



FIRST COBALT CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

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

FIRST COBALT CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

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

(expressed in Canadian Dollars) September 30, December 31,
2019 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 6,367,882	\$ 3,262,121
Marketable securities	443,523	-
Restricted cash (Note 4)	11,500	11,500
Prepaid expenses and deposits (Note 6)	487,370	236,796
Receivables (Note 5)	139,301	1,718,469
	7,449,576	5,228,886

Non-Current Assets

Exploration and evaluation assets (Note 8)	194,263,122	193,898,645
Plant and equipment (Note 7)	4,881,530	4,770,538
Long-term restricted cash (Note 4)	702,560	702,560
Total Assets	\$207,296,788	\$204,600,629

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Accounts payable and accrued liabilities (Note 9)	215,145	3,883,203
	215,145	3,883,203

Non-Current Liabilities

Long-term loan payable (Note 19)	6,239,063	-
Financial derivative liability (Note 20)	417,915	-
Asset retirement obligations (Note 10)	2,737,321	2,340,000
Total Liabilities	\$ 9,609,444	\$ 6,223,203

Shareholders' Equity

Common shares (Note 11)	230,374,837	225,477,272
Reserve (Note 12 and 13)	13,436,001	11,834,934
Accumulated other comprehensive income	519,030	648,825
Deficit	(46,642,524)	(39,583,605)
Total Shareholders' Equity	\$197,687,344	\$198,377,426
Total Liabilities and Shareholders' Equity	\$207,296,788	\$204,600,629

Nature of operations (Note 1)
Going Concern (Note 2)
Commitments and Contingencies (Note 21)
Subsequent events (Note 25)

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

/s/ Susan Uthayakumar
Susan Uthayakumar, Director

/s/ Trent Mell
Trent Mell, Director

FIRST COBALT CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

<i>(expressed in Canadian Dollars)</i>	Three months ended	Three months ended	Nine months ended	Nine months ended
	September 30,	September 30,	September 30,	September 30,
	2019	2018	2019	2018
Operating expenses				
Consulting fees	\$ 194,692	\$ 175,885	\$ 409,055	\$ 431,546
Exploration and evaluation expenditures (Note 14)	80,995	5,618,381	1,170,359	9,688,575
General and administrative	125,407	201,416	310,562	758,783
Investor relations and marketing	169,413	327,568	498,994	1,151,995
Refinery and associated studies	112,989	45,939	226,191	178,453
Environmental expenses	59,264	39,588	212,772	59,803
Professional fees	150,358	489,148	802,388	1,625,823
Salary and benefits	377,577	310,080	1,159,500	1,349,228
Share-based payments (Note 13)	284,176	1,570,336	1,203,106	2,979,722
Travel	73,302	143,047	168,443	344,591
Operating loss	(1,628,173)	(8,921,388)	(6,161,370)	(18,568,519)
Other				
Foreign exchange gain (loss)	34,836	(58,221)	30,912	(59,503)
Interest income (expense)	(97,323)	101,316	(91,620)	201,268
Gain (loss) on sale of equipment	-	-	76,531	-
Gain (loss) on sale of marketable securities	548,398	-	(537,949)	107,114
Gain (loss) on financial derivatives revaluation	(71,387)	-	(71,387)	-
Write-off of prepaids, deposits, and other balances	(56,654)	-	(56,654)	23,574
Write-off of exploration and evaluation assets	(213,779)	-	(213,779)	-
Flow-through share premium	-	623,150	-	1,186,519
Other non-operating income (expense)	15,070	(3,284)	(33,603)	(73,238)
Loss before taxes	(1,469,012)	(8,258,427)	(7,058,919)	(17,182,785)
Income tax expense	-	-	-	-
Net loss	(1,469,012)	(8,258,427)	(7,058,919)	(17,182,785)
Other comprehensive income				
Foreign currency translation income (expense)	(159,561)	(29,304)	(129,795)	170,107
Net loss and comprehensive loss	(1,628,573)	(8,287,731)	(7,188,714)	(17,012,678)
Basic and diluted loss per share	\$ (0.00)	\$ (0.03)	\$ (0.02)	\$ (0.06)
Weighted average number of shares outstanding (basic and diluted) (Note 15)	372,249,684	272,784,643	358,599,888	272,784,643

Note: Certain operating expenses in 2018 were reclassified to align with current 2019 presentation.

FIRST COBALT CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

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

<i>(expressed in Canadian Dollars)</i>	Nine months ended	Nine months ended
	September 30,	September 30,
	2019	2018
Operating activities		
Net loss	\$ (7,058,919)	\$ (17,182,786)
Adjustments for items not affecting cash:		
Share-based payments	1,203,106	2,979,723
Directors fees paid in DSUs	98,048	-
Write-off of exploration and evaluation assets	213,779	-
(Gain) Loss on marketable securities	537,949	(107,114)
(Gain) Loss on sale of Equipment	(76,531)	-
(Gain) Loss on financial derivatives revaluation	71,387	-
Interest expense on long-term debt	97,635	-
Flow-through share premium	-	(1,186,519)
	(4,913,546)	(15,496,696)
Changes in non-cash working capital:		
Decrease (Increase) in receivables	1,594,359	(712,145)
Decrease (Increase) in prepaid and other current assets	(250,574)	153,309
Increase (Decrease) in accounts payable and accrued liabilities	(3,463,889)	(1,470,140)
Cash Flows used in operating activities	(7,033,650)	(17,525,672)
Investing activities		
Capital expenditures	-	(10,620)
Acquisition of exploration and evaluation assets, net of cash (Note 8)	(307,256)	(1,539,854)
Acquisition of US Cobalt	-	1,171,451
Sale (Purchase) of marketable securities	2,248,095	(1,274,632)
Proceeds from sale of equipment	91,860	-
Cash Flows provided by (used in) investing activities	2,032,699	(1,653,655)
Financing activities		
Proceeds from issuance of common shares	1,603,957	452,429
Proceeds from exercise of warrants	-	4,000
Proceeds from exercise of options	-	62,500
Proceeds from loan	6,632,550	-
Cash Flows provided by financing activities	8,236,507	518,929
Changes in cash during the period	3,235,556	(18,660,398)
Effect of exchange rates on cash	(129,795)	170,107
Cash – Beginning of the period	\$ 3,262,121	\$ 29,817,031
Cash – End of the period	\$ 6,367,882	\$ 11,326,740
Supplemental information (Note 22)		

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND THE YEAR ENDED DECEMBER 31 2018 (UNAUDITED)

(Expressed in Canadian Dollars, except per share amounts)

	Common Shares		Common Shares to be issued	Subscriptions receivable	Reserves	Warrants to be issued	Accumulated Other Comprehensive Income	Deficit	Total
	Number of Shares	Amount							
Balance – December 31, 2018	339,321,829	\$225,477,272	\$ -	\$ -	\$11,834,934	\$ -	\$ 648,825	\$(39,583,605)	\$ 198,377,426
Net loss for the year								(7,058,919)	\$ (7,058,919)
Other comprehensive loss for the period							(129,795)		\$ (129,795)
Share based payment expense	-	-	-	-	1,203,106	-	-	-	\$ 1,203,106
Directors fees paid in DSUs					98,048				\$ 98,048
Shares and units issued for:									
Exercise of DSU/PSU/RSU (Note 11)	321,265	148,605	-	-	(148,605)	-	-	-	\$ -
Cash (Note 11)	8,913,251	1,155,439	-	-	448,518	-	-	-	\$ 1,603,957
Private Share Purchase Agreement (Note 11)	21,265,809	3,229,567	-	-	-	-	-	-	\$ 3,229,567
Debt Settlement Arrangement (Note 11)	2,427,530	363,954	-	-	-	-	-	-	\$ 363,954
Balance – September 30, 2019	372,249,684	230,374,837	-	-	13,436,001	-	519,030	(46,642,524)	\$ 197,687,344
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								(17,182,785)	\$ (17,182,785)
Other comprehensive loss for the period							170,107		\$ 170,107
Share based payment expense	-	-	-	-	2,979,723	-	-	-	\$ 2,979,723
Shares and units issued for:									
Acquisition of property	117,109,290	89,095,732	(1,453,781)	-	-	-	-	-	\$ 87,641,951
Cash	151,364	166,500	(50,000)	-	-	-	-	-	\$ 116,500
Exercise of warrants	595,674	710,652	(710,652)	-	-	-	-	-	\$ -
Exercise of options	250,000	62,500	-	-	-	-	-	-	\$ 62,500
Vesting of LTIPs	1,205,842	566,746	-	-	(566,746)	-	-	-	\$ -
Subscriptions received	-	-	-	339,928	-	-	-	-	\$ 339,928
Fair value of options exercised	-	23,662	-	-	(23,662)	-	-	-	\$ -
Warrants issued	-	(24,218)	-	-	4,282,678	(4,258,460)	-	-	\$ -
Share issuance costs	-	-	-	-	-	-	-	-	\$ -
Stock options purchased from US Cobalt Inc.	-	-	-	-	3,910,355	-	-	-	\$ 3,910,355
Balance – September 30, 2018	339,200,996	232,547,095	-	-	12,385,394	-	577,037	(29,944,321)	215,565,205

FIRST COBALT CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

(expressed in Canadian dollars)

1. General Information and Nature of Operations

General Information

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

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

Nature of Operations

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

2. Significant Accounting Policies and Basis of Preparation

Basis of Presentation and Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company’s audited financial statements for the year ended December 31, 2018. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of November 27, 2019, the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2018.

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

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

(expressed in Canadian dollars)

Going Concern

The Company incurred a net loss of \$7.06 million for the nine months ended September 30, 2019, had a deficit of \$46.64 million as at September 30, 2019 and had a net working capital position of \$7.23 million at September 30, 2019.

On March 29, 2019, the Company completed a private placement for \$1.6 million to improve its liquidity position (Note 11). On May 2, 2019, the Company completed a share swap transaction and acquired 9,640,500 shares of eCobalt Solutions Inc. ("ECS"), a company that was publicly traded on the TSX, in exchange for 21,265,809 common shares of the Company. This investment in ECS was made for strategic purposes. In July 2019, ECS merged with Jervois Mining Limited ("JRV") and the Company no longer considered these shares a strategic investment. Therefore, the Company has divested 92% of its original holdings of ECS/JRV for cash proceeds of \$2.5 million, with \$2.2 million occurring prior to September 30, 2019. As at November 27, 2019, the Company holds 1,199,475 JRV shares.

On August 26, 2019, the Company completed a US\$5 million loan arrangement with Glencore AG ("Glencore") to fund the next phase of activities required to advance the First Cobalt Refinery, which includes engineering studies and metallurgical testing. Should both parties agree to move forward after this next phase, the loan arrangement provides a framework to roll this facility into a larger financing facility for a phased approach to fully recommission and expand the refinery. Therefore, the current activities required to advance the refinery are expected to be funded through debt arrangements.

A portion of the Glencore loan proceeds can be utilized to cover owner's costs and general and administrative costs of the Company; however, the Company will require a small amount of additional funding to continue its operations and conduct any other exploration activities over the next 12 months. The Company has historically been successful in financing activities; however, there can be no assurances that the Company will be able to obtain financing. This represents a material uncertainty that casts doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not include the adjustments to the amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

Functional Currency

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

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

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets when they are regarded as an adjustment to interest costs on those currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks and

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(expressed in Canadian dollars)

- Exchange differences on monetary items receivable from or payable to a foreign operation which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Basis of Consolidation

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

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

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

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

3. Recently Adopted Accounting Standards

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

IFRS 16 - Leases

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

4. Restricted Cash

	September 30, 2019	December 31, 2018
Current	\$ 11,500	\$ 11,500
Long-term	702,560	702,560
	<hr/>	<hr/>
	\$ 714,060	\$ 714,060

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

Long-term restricted cash relates to amounts on deposit with the Ministry of Energy, Northern Development and Mines as financial assurance for the refinery closure plan. There was no change in the amounts on deposit during the nine months ended September 30, 2019.

5. Receivables

	September 30, 2019	December 31, 2018
GST Receivable	\$ 128,760	\$ 1,718,469
	\$ 128,760	\$ 1,718,469

The reduction in GST receivable is the result of significant GST and GST refund collections throughout the nine months ended September 30, 2019. All amounts currently outstanding are expected to be collected within the next twelve months.

6. Prepaid Expenses and Deposits

	September 30, 2019	December 31, 2018
Prepaid expenses	\$ 459,575	\$ 217,365
Deposits	27,795	19,431
	\$ 487,370	\$ 236,976

Prepaid expenses predominantly relate to vendor deposits made for engineering studies and metallurgical test work relating to the Refinery.

7. Plant and Equipment

As part of the acquisition of Cobalt One Limited ("Cobalt One"), the Company acquired the properties, permits, assets and rights of a cobalt-silver-nickel refinery ("Refinery") located in North Cobalt, Ontario, Canada. The carrying value of Plant and Equipment is \$4,881,530 (December 31, 2018 - \$4,770,538), which solely relates to the Refinery. During the first nine months of 2019, the Company disposed of \$15,319 of snow plowing equipment and recorded a \$126,321 increase in the refinery asset due to an increased closure cost estimates relating to inflation adjustments on the previously filed closure plan. As at September 30, 2019, the Company's closure costs for the Refinery are estimated to be \$926,321 (December 31, 2018: \$800,000) and are recorded as asset retirement obligations. No depreciation has been recorded for the Refinery in the current year (December 31, 2018 - \$Nil).

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

(expressed in Canadian dollars)

8. Exploration and Evaluation Assets

	Balance December 31, 2018	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance September 30, 2019
Cobalt North, Ontario						
Lawson Kerr	\$ 14,378,368	-	-	-	-	\$ 14,378,368
Silverfields and claims	55,784,739	-	-	-	-	55,784,739
Cobalt Central, Ontario						
Cobalt Central properties	30,560,318	-	-	-	-	30,560,318
Gold Rush Caribou	297,200	-	-	-	-	297,200
Cobalt South, Ontario						
South Lorrain	1,827,500	-	-	-	-	1,827,500
Keeley-Frontier	3,198,876	200,000	-	271,000	-	3,669,876
Bellellen	325,000	-	-	-	-	325,000
Werner	-	-	-	-	-	-
Dickens	-	-	-	-	-	-
Quebec	-	-	-	-	-	-
Iron Creek	87,312,865	107,256	-	-	-	87,420,121
Paradox Basin	213,779	-	(213,779)	-	-	-
Total	\$ 193,898,645	\$ 307,256	\$ (213,779)	\$ 271,000	\$ -	\$ 194,263,122

	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

(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

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(expressed in Canadian dollars)

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

Purchase price:

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

Net assets acquired:

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

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

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

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

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

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

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

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(expressed in Canadian dollars)

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

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

(c) Gold Rush Cariboo

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

9. Accounts Payable and Accrued Liabilities

	September 30, 2019	December 31, 2018
Accounts Payable	\$ 78,992	\$ 2,273,348
Accrued Liabilities	136,153	1,609,855
	\$ 215,145	\$ 3,883,203

Accounts payable and accrued liabilities comprise primarily of trade payables incurred in the normal course of business. Included in accounts payable and accrued liabilities are amounts totalling \$38,587 (December 31, 2018 - \$64,621) due to related parties (see note 24).

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

10. Asset Retirement Obligations

	September 30, 2019	December 31, 2018
Current	\$ -	\$ -
Long-term	2,737,321	2,340,000
	\$ 2,737,321	\$ 2,340,000

As at September 30, 2019, the Company has recorded its best estimate of the asset retirement obligations relating to its properties and assets. The First Cobalt refinery has a formal closure plan filed with the Ministry of Energy, Northern Development, and Mines (ENDM). The cost estimates for this filed closure plan were

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updated for inflation during 2019 and the current expected closure cost are \$926,321, which has been recorded as an asset retirement obligation liability.

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

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

The Company has recorded its best estimate of the cost to rehabilitate the known features on patented lands as an asset retirement obligation. This amounted to \$1,540,000 and was recorded in 2018. There have been no changes to the Company's Cobalt Camp patents during the nine months ended September 30, 2019. The Company plans to progressively reduce this obligation over time. The future cash flows required to settle this obligation involve a degree of uncertainty, as they are estimates at this time.

With the exercise of the 50% option in Keeley-Frontier in January 2019, the Company now holds a 50% interest on various patented properties. Following the same methodology that was employed in the 2018 review of Cobalt Camp patents, the Company has recorded an additional liability of \$271,000 during the nine months ended September 30, 2019 for its share of the estimated rehabilitation costs on these patents.

11. Share Capital

(a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value. As at September 30, 2019, the Company had 372,249,684 (December 31, 2018 – 339,321,827) common shares outstanding.

(b) Issued Share Capital

During the nine-month period ended September 30, 2019, the Company issued common shares as follows:

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

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- On May 2, 2019, the Company issued 21,265,809 common shares in a private share purchase agreement to acquire 9,640,500 common shares of eCobalt Solutions Inc. for investment purposes.
- On May 13, 2019, the Company issued 2,427,530 common shares to settle \$364,130 of indebtedness owed to a creditor.

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

- On January 5, 2018, the Company issued 595,674 common shares on exercise of warrants which was recorded as common shares to be issued as at December 31, 2017. The funds of \$710,652 were received during the year ended December 31, 2017.
- On January 16, 2018, the Company completed a non-brokered private placement by issuing 151,364 units at \$1.10 per unit for gross proceeds of \$166,500. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each full warrant is exercisable at \$1.50 per share for a period of 24 months following the date of issue of warrants.
- On January 18, 2018, the Company issued 224,000 common shares at a fair value of \$297,920 to acquire mineral claims from Gold Rush Cariboo Inc. (Note 8c). These shares were included in common shares to be issued at December 31, 2017.
- On February 19, 2018, in relation to the acquisition of Cobalt One and CobalTech (see Note 9) the Company issued 1,566,934 common shares measured at a fair value of \$0.73 per share as payment of a work fee associated with the transaction. This payment was capitalized as an acquisition cost in 2017. These shares were included in common shares to be issued at December 31, 2017.
- On April 12, 2018, 250,000 stock options were exercised at \$0.25 per share for gross proceeds of \$62,500.
- On June 4, 2018, in relation to the acquisition of US Cobalt (see Note 9a) the Company capitalized acquisition costs of \$79,569,666 to be paid in the form of 115,318,357 common shares measured at a fair value of \$0.69 per share.
- On July 15, 2018, the Company issued 1,205,842 common shares on the vesting and entitlement of certain DSUs, PSUs, and RSUs.
- On October 24, 2018, the Company issued 120,833 common shares on the vesting and entitlement of certain DSUs, PSUs, and RSUs.

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12. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

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

The expiry of warrants are as follows:

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

During the nine months ended September 30, 2019, the Company issued 9,104,466 share purchase warrants (Note 11). A total of 8,913,251 warrants were issued to subscribers in the Company's private placement which closed on March 29, 2019. A further 191,215 warrants were issued as finders' fees associated with the private placement. The total fair value of \$448,518 was recorded in equity. The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.79%, an expected life of 2 years, an expected volatility of 92.70% and no expected dividends.

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

13. Share based payments

The Company adopted a new long-term incentive plan on October 1, 2019 (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 28,000,000 shares.

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(a) Stock Options

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

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – December 31, 2017	\$0.84	6,123,482
Grant - USCO options	\$0.40	9,360,000
Grant	\$0.49	2,273,333
Grant	\$0.36	2,300,000
Exercise	\$0.25	(250,000)
Grant	\$0.27	400,000
USCO expiries	\$0.43	(4,850,000)
Former FCC Personnel Expiries	\$0.53	(825,000)
Balance – December 31, 2018	\$0.57	14,531,815
Grant	\$0.18	1,000,000
USCO expiries	\$0.30	(2,275,000)
Former FCC Personnel Expiries	\$0.62	(575,000)
FCC Personnel Options Cancelled	\$1.43	(1,433,482)
Grant	\$0.14	3,830,000
Balance September 30, 2019	\$0.39	15,078,333

During the nine months ended September 30, 2019, the Company granted 1,000,000 stock options to a new director. The options may be exercised within 5 years from the date of grant at a price of \$0.18 per share, and vest across a one-year period. The fair value of the options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 1.79% per year, an expected life of 2.5 years, an expected volatility of 92.93%, and no expected dividends.

Additionally, company granted 3,830,000 stock options to Officers, Directors, and Employees as an annual grant under its long-term incentive plan. The options may be exercised within 5 years from the date of grant at a price of \$0.14 per share, and vest across a three-year period. The fair value of the options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 1.35% per year, an expected life of 2.5 years, an expected volatility of 90.68%, and no expected dividends.

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

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

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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 September 30, 2019, a total of 7,125,000 of these options had expired.

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

Exercise Price	Options Outstanding			Options Exercisable		
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price	
\$ 0.18	1,000,000	4.40	\$ 0.18	500,000	\$ 0.18	
0.27	400,000	4.07	0.27	-	0.27	
0.29	187,500	2.36	0.29	187,500	0.29	
0.36	562,500	1.63	0.36	562,500	0.36	
0.36	1,300,000	3.99	0.36	433,333	0.36	
0.36	1,000,000	6.00	0.36	1,000,000	0.36	
0.42	225,000	2.84	0.42	225,000	0.42	
0.49	2,273,333	3.74	0.49	757,778	0.49	
0.51	810,000	3.30	0.51	810,000	0.51	
0.52	450,000	3.34	0.52	450,000	0.52	
0.66	1,500,000	2.42	0.66	1,500,000	0.66	
0.69	1,000,000	2.67	0.69	1,000,000	0.69	
0.69	365,000	2.67	0.69	290,000	0.69	
1.43	175,000	3.74	1.43	125,000	1.43	
0.14	3,830,000	4.93	0.14	-	0.14	
	15,078,333	3.89	\$ 0.39	7,841,111	\$ 0.51	

Subsequent to September 30, 2019, the Company issued 350,000 incentive stock options to a new Director, and a consultant of the Company, bringing the total outstanding options to 15,428,333.

(b) DSUs, RSUs and PSUs

During the nine months ended September 30, 2019, the Company issued 839,363 DSUs. DSUs vest immediately and may not be exercised until a director ceases to serve on the board. Of the DSUs issued, 150,000 were issued to a new director of the Company, 612,800 were issued to Directors in lieu of cash directors fees for the second quarter of 2019, and 76,563 were issued to officers of the Company as part of an annual grant.

During the nine months ended September 30, 2019, the Company has recorded \$349,644 (2018 - \$884,719) for DSUs and \$11,859 (2018 - \$720,209) for PSUs as shared-based payment expense.

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14. Exploration and Evaluation Expenses

Exploration and evaluation expenditures incurred for the nine months ended September 30, 2019 and 2018:

	September 30, 2019			September 30, 2018		
	Iron Creek,		Total	Iron Creek,		Total
	Cobalt, Canada	USA		Cobalt, Canada	USA	
Drilling	\$ -	\$ -	\$ -	\$ 2,078,336	\$ 2,416,643	\$ 4,494,979
Exploration support and administration	963	-	963	16,588	765	17,353
Field Operations and consumables	4,323	-	4,323	121,862	-	121,862
Geochemistry	17,893	14,505	32,398	1,300,633	329,556	1,630,189
Geological consulting	729	225,667	226,396	556,674	9,133	565,807
Geologist salaries	165,736	-	165,736	562,311	-	562,311
Property taxes	29,962	18,615	48,576	22,301	-	22,301
Sampling and geological costs	209,740	482,226	691,967	928,024	1,384,312	2,312,336
Total	\$ 429,346	\$ 741,013	\$ 1,170,359	\$ 5,586,729	\$ 4,140,409	\$ 9,727,138

15. Loss Per Share

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

	September 30, 2019	September 30, 2018
Numerator		
Net loss for the year / period	\$ (7,058,919)	\$ (17,182,785)
Denominator		
Basic – weighted average number of shares outstanding	358,599,888	272,784,643
Effect of dilutive securities	-	-
Diluted – adjusted weighted average number of shares outstanding	358,599,888	272,784,643
Loss Per Share – Basic and Diluted	\$(0.02)	\$(0.06)

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 nine months ended September 30, 2019 and 2018 as the warrants and stock options were anti-dilutive since the Company was in a loss position.

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16. Financial Instruments**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet ongoing business requirements, taking into account its current cash position and potential funding sources. The following are the contractual maturities of financial liabilities as at September 30, 2019:

	As at September 30, 2019		
	< 1 Year	Between 1 – 2 Years	>2 Years
Accounts payable and accrued liabilities	\$ 215,145	\$ -	\$ -
Long-term loan payable	-	6,239,063	-
Financial Derivative Liability	-	417,915	-
Asset Retirement obligation	-	-	2,737,321
Total	\$215,145	\$ 6,656,978	\$ 2,737,321

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. The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, prepayments, accrued liabilities, and its long-term debts that are denominated in US Dollars. The Company also holds minor cash, prepaids, receivables, and payables in Australian Dollars though exposure to fluctuations in the Australian dollar exchange rate are negligible. 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

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foreign exchange fluctuations. The following table indicates the foreign currency exchange risk on net working capital as at September 30, 2019:

	As at September 30, 2019		
	USD	AUD	CAD
Cash and cash equivalents	\$4,416,379	\$4,632	\$516,171
Marketable Securities	-	-	443,523
Restricted Cash	-	-	11,500
Prepaid and deposits	-	53,604	487,370
Receivables	-	1,622	139,301
Accounts payable and accrued liabilities	(17,671)	(37,226)	(158,475)
Total	\$4,398,708	\$22,632	\$1,439,390

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 debt with Glencore bear interest at a rate of LIBOR + 5% and thus is a floating rate instrument. Therefore, changes in the market LIBOR interest rate will impact the cash flows ultimately required to settle interest payment obligations under the debt agreement.

17. Management of Capital

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2019.

18. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the condensed interim consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

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Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Assets and Liabilities Measured at Fair Value of a Basis

The Company's fair values of financial assets and liabilities were as follows:

	Carrying Value		September 30, 2019			Total Fair Value
	Fair value through profit or loss	Amortized cost	Level 1	Level 2	Level 3	
Assets:						
Cash and Cash Equivalents	\$-	\$6,367,882	\$6,367,882	\$ -	\$ -	\$6,367,882
Marketable Securities	443,523	-	443,523	-	-	443,523
Restricted cash	-	714,060	714,060	-	-	714,060
	\$443,523	\$7,081,942	\$7,525,465	\$ -	\$ -	\$7,525,465
Liabilities:						
Financial Derivative Liability	\$417,915	\$-	\$-	\$417,915	\$ -	\$417,915
	\$417,915	\$-	\$-	\$417,915	\$ -	\$417,915

Valuation techniques

A) Cash and cash equivalents

Cash, cash equivalents are included in Level 1 due to the short-term maturity of these financial assets.

B) Marketable Securities

The fair value of marketable securities included in Level 1 is determined based on a market approach. The closing price is a quoted market price from the exchange market which is the principal active market for the particular security.

C) Restricted Cash

Restricted cash are included in Level 1 due to the short-term maturity of these financial assets.

D) Financial Derivative Liability

The fair value of the embedded derivative as at September 30, 2019 was \$417,915 and is accounted for at FVTPL. The valuation is based on the discounted cash flows at the risk-free rate to determine the present value

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of the conversion benefit. The conversion benefit is equal to 15% of the balance owing on the date of maturity, due to Glencore's option to elect to receive shares of the Company at a 15% discount to market instead of a cash repayment of the debt.

19. Long-term Loan Payable

The Company completed a US\$5 million loan arrangement with Glencore on August 26, 2019. As this loan included a conversion feature, its value was split between Financial Derivative Liability and Long-term Loan. The following table sets out the details of the Company's long-term debt as of September 30, 2019 and December 31, 2018.

	September 30, 2019	December 31, 2018
Long-term Loan Payable – Initial recognition (August 26, 2019)	\$ 6,157,674	\$ -
Accretion and capitalized interest	81,389	-
Long-term Loan Payable – end of period	\$ 6,239,063	\$ -
Less: current portion	-	-
Non-current portion	\$-	\$-

The US\$5 million loan arrangement bears interest at quarterly (Mar. 31, Jun. 30, Sep. 30, Dec. 31) US dollar LIBOR + 5%. The Company holds the option to pay the interest on the loan in-kind, by accruing it to the principal and paying it upon maturity. The Company also has the right to extend the maturity date by one year. Additionally, Glencore has the option to convert the full balance owing at maturity to common shares of the Company at a 15% discount to the Company's 10-day volume weighted average trading price.

The carrying amount of debt is recorded at amortized cost. Under the Company's debt agreement with Glencore, there are basic covenants related to the use of funds and ensuring the refinery studies remain on schedule, though there are no financial metric-related covenants. The proceeds from the debt agreement are permitted to be used for the following items:

- Advancement of the refinery in line with the current work plan to complete engineering studies (including a Definitive Feasibility Study), metallurgical testing, a field program and permitting work;
- Legal costs associated with executing the debt agreement;
- A portion of First Cobalt's owner's costs and general and administrative costs; and
- Any other items as permitted by Glencore

The Company is in compliance with all elements of the Glencore loan arrangement as at September 30, 2019.

20. Financial Derivative Liability

As at September 30, 2019, the company had outstanding financial derivative liability of \$417,915 (December 31, 2018 – Nil). The company recognized the fair value adjustments in the gain (loss) on the embedded derivatives revaluation line item of the condensed interim consolidated statement of loss and comprehensive loss. The financial derivative arises from a conversion feature in the Glencore loan arrangement which is an embedded derivative that is fair valued each reporting period.

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The Company completed its planned 2018 drilling and associated exploration programs at Iron Creek and Cobalt Camp by the end of 2018. As at September 30, 2019, the Company was not committed to any material exploration contracts that require significant future outflow of resources.

On August 26, 2019 The Company completed a US\$5 million loan arrangement with Glencore which has now committed the Company to future repayment. The interest rate is variable at LIBOR + 5%. The table below reflects the current estimate of cash outflows for interest and principal payments under the loan in Canadian dollars.

The Company holds the option to pay the interest on the loan in-kind, by accruing it to the principal and paying it upon maturity. The Company also has the right to extend the maturity date by one year. Additionally, Glencore has the option to convert the full balance owing at maturity to common shares of the Company at a 15% discount to the Company's 10-day volume weighted average trading price. As each of these items is dependent on the exercise of a future right or option, they have not been reflected in the commitments table below.

	Interest	Principal	Total Debt Commitments
2019	\$ 164,654	\$ -	\$ 164,654
2020	471,229	-	471,229
2021	301,278	6,618,900	6,687,138
Total	\$ 937,161	\$ 6,618,900	\$ 7,556,061

The Company now must comply with a mutually agreed work and spending schedule relating to the advancement of the refinery. This can be amended from time to time between the Company and Glencore. In connection with the current refinery work plan, the Company has signed contracts with numerous vendors, including Ausenco Engineering Canada, SGS Canada, and Story Environmental, though if work is halted for any reason there are no locked in contractual minimums that would be required to be paid. All contracts are on a time and materials basis.

22. Supplemental Cash Flow Information

The Company did not make any cash payments and had no cash receipts for interest or income taxes during the nine months ended September 30, 2019 and 2018, other than minor interest on cash balances.

23. Segmented Information

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

FIRST COBALT CORP.NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)*(expressed in Canadian dollars)***24. 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 nine months ended September 30, 2019 and 2018, the Company paid and/or accrued the following fees to management personnel and directors:

	September 30, 2019	September 30, 2018
Management	\$ 716,561	\$973,154
Directors	294,578	402,200
	\$ 1,011,139	\$ 1,375,354

During the nine months ended September 30, 2019 the Company also had share-based payments made to management and directors of \$1,008,599 (nine months ended September 30, 2018 - \$2,450,561). Subsequent to September 30, 2019 the directors were issued 607,325 DSUs in lieu of their normal quarterly fees that would have been due for the third quarter of 2019.

(b) Due to Related Parties

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

	September 30, 2019	December 31, 2018
Accounts payable and accrued liabilities	\$ 135,760	\$ 64,621
	\$ 135,760	\$ 64,621

FIRST COBALT CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

(expressed in Canadian dollars)

25. Subsequent Events

Subsequent to September 30, 2019:

- (a) On October 1, 2019, the Company issued 607,325 DSUs to directors in lieu of cash compensation they would have been entitled to for the third quarter of 2019.
- (b) The Company has sold additional shares of ECS/JRV for cash proceeds of \$0.2 million. The Company currently holds 1,199,475 JRV shares, representing 8% of its original holdings.
- (c) The Company made a payment of \$216,321 to the Ministry of Energy, Northern Development, and Mines to align the financial assurance on deposit to the latest estimate of the closure costs for its Refinery.