource. An alternative underground-only scenario results in 4.9 million tons (4.4 million tonnes) grading 0.30% cobalt equivalent (0.23% cobalt and 0.69% copper).

Figure 1: Iron Creek Project, Idaho, USA



A total of 17,907 metres was drilled in 65 holes during the 2018 year. Since acquisition, 14,202 metres were drilled in 48 holes. The total cost of the program, inclusive of drilling, site work, personnel and assaying was $9.1 million since the date of the acquisition, part of which included work already committed by US Cobalt prior to takeover. The Company also assumed significant payables of $2.7 million from US Cobalt upon acquisition that were ultimately settled using First Cobalt cash.

Of this total drilling, 13,434 metres were drilled after the 2018 resource estimation which has extended mineralization along strike nearly 900 metres compared with 500 metres in the current resource estimate. Drilling has also shown mineralization extends to depth over 300m below surface, compared to the 150m depth in the current resource. The planned 2018 work program has been completed and the drills demobilized in December 2018. The mineralization remains open to the east, west and downdip and the Company will look to further expand the resource with future drilling.

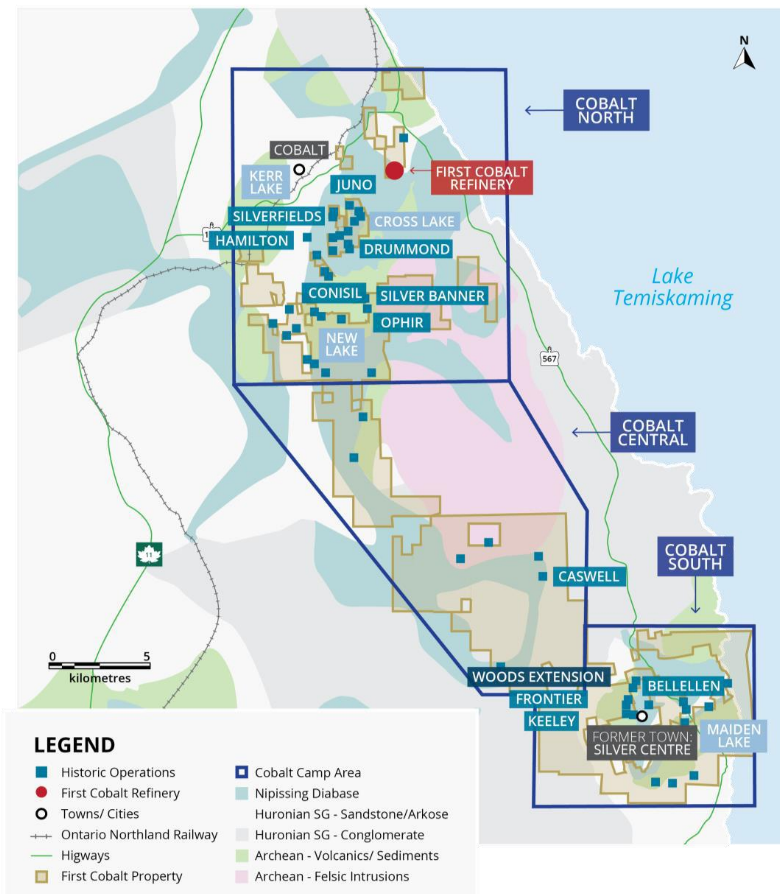
Summer forest fires resulted in a one-month delay in the Phase 2, 77-hole drill program. All infill holes were completed but less than half of the step-out holes were drilled before the program was halted for the winter break. Geology and analytical work will continue into the next quarter to review results. Management believes that there is an opportunity to upgrade a significant portion of inferred resources to indicated resource category.

The next steps for the Iron Creek project include a resource update, additional drilling, environmental studies and permitting, as well as advanced metallurgical studies. For the time being, the Company will prioritize work on the First Cobalt Refinery and work programs for Iron Creek will be assessed throughout 2019 with a view to market conditions.

3. The Cobalt Camp

First Cobalt controls almost half of the historic Canadian Cobalt Camp, with more than 50 past producing mines over 100km². The focus for exploration is to identify near-surface cobalt-silver mineralization amenable to open pit mining.

Figure 2. Regional bedrock geology of the Cobalt Camp showing target areas for exploration work in 2018.



During 2018, 30,280 metres were drilled in the Cobalt Camp across 192 drill holes. The planned 2018 work program has been completed and the drills demobilized in December 2018.

Early in 2018, drilling identified two mineralized zones in the Kerr Lake area within Cobalt North. Cobalt and silver mineralization have been traced over a 500m strike length corresponding with the historic Crown Reserve, Lawson, Drummond and Kerr Lake Mines. Approximately 400m to the south, a second mineralized area was identified that runs parallel and extends for over 350m. Further drilling near Drummond intersected cobalt-silver mineralization across an area of 200 x 300m separate from these zones. Within these three zones, mineralization occurs as several intersecting cobalt-silver veins controlled by regional structures. Continuity of mineralization has yet to be determined, but intersection widths and grades show the potential for open pit resources remains.

Outside of Kerr Lake, several other historic mine areas were drilled. Individual cobalt-silver veins were intersected at Silverfields, Silver Banner, and Hargrave in Cobalt North as well as at Keeley, Frontier and Bellellen in Cobalt South but the distribution of veins is sparse suggesting a broad mineralizing system is not present in these areas.

A new conceptual model for mineralization based on the Kerr Lake area led to identifying other prospective areas in the Cobalt Camp. Bedrock mapping and ground Induced Polarity-Resistivity geophysical surveys in the New Lake area generated new targets. Eleven holes were drilled intersecting anomalous cobalt-silver-copper mineralization that may reflect further potential at depth.

Certain areas within Cobalt Central are geologically similar to the Kerr Lake area but have been under-explored due to poor bedrock exposure and the extent of Nipissing Diabase cover over the prospective sedimentary and volcanic rocks. Minor reconnaissance drilling based on surface mineralization showings as well as geophysical and geochemical surveys were conducted in the Schumann Lake and Chukuni areas. Positive results in the western portion of the Schumann Lake area are encouraging for future follow-up work.

Support for the Laurentian University Metal Earth Project funded regional geophysical surveys and a bedrock mapping program to improve the 3D geological models; resulting in many new areas within the Cobalt Camp that require re-evaluation for cobalt-silver potential.

The Company's data compilation, field work, drilling and structural modeling has made a significant contribution to advancing the industry's understanding of this historic mining camp. The application of First Cobalt's structural model to the central area of the Cobalt Camp has generated a number of new, untested targets. The Company has decided to focus on the First Cobalt Refinery for near term cash flow and the Iron Creek Project, which is a more advanced cobalt property. As a result, the Company is in discussions with potential joint venture partners to fund future activity.

Cost Reductions

Market conditions for cobalt were difficult in the second half of 2018, with a significant decrease in the spot cobalt price and uncertainty in the capital markets. The Company strongly believes in the long-term market outlook for cobalt, but in response to the current market conditions, the Company took steps in October 2018 to reduce overhead costs and its ongoing expenditure burn rate. In the fourth quarter of 2018, Cobalt Camp personnel was reduced by over 75% to significantly reduce the fixed costs of the Company. Discretionary spending on travel, investor relations and other corporate programs was reduced and the Company decided not to pay annual performance bonuses to any employees. Subsequent to year-end, the remaining Cobalt Camp staff were eliminated and personnel reductions at Iron Creek were implemented.

Costs associated with completing the US Cobalt acquisition, including legal costs, the buyout of the royalty, the accounts payable assumed (net of cash) and the market purchase of US Cobalt shares prior to the transaction exceeded $5 million in aggregate. Combined with the significant drill programs at both Iron Creek and Cobalt Camp, 2018 was a high expenditure year for the Company. For 2019, no significant drill programs are planned. The essential activities currently planned are to commence engineering studies, progress metallurgical testing on refinery feedstock and pursue an appropriate long-term feed agreement. The First Cobalt Refinery is the priority as it is the Company's quickest path to cash flow. Refinery studies are less costly than the ambitious drilling programs undertaken in 2018 and can yield significant benefits for shareholders. With lower Corporate overhead and less expensive asset-level programs, the Company's burn rate in 2019 will be significantly below the previous year.

MINERAL PROPERTIES

The Company is focused on building a North American cobalt supply chain. The Company's Iron Creek Project in Idaho is the flagship asset and a maiden resource estimate was published in 2018. Iron Creek includes patented and unpatented claims totalling 1,698 acres as well as 600 metres of underground drifting from three adits, The Company also controls over 10,000 hectares of prospective land and 50 historic mining operations in the Cobalt Camp in Ontario, Canada as well as a mill and what is believed to be the only permitted primary cobalt refinery in North America able to produce battery materials.

	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
Cobalt Ontario	56,018,275	-	-	188,000	(421,536)	55,784,739
Cobalt Central, Ontario						-
Cobalt Central proper	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 (Iron Creek)

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

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

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

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

The exploration and evaluation asset acquired from US Cobalt has been allocated to Iron Creek property.

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

(b) ***Keeley-Frontier Option Agreement***

Under an Option Agreement, the Company 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.

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.

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

EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenditures incurred by the Company for the years ended December 31, 2018 and December 31, 2017 are outlined below:

	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

Exploration and evaluation expenditures were significantly above the comparative period due to the acquisition of US Cobalt during 2018 and the significant drill programs conducted at the Iron Creek and Cobalt Camp properties in 2018. The Iron Creek exploration program focused extensively on drilling and assaying to expand the property's mineral resources. Field operations costs related to costs associated with maintain the adits and the property and providing services to the drilling operations.

The expansive Canadian land package was acquired in late 2017 as a result of the Company's three-way merger with Cobalt One Limited and CobalTech Mining Inc. and thus the 2018 year was focused on initial exploration activities to assess the property which includes 50 past producing mines spanning over 100 square kilometres. Drilling, sampling, assaying and geochemistry work comprised the main costs for the program. Approximately $7.6 million of the spending at Cobalt Camp was on flow-through eligible expenses, while some other minor items were not flow through eligible. The Company was required to spend $7.4 million in relation to flow-through obligations during the 2018 year and this requirement was met.

SELECTED ANNUAL INFORMATION

	Year ended December 31, 2018 ($)	Nine months ended December 31, 2017 ($)
Financial Position		
Current Assets	5,228,886	31,244,103
Current Liabilities	3,883,203	3,480,981
Exploration and evaluation Assets	193,898,645	105,858,028
Total Assets	204,600,629	141,807,907
Operations		
Exploration and evaluation expenditures	(16,993,047)	(1,685,816)
Salary, benefits and consulting fees	(2,562,287)	(2,648,002)
Professional fees	(977,652)	(1,122,522)
Investor relations, marketing, and travel	(1,829,923)	(1,565,243)
Refinery and associated Studies	(233,671)	-
Environmental and reclamation expenses	(126,162)	-
General and administrative	(1,093,977)	(480,565)
Share-based payments	(4,047,811)	(756,579)
Total Operating Expenses	(27,864,530)	(8,258,727)
Net Loss	(26,822,069)	(8,608,914)
Loss per Share	(0.09)	(0.12)

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2018

The Company changed its fiscal year end in 2017 from March 31 to December 31 for calendar year budgeting and planning purposes and to better align with industry peers. Accordingly, the comparative fiscal period reflects only the nine months from April 1, 2017 to December 31, 2017.

- The following are highlights from the Company's results of operations for the year ended December 31, 2018 and the nine months ended December 31, 2017: Salary, benefits and consulting fees were $2,562,287 for the year-ended December 31, 2018 compared to $2,648,002 during the nine months ended December 31, 2017. Despite an increase in headcount in 2018, the spending was in line with the nine-month comparative period due to change of control fees paid and employment payments as a result of the merger and acquisition activity in the 2017 year.
- Professional fees were $977,652 for the year ended December 31, 2018, compared to $1,122,522 for the nine months ended December 31, 2017. While directly-attributable acquisition costs are capitalized, other legal fees were higher in 2017 due to corporate activities.
- Investor relations, marketing, and travel expenses were $1,829,923 for the year ended December 31, 2018 compared to $1,565,243 for the nine months ended December 31, 2017. These costs were similar on an annualized basis as the Company conducted various communication campaigns, marketing programs and conference activities in both 2018 and 2017.
- Refinery and associated studies expense was $233,671 for the year ended December 31, 2018 versus nil for the nine months ended December 31, 2017. After acquisition of the refinery, the property was cleaned up and studies were conducted to assess its restart potential, including the Primero Desktop Study to assess capital and operating costs under various scenarios and other associated work.

- Environmental and reclamation expenses were $126,162 for year ended December 31, 2018 versus nil for the nine months ended December 31, 2017. The Company is committed to progressively rehabilitate the areas in which it operates, and activities in 2018 included treatment for the refinery tailings pond, fence maintenance around former shafts in the Cobalt Camp and the rehabilitation of some headframes and old buildings on the Company's properties.
- General and administrative expenses were $1,093,977 for the year ended December 31, 2018 compared to $480,565 for the nine months ended December 31, 2017. The increase in general and administrative expenditures was due to the overall increase of activity and expansion of the Company in late 2017 and into the US in 2018. This resulted in an increase in public company costs such as filing fees, transfer agent fees audit fees as well as increased office costs.
- Share-based payment expenses were $4,047,811 for the year-ended December 31, 2018 compared to $756,579 for the nine months ended December 31, 2017. This was mainly due to an increased number of options and deferred share units issued in 2018.

SUMMARY OF QUARTERLY RESULTS

Key financial information for the three months ended December 31, 2018 as well as the quarters spanning the most recently preceding fiscal years is summarized as follows, reported in Canadian dollars except for per share amounts.

	December 31, 2018 ($)	**September 30, 2018 ($)**	**June 30, 2018 ($)**	**March 31, 2018 ($)**
Financial Position				
Current Assets	5,228,886	13,611,745	21,800,761	28,654,568
Current Liabilities	3,883,203	3,514,090	3,535,066	2,790,431
Exploration and Evaluation Assets	193,898,645	201,551,155	200,072,379	105,865,528
Total Assets	204,600,629	219,684,773	226,612,485	139,236,491
Operations				
Exploration and evaluation expenditures	(7,304,472)	(5,618,381)	(2,620,591)	(1,449,603)
Salary, benefits and consulting fees	(781,513)	(485,965)	(1,071,689)	(223,120)
Professional fees	648,171	(489,148)	(971,215)	(165,460)
Investor relations, marketing, and travel	(333,338)	(470,615)	(403,844)	(622,126)
Refinery and Associated Studies	(55,217)	(45,939)	(125,140)	(7,375)
Environmental Expenses	(66,359)	(39,588)	(17,850)	(2,365)
General and administrative	(335,194)	(201,416)	(323,041)	(234,326)
Share-based payments	(1,068,089)	(1,570,336)	(220,114)	(1,189,272)
Total Operating Expenses	(9,296,011)	(8,921,388)	(5,753,484)	(3,893,647)
Net Loss	(9,559,510)	(8,289,731)	(5,717,868)	(3,254,960)
Loss per Share	(0.03)	(0.02)	(0.02)	(0.01)

	December 31, 2017 ($)	September 30, 2017 ($)	June 30, 2017 ($)	March 31, 2017 ($)
Financial Position				
Current Assets	31,244,103	3,291,061	4,918,144	6,100,556
Current Liabilities	3,480,981	714,945	420,617	399,697
Exploration and Evaluation Assets	105,858,028	6,241,558	6,291,558	2,185,058
Total Assets	141,807,907	9,532,620	11,209,702	8,285,614
Operations				
Exploration and evaluation expenditures	(1,009,255)	(621,687)	(54,874)	(12,700)
Salary, benefits and consulting fees	(1,732,339)	(536,609)	(379,055)	(176,185)
Professional fees	(680,811)	(247,737)	(193,974)	(73,710)
Investor relations, marketing, and travel	(288,161)	(440,612)	(836,470)	(252,074)
Refinery and Associated Studies	-	-	-	-
Environmental Expenses	-	-	-	-
General and administrative	(308,932)	(77,585)	(94,047)	(62,935)
Share-based payments	(524,971)	(168,038)	(63,570)	(921,502)
Total Operating Expenses	(4,544,469)	(2,092,268)	(1,621,990)	(1,499,106)
Net Loss	(4,847,592)	(2,094,449)	(1,666,873)	(1,508,720)
Loss per Share	(0.05)	(0.04)	(0.03)	(0.10)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

The following are highlights from the Company's results of operations for the three months ended December 31, 2018 and 2017:

- Exploration and evaluation expenditures were $7,304,472 for the three months ended December 31, 2018, compared to $1,009,255 for the three months ended December 31, 2017. The increase is due to the acquisition of US Cobalt in 2018 and the associated drill program at Iron Creek, and the significant exploration program at Cobalt Camp in 2018. Given the US Cobalt acquisition was completed in June 2018, exploration spending is increased in the second half of 2018 compared to the first half of the year.
- Salaries, benefits, and consulting fees were $781,513 for the three months ended December 31, 2018, compared to $1,732,339 for the three months ended December 31, 2017. The elevated salaries and consulting amounts for the three months ended December 31, 2017 were due to change of control and employment payments required in relation to the three-way merger.
- Professional fees were a credit of $648,171 for the three months ended December 31, 2018, compared to $680,811 incurred during the three months ended December 31, 2017. The US Cobalt acquisition legal fees had previously been expensed in 2018; however, in the fourth quarter $659,721 of legal fees were capitalized as acquisition costs as they directly related to the US Cobalt acquisition activities. This adjustment drove the professional fees to be a credit in the fourth quarter of 2018. For the three months ended December 31, 2017, there were significant legal costs incurred by the Company that were not capitalized. Throughout the previous two years, legal and professional fees were closely linked to Corporate merger and acquisition activity.
- General and administrative expenses for the three-months ended December 31, 2018 were similar to the three months ended December 31, 2017. The final three months of 2017 saw an increase in public company costs relating to the merger with Cobalt One and CobalTech, driving higher filing fees and transfer agents costs. The increased public company costs continued throughout 2018.

- Share-based payment expenses were $1,068,089 for the three months ended December 31, 2018 compared to $524,971 for the three months ended December 31, 2017. This was mainly due to an increased number of options and deferred share units issued in 2018.

CAPITAL STRUCTURE

As of the date of this MD&A, the Company has 339,643,094 common shares issued and outstanding. In addition, there are outstanding share purchase warrants and stock options for a further 13,217,682 and 13,256,815 common shares, respectively.

The following warrants were outstanding at the date of this report:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
May 31, 2016	May 31, 2021	200,000	$0.06
March 9, 2018	March 9, 2020	13,017,682	$1.50
		13,217,682	$1.48

The following incentive stock options were outstanding at the date of this report:

Grant Date	Expiry Date	Number of shares issuable on exercise	Weighted Average Exercise Price
December 22, 2016	December 22, 2021	300,000	$0.38
March 2, 2017	March 2, 2022	1,500,000	$0.66
June 1, 2017	June 1, 2022	1,565,000	$0.69
June 4, 2018	February 9, 2022	187,500	$0.294
June 4, 2018	May 17, 2021	562,500	$0.358
June 4, 2018	August 2, 2022	225,000	$0.418
June 4, 2018	January 17, 2023	810,000	$0.511
June 4, 2018	January 31, 2023	450,000	$0.518
June 26, 2018	June 26, 2023	1,683,482	$1.43
June 26, 2018	June 26, 2023	2,273,333	$0.49
September 27, 2018	September 27, 2023	1,300,000	$0.36
September 27, 2018	September 27, 2025	1,000,000	$0.36
October 24, 2018	October 24, 2023	400,000	$0.27
February 21, 2019	February 21, 2024	1,000,000	$0.18
		13,256,815	$0.59

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.

CAPITAL RESOURCES

The Company defines capital as consisting of shareholder's equity and cash. The Company manages its capital structure to maximize its financial flexibility, making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this, given the relative size of the Company, is appropriate.

As at December 31, 2018 the Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the year ended December 31, 2018.

LIQUIDITY

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements. The Company has historically financed its operations primarily through the sale of share capital by way of private placements.

At December 31, 2018, the Company had cash of $3,262,121 (December 31, 2017 - $29,817,031) and working capital of $1,345,683 (December 31, 2017 – $27,763,122).

On March 4, 2019, the Company announced a private placement for $2.0 million to improve its liquidity position, which it expects to close by the end of March 2019. The Company will require additional funding to continue its operations and advance its assets 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.

To maintain liquidity, the Company issued common shares for cash proceeds during the year ended December 31, 2018 as follows:

- 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.
- 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.
- The Company issued 250,000 common shares on exercise of stock options for total proceeds of $62,500.

During the 2018 year, the Company used significant cash resources to complete the US Cobalt acquisition and assume its payables. The accounts payable net of cash acquired was approximately $1.3 million with additional costs for legal and professional fees of approximately $1.0 million, the royalty buy-out of approximately $1.4 million and the purchase of US Cobalt shares in the open market prior to acquisition costing approximately $1.3 million, pushing the one-time costs to complete the transaction and gain 100% ownership over the site to an aggregate cost of over $5 million. There were invoices for work committed by US Cobalt that were also ultimately received and paid by the Company subsequent to the acquisition date. The completion of the US Cobalt acquisition was a significant use of cash for the Company during the 2018 year.

(expressed in Canadian Dollars)	**Year ended December 31, 2018**	**Nine months ended December 31, 2017**
Cash Flows used in operating activities	$ (24,944,616)	$ (7,622,285)
Cash Flows (used in) provided by investing activities	(2,371,118)	382,167
Cash Flows provided by in financing activities	518,928	31,723,476
Effect of exchange rates on cash	241,896	(6,463)
Changes in Cash During the Year	$ (26,554,910)	$ 24,476,895
Cash – Beginning of the year	29,817,031	5,340,136
Cash – End of the year	$ 3,262,121	$ 29,817,031

Cash used in operating activities was $24,944,616 during the year ended December 31, 2018, compared to $7,622,285 from operating activities during the nine months ended December 31, 2017. The increase in cash used in operating activities was driven primarily by the significant 2018 drill programs completed at both Iron Creek and in the Cobalt Camp and includes $2.7 million of accounts payables assumed on the acquisition of US Cobalt.

Cash used in investing activities was $2,371,118 during the year ended December 31, 2018, compared to $382,167 provided by investing activities during the nine months ended December 31, 2017. The 2018 outflow was primarily driven by the buy-out of the Iron Creek royalty and the purchase of US Cobalt shares in the open market prior to the transaction. This was partially offset by the acquisition of $1,171,451 of cash on hand at US Cobalt upon closing of the transaction.

Cash flows from financing activities were $518,928 during the year ended December 31, 2018, compared to the $31,723,476 from financing activities during the nine months ended December 31, 2017. The 2018 inflows related to proceeds of share and stock option issuances.

The development of the Company in the future will depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the issuance of equity securities to meet its cash requirements. Funding for potential future development obligations, in excess of funds on hand, will depend on the Company's ability to obtain financing through joint venturing of projects, debt and equity financing or other means. There can be no assurances that the Company will be successful in obtaining any such financing or in joint venturing its property; failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Company's properties.

COMMITMENTS

The ongoing expenditure required to maintain the Company's key assets is minimal and summarized below:

- At Iron Creek, annual requirements are limited to tax payments and are less than $50,000 per year.

- For the Cobalt Camp, there is no exploration spending requirement in 2019 given the large expenditure in the 2018 year. Taxes on the various properties on an annual basis are less than $50,000 per year and this is the only cash requirement in 2019 and the following few years.

  There are minimum spend requirements to maintain the rights to various mineral claims in Ontario; however, spending above these levels in any given year can be "banked" and used in future years and it can be spread across various commonly-controlled properties. First Cobalt has determined the annual cost to be between $300,000 and $400,000 across all properties in the Cobalt Camp. Given spending of $7.6 million in 2018, the Company has banked significant credits and no exploration activity is required in 2019 to maintain its claims.

- For the First Cobalt Refinery, on an annual basis there are activities required for the tailings pond – including two discharges, an inspection of the tailings dam and an annual report. The total cost for these activities is approximately $50,000 on an annual basis.

Given the 2018 work programs at both Iron Creek and Cobalt Camp have been completed, there are no significant contractual future commitments to vendors as at December 31, 2018.

Eligible exploration expenditures in 2018 in the Cobalt Camp were $7.6 million, which met the required spending during the 2018 year arising from the Company's flow-through obligations ($7.4 million).

The Company has recorded a provision for environmental remediation, reclamation and decommissioning for its Ontario assets. For the refinery, a liability of $800,000 has been recorded, linked to a currently filed closure plan. In relation to the refinery closure plan, an amount of $702,560 is on deposit with the Ministry of Energy, Northern Development, and Mines as financial assurance. For the Cobalt Camp properties, the Company is responsible for rehabilitating disturbances and features on its patented land, and not on mineral claims. The majority of the properties controlled by the Company in the Cobalt Camp are mineral claims. A liability of $1,540,000 has been recorded for the associated rehabilitation work, reflected the Company's best estimate. The known features that comprise this estimate will be progressively rehabilitated to reduce the liability over time.

RELATED PARTY TRANSACTIONS

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

Key Management Personnel Compensation

During the year ended December 31, 2018 and the nine months ended 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). As at December 31, 2018, the Company had $64,621 payable to management (December 31, 2017 - $219,764)

OFF BALANCE SHEET ARRANGEMENTS

The Company currently has no off balance sheet arrangements.

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. There is no commission paid to any party as part of the arrangement. 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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels.

The hierarchy is as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from inputs that are unobservable inputs for the asset or liability.

The fair value of cash approximates the carrying value due to the short-term maturity. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

As at December 31, 2018 and 2017, the Company did not any have level 2 and 3 financial assets or liabilities.

Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash. The Company is expected to able to satisfy obligations in the near term with its cash balances and proceeds from future equity financings.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency, Canadian Dollars. The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, prepayments, and accrued liabilities that are denominated in US Dollars. The Company has not used derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

BUSINESS RISKS AND UNCERTAINTIES

There are many risk factors facing companies involved in the mineral exploration industry. Risk Management is an ongoing exercise upon which the Company spends a substantial amount of time. While it is not possible to eliminate all the risks inherent to the industry, the Company strives to manage these risks, to the greatest extent possible. The following risks are most applicable to the Company.

Financing

Historically, the Company has raised funds through equity financing to fund its operations. The market price of natural resources, specifically cobalt prices, is highly speculative and volatile. Instability in prices may affect the interest in resource properties and the development of and production from such properties. This may adversely affect the Company's ability to raise capital to fund corporate activities as well as acquire and explore resource properties.

Industry and Mineral Exploration Risk

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that the Company's exploration efforts will be successful. At present, the Company's projects do not contain any proven or probable reserves. Success in establishing reserves is a result of a number of factors, including the quality of the project itself. Substantial expenditures are required to establish reserves or resources through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Because of these uncertainties, no assurance can be given that planned exploration programs will result in the establishment of mineral resources or reserves. The Company may be subject to risks, which could not reasonably be predicted in advance. Events such as labour disputes, natural disasters or estimation errors are prime examples of industry related risks. The Company attempts to balance this risk through ongoing risk assessments conducted by its technical team.

Commodity Prices

The Company is in the business of mineral exploration and as such, its prospects are largely dependent on movements in the price of various minerals. Prices fluctuate on a daily basis and are affected by a number of factors well beyond the control of the Company. The mineral exploration industry in general is a competitive market and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist. Due to the current grassroots nature of its operations, the Company has not entered into any price hedging programs.

Environmental

Exploration projects or operations are subject to the environmental laws and applicable regulations of the jurisdiction in which the Company operates. Environmental standards continue to evolve and the trend is to a longer, more complete and rigid process. The Company reviews environmental matters on an ongoing basis. If and when appropriate, the Company will make appropriate provisions in its financial statements for any potential environmental liability.

Title of Assets

Although the Company conducts title reviews in accordance with industry practice prior to any purchase of resource assets, such reviews do not guarantee that an unforeseen defect in the chain on title will not arise and defeat our title to the purchased assets. If such a defect were to occur, our entitlement to the production from such purchased assets could be jeopardized.

Competition

The Company engages in the highly competitive resource exploration industry. The Company competes directly and indirectly with major and independent resource companies in its exploration for and development of desirable resource properties. Many companies and individuals are engaged in this business, and the industry is not dominated by any single competitor or a small number of competitors. Many of such competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater historical market acceptance than does the Company. The Company will compete with numerous industry participants for the acquisition of land and rights to prospects, and for the equipment and labour required to operate and develop such prospects. Competition could materially and adversely affect the Company's business, operating results and financial condition. Such competitive disadvantages could adversely affect the Company's ability to participate in projects with favorable rates of return.

Additional information on risks and uncertainties relating to First Cobalt's business is provided in First Cobalt's Amended and Restated Annual Information Form dated December 17, 2018 under the heading "Risk Factors".

CRITICAL ACCOUNTING ESTIMATES

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

Areas requiring a significant degree of judgment relate to the recoverability and measurement of deferred tax assets and liabilities, the ability to continue as a going concern and the capitalization of development costs. Actual results may differ from those estimates and judgments. Areas requiring a significant degree of estimation include allowances for doubtful accounts.

Areas requiring a significant degree of judgement that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

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

- *Going Concern*
  The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Company's ability to generate adequate financing. Significant judgements are used in the Company's assessment of its ability to continue as a going concern.
- *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 transaction. 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 has measured the fair value of the consideration transferred based on the last trading price of the date of shareholder approval for the acquisition.
- *Environmental rehabilitation*
  Management's determination of the Company's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required, the additional contingent mitigation measures it identifies as potentially being required and its assessment of the likelihood of such contingent measures being required, and its estimate of the probable costs and timing of such activities and measures. Significant judgements must be made when determining such reclamation and closure activities and measures required and potentially required.
- *Valuation of Share-Based Payments*
  The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and the warrant liability. Option pricing models require the input of subjective assumptions including the share price, expected share price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and equity reserves.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are summarized in Note 2 to the audited consolidated financial statements for the years ended December 31, 2018 and 2017.

FUTURE CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") has issued or amended a number of new standards that were not be effective at December 31, 2018. These standards have not been early adopted in these consolidated financial statements.

IFRS 16, Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company is does not expect the adoption of IFRS 16 to have an impact on its consolidated financial statements.

Management does not expect any other IFRS or IFRIC pronouncements that are not yet effective to have a material impact on the Company.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There was no change in the Company's internal controls over financial reporting that occurred during the year ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures that as of December 31, 2018, the Company's disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company are appropriately designed.

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may be deemed "forward-looking statements", including statements regarding developments in the Company's operations in future periods, adequacy of financial resources and future plans and objectives of Company. All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, liquidity and effects of accounting policy changes.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Readers are cautioned not to place undue reliance on this forward-looking information.

Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that Management's beliefs, estimates, opinions or other factors should change except as required by law.

These statements are based on a number of assumptions including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for the Company's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.