



FIRST COBALT CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

(EXPRESSED IN CANADIAN DOLLARS)

GENERAL

This Management's Discussion and Analysis of First Cobalt Corp. ("First Cobalt" or the "Company") ("MD&A") was prepared on November 29, 2021 and provides analysis of the Company's financial results for the three and nine months ended September 30, 2021 and 2020. The following information should be read in conjunction with the accompanying consolidated financial statements for the three and nine months ended September 30, 2021 and 2020 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, 2018, 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 focused on building a North American integrated battery materials complex for the electric vehicle supply chain. In addition, the Company continues to exploration its Idaho mineral properties as a potential future source of North American cobalt and copper.

First Cobalt is a public company listed on the Toronto Venture Stock Exchange (TSX-V) (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 401 Bay Street, 6th Floor, Toronto, Ontario, M5H 2Y4.

Q3 2021 HIGHLIGHTS AND RECENT EVENTS

Strategic Shift and Name Change to Electra Battery Materials

In November 2021, the Company announced that it was expanding its strategic plan beyond its original focus on cobalt. The Company's new business model will focus on creating the only integrated battery materials park in North America, providing battery grade nickel and cobalt, recycled battery materials and precursor material to the North American electric vehicle battery supply chain.

To better reflect the Company's vision, First Cobalt Corp. will change its name to Electra Battery Materials Corporation. The name change is subject to shareholder approval. The Company continues to develop and expand its hydrometallurgical refinery to become a significant global producer of cobalt sulfate as the first phase of its strategic plan.

Refinery Construction Financing Package

On September 2, 2021, the Company completed a combined secured convertible debt and brokered equity financing package with an aggregate value of approximately US\$45 million to finance the construction of the Refinery. The financing package consisted of the following components:

- An offering of US\$37.5 million principal amount of 6.95% senior secured convertible notes due December 1, 2026 (the "Notes") led by Cantor Fitzgerald & Co.; and
- An overnight-marketed public offering of 38,150,000 common shares of the Company (the "Offered Shares") at a price of \$0.25 per common share led by BMO Capital Markets for gross proceeds of approximately C\$9.5 million (approximately US\$7.5 million) (the "Equity Offering").

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The initial conversion rate of the Notes is 4,058.24 common shares per US\$1,000 of principal, representing a premium of approximately 25% over the price of the Equity Offering. The Equity Offering utilizes the remaining room available on the Company's November 26, 2020 Base Shelf Prospectus.

The Holders of the Notes also held an option to purchase an additional aggregate total of US\$7.5 million principal amount of Notes, issued at par, for 60 days from the announcement date. On October 22, 2021, this option was exercised in full and an additional US\$7.5 million of Notes were issued on the same terms as the original Notes. The aggregate gross funding received by the Company since the start of September 2021 was approximately US\$52.5 million.

The Notes bear interest at 6.95% per annum, payable in cash on a semi-annual basis and are secured by a first priority security interest in substantially all of the Company's assets. This financing package provides the Company with the funding required to advance the construction of the Refinery and remain on track for first production in Q4 2022.

Refinery Advancement

The Company has continued to advance the refinery project in 2021 along its stated development timeline for first production in the fourth quarter of 2022.

In October 2021, the solvent extraction design and manufacturing contract was awarded to Metso Outotec, who are recognized as a world leader in sustainable solutions for mineral processing and metal refining. The solvent extraction equipment is the largest and most important equipment package for the refinery expansion project. Smaller contracts have also been awarded, including the solvent extraction plant earthworks, foundations and exterior building construction. The Company has signed contracts and purchase orders totaling approximately \$30 million (US\$24 million), including awarding the contracts for the two most expensive and longest-lead components of the refinery – the cobalt crystallizer and the solvent extraction plant.

In October 2021, the Company received its Air and Noise Environmental Compliance Approval from the Ontario Ministry of Environment, Conservation and Parks. This is the second of three permit amendments to be approved in Ontario. The third and final permit amendment, for industrial sewage works, has undergone community consultations and data review with the Ministry and have been formally submitted for final approval, which is expected shortly.

In November 2021, the Company announced a 30% increase in the design capacity of its cobalt crystallizer, which will result in installed capacity of 6,500 tonnes of annual cobalt production and an updated, project control capital budget of US\$67 million for the project. With detailed engineering now significantly more advanced and numerous contracts and equipment orders finalized, this new capital budget is more defined and representative of the advancement of the project.

Battery Recycling Opportunities

The Company continues to review battery recycling as a growth opportunity for its refinery and to provide incremental cash flows to its planned baseload cobalt hydroxide feedstock processing. In the near-term, the Company is reviewing options to leverage its existing processing assets that will not be required for its cobalt hydroxide circuit to process black mass and recover payable metals. Longer-term, the Company intends to produce battery grade materials from black mass for reintroduction into the electric vehicle supply chain.

In July 2021, the Company announced it had successfully extracted nickel, cobalt, copper manganese, lithium and graphite from a black mass product recovered from recycled batteries with its laboratory partners at SGS Canada. Black mass represents the main chemical composition of the battery and is obtained after removal of the mechanical housing of the battery and then crushing the cathode and anode.

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A leading global engineering firm has been retained to study the leaching of black mass within the existing refinery. The study results are expected in Q4 2021.

Joint Venture with Kuya Silver

On September 1, 2021, Kuya Silver Corporation ("Kuya") exercised its option to earn up to a 70% interest in First Cobalt's remaining mineral rights in the Canadian Cobalt Camp. This option was pursuant to the transaction between Kuya and the Company that was completed in February 2021. Kuya issued 671,141 common shares at a 20-day VWAP of \$1.49 per common share to exercise the option.

Over a 3-year earn-in period, Kuya will be required to make \$1 million in additional payments to First Cobalt and invest \$4 million in exploration activities on the properties to earn a 70% interest. Additional milestone payments would be made to First Cobalt in the event a significant silver mineral resource estimate is completed.

COVID-19 Impacts

Market volatility and economic uncertainty due to the COVID-19 pandemic have cast uncertainty over global economic activity levels. Despite pandemic-related market instability, the electric vehicle (EV) market continues to strengthen in Europe and around the world. The Company continues to advance its plans for the refinery and has not encountered any adverse affects relating to COVID-19 to date. Best practice protocols have been developed and implemented for on-site activity to ensure the health and safety of all personnel.

Notwithstanding the forgoing, global uncertainty related to the pandemic may present other challenges that are not known at the current time - such as supply chain interruptions or alteration of business plans by the Company's strategic partners.

OUTLOOK AND OVERVIEW OF CURRENT PROGRAMS

The Company's vision is to provide sustainable battery materials to the electric vehicle industry. The Company owns two main assets – the First Cobalt Refinery located in Ontario, Canada and the Iron Creek cobalt-copper project located in Idaho, United States. It also controls a number of properties in Ontario known as the Cobalt Camp.

The Company has been progressing plans to create an integrated battery materials park in Ontario, Canada. The first phase of this plan involves recommissioning and expanding the First Cobalt Refinery with a view to becoming the only refiner of battery grade cobalt sulfate in North America. First Cobalt's primary focus for 2021 is advancing the First Cobalt Refinery along its construction schedule and remaining on track for commissioning in late 2022. The second phase of the Company's strategic plan involves the introduction of recycled battery materials (known as black mass) as additional feedstock for the refinery, with commercial, metallurgical, and engineering activities on potential incorporation of black mass into the refinery being conducted in parallel with the phase one expansion project. The Company has also increased exploration activity in Idaho.

As part of the Company's strategic plan, it is committed to industry leading Environment, Social and Governance (ESG) principles and expects to have the greenest source of battery materials when in production. The Company has already released results of an independent life cycle assessment (LCA) that compares projected carbon emissions, water consumption and other environmental outputs against operating facilities in China. The Company's hydroelectric-powered refinery scored favourably on the key environmental metrics. In 2022, the Company intends to join the Responsible Minerals Initiative and develop and report metrics that demonstrate its path to a low carbon facility.

The outlook for First Cobalt's North American assets is discussed below:

1. The First Cobalt Refinery (Canada)

The Company is working towards restarting its wholly owned cobalt refinery in Ontario, Canada as the first phase in a multi-phase strategy to create North America's only integrated battery materials park. In 2020, the Company announced the results of an engineering study on the expansion of the refinery that demonstrated that the facility could become a significant, globally competitive producer of cobalt sulfate for the electric vehicle market. The engineering study determined the refinery could produce 25,000 tonnes of battery grade cobalt sulfate annually (equating to 5,000 tonnes of contained cobalt), which would represent 5% of the total refined cobalt market and 100% of North American cobalt sulfate supply. The study indicated strong operating margins at the asset level.

The Company notes that the engineering study and the associated update were prepared by Ausenco Engineering under the definitions of an Association for the Advancement of Cost Engineering (AACE) Class 3 Feasibility Study. The report does not constitute a feasibility study within the definition employed by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), as it relates to a standalone industrial project and does not concern a mineral project of First Cobalt. As a result, disclosure standards prescribed by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") are not applicable to the scientific and technical disclosure in the report. Any references to scoping study, prefeasibility study or feasibility study by the Company, in relation to the Refinery, are not the same as terms defined by the CIM Definition Standards and used in NI 43-101.

Subsequent to this study, additional engineering work, flow-sheet optimization and market analysis has been completed, certain equipment has been ordered and the Company has entered the full development phase of the refinery expansion project.

Additionally, in response to strong customer demand, the Company has invested in increased capacity for its cobalt crystallizer, which will result in installed capacity of 6,500 tonnes of annual contained cobalt production, a 30% increase from the engineering study design of 5,000 tonnes. Future permit amendments will be sought to permit this increased output level. The Company has also been reviewing opportunities to utilize black mass from recycled lithium-ion batteries as supplemental refinery feedstock, with a scoping study in progress.

As the Company's plans to step up annual cobalt production to 6,500 tonnes and potentially incorporate black mass feed into the refinery operations are still being evaluated, the original economic outputs from the 2020 refinery engineering study should no longer be relied upon.

In the fourth quarter of 2020, the Company announced it had signed contribution agreements for \$10 million in public funding from the Government of Canada and Government of Ontario to be used towards the refinery construction. In 2021, the Company has achieved several additional key milestones on its development path for the refinery, including:

- January 2021 - Feedstock arrangements announced for 90% of initial production with Glencore and IXM
- January 2021 - Commencement of pre-construction activities
- March 2021 - Flexible, long-term cobalt sulfate offtake arrangement executed with Stratton Metals
- September 2021 - Convertible note and equity financing for US\$45 million to fund refinery construction
- October 2021 - Solvent extraction design and manufacturing contract awarded to Metso-Outotec
- October 2021 - Additional convertible notes of US\$7.5 million issued to inject further funds
- November 2021 - Increased cobalt crystallizer capacity and formalized new project capital budget

The construction remains on schedule to commission the expanded refinery in Q4 2022 and initially ramp-up to 5,000 tonnes of contained cobalt production per year. Ground excavation has commenced for the solvent extraction facility, and major equipment contracts have been awarded, with signed contracts and purchase orders totaling C\$30 million (US\$24 million). The project has now advanced beyond the study phase, with detailed engineering

now significantly more advanced and numerous equipment orders finalized. Therefore, the Company has completed a new capital budget that is more defined and representative of the project. The updated capital budget is US\$67 million, including a contingency amount of US\$3.9 million. Approximately, US\$5 million has been spent to date.

The project capital table is provided below:

<i>US\$ million</i>	Refinery Project Capital Budget	2021 Spend to Sept 30th	Spend Since Sept 30th	Remaining Project Spend
Feed Prep, Leaching and Solvent Extraction	30.6	0.2	3.4	27.0
Crystallization and Sulfate Handling	9.4	1.4	-	8.0
Tailings, Site Services and Reagent Storage	7.6	-	0.1	7.5
Other Infrastructure	2.7	-	-	2.7
Project Management and Indirects	6.8	-	0.1	6.7
Spares, First Fills, and Owners Costs	6.0	0.1	0.2	5.7
Contingency	3.9	-	-	3.9
Total	67.0	1.7	3.8	61.5

Cash requirements for the refinery expansion from today through to commissioning are estimated at US\$59 million, with a further US\$3 million of the capital budget not expected to be paid until early 2023, based on anticipated payment terms.

The Company received approval for its Air and Noise permit and its Permit to Take Water. The Industrial Sewage Works permits has been submitted to the Ministry of the Environment, Conservation and Parks (MECP) and advanced consultation discussions have taken place. The Company expects to receive final approval for its Industrial Sewage Works permit amendment and its revised closure plan during the fourth quarter of 2021. These constitute all material environmental permits required for the expanded refinery.

The current estimated timeline to bring the refinery into production is outlined below:

- Q4 2021 – Receive final permit amendment and closure plan approvals
- Q4 2021 to Q4 2022 – On site construction activities
- Q4 2022 – Refinery Commissioning

The Company continues to make progress towards achieving its objective of providing the world's most sustainable battery materials for the electric vehicle market. The Company continues to work with engineering firms, its commercial partners, process experts and financial advisers to finalize and execute on the plans for its phase one recommissioning and expansion of the Refinery.

2. The Iron Creek Project (USA)

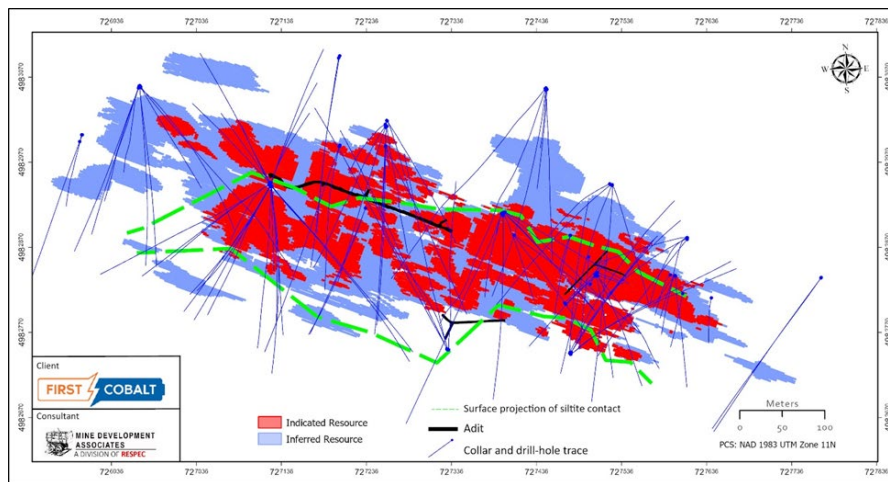
Following the acquisition of US Cobalt in June of 2018, the Company commenced an extensive drill program at Iron Creek. The objectives were to define a maiden inferred resource estimate within a historically drilled area and to expand the resource along strike of the known mineralization and at depth. In October 2018, the Company filed a technical report supporting the maiden resource estimate for the Iron Creek Project in Idaho.

A second phase drill campaign was initiated to conduct infill drilling to upgrade a portion of the inferred resources to the indicated category for mine planning and to improve the confidence for future engineering studies. As a secondary priority, this campaign increased the resource along strike and at depth. However, as the cobalt price declined in 2018,

the Company elected to suspend step-out drilling until market conditions improved. During 2019, the Company completed assaying work and further geological modeling to support a resource update, with a new technical report filed in early 2020.

The 2020 technical report includes a new mineral resource estimate based on infill drilling and limited step-out drilling which includes the conversion of 49% of resources from the Inferred category to the Indicated category while also increasing the overall tonnage. The indicated resource is 2.2 million tonnes grading 0.32% cobalt equivalent (0.26% cobalt and 0.61% copper) containing 12.3 million pounds of cobalt and 29.1 million pounds of copper. The inferred mineral resource is 2.7 million tonnes grading 0.28% cobalt equivalent (0.22% cobalt and 0.68% copper) for an additional 12.7 million pounds of cobalt and 39.9 million pounds of copper.

Figure 1. Distribution of Indicated and Inferred cobalt-copper resources at Iron Creek (view from above)



Drilling to date has delineated a strike length of Iron Creek mineralization to nearly 900 metres and mineralization has also been traced to depth over 650 metres below surface. The mineralization remains open along strike and downdip. Management believes that there is potential to continue to expand the size of the Iron Creek resource. In Q4 2020, the Company completed a new geophysics program at the property which identified several new drill targets.

In June 2021, the Company announced the commencement of its 2021 Idaho exploration program encompassing 4,500 metres of drilling, geophysical surveys and bedrock geological mapping at a budgeted cost of \$2.5 million. The Company's objective over the next two years is to meaningfully increase the resource size at Iron Creek and advance the asset towards a development decision.

The Company further increased its property position around Iron Creek in May, with the acquisition of the West Fork Property and the announcement of the Redcastle Property earn-in agreement. It now controls 1,820 hectares in the Idaho Cobalt Belt. In addition to increasing the resource size at Iron Creek, the Company plans to explore other prospective areas on its properties over the next few years.

3. The Cobalt Camp (Canada)

First Cobalt holds an interest in a significant land package in the historic silver-cobalt mining camp of Cobalt, Ontario.

On March 1, 2021, the Company announced the completion of a transaction with Kuya Silver Corporation to sell a portion of these properties outright and to potentially form a joint venture on the remaining mineral assets in the Canadian Cobalt Camp.

Key terms of the transaction were as follows:

- Kuya acquired a 100% interest in the Kerr area properties (the "Kerr Assets") for \$1 million in cash and the equivalent of \$3 million in Kuya shares based on the 20-day VWAP prior to the December 21, 2020 announcement date
- Kuya had the right to exercise an option to earn up to a 70% interest in First Cobalt's remaining Cobalt Camp assets (the "Remaining Assets") over the next six months, upon payment of an additional \$1 million with further payments and exploration expenditures required to reach the 70% interest level. This initial option was exercised on September 1, 2021, with the payment made in common shares of Kuya.
- Kuya will make a milestone payment of \$2.5 million upon completion of a maiden mineral resource estimate of at least 10 million silver equivalent ounces on either of the Kerr Assets or the Remaining Assets. The payment increases to \$5 million should the resource exceed 25 million silver equivalent ounces.
- First Cobalt will spend \$1 million of the flow through proceeds it raised in August 2020 on eligible expenditures, split equally between the Kerr Assets and the Remaining Assets. Through September 30, 2021, approximately \$0.9 million of this has been spent.

First Cobalt shall have a right of first offer to refine base metal concentrates produced at First Cobalt's refinery as well as a back-in right for any discovery of a primary cobalt deposit on the Remaining Assets.

EXPLORATION AND EVALUATION ASSETS

The Company is focused on building a North American cobalt supply chain. The Company's Iron Creek Project in Idaho, U.S. is its flagship mineral property and a new, upgraded resource estimate was published in January 2020. The Iron Creek property includes patented and unpatented claims totalling 1,820 hectares as well as 600 metres of underground drifting from three adits. Other cobalt-copper targets exist on the Company's property away from the

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Iron Creek resource. While not a major focus of the Company's exploration efforts in recent years, the Cobalt Camp properties are shown separately below due to their different geographic location.

	Balance December 31, 2020	Acquisition Costs	Writedown and Other Adjustments	ARO Adjustment	Reclassification to Held for Sale	Balance September 30, 2021
Iron Creek	\$ 87,420,121	\$ 118,625	\$ -	\$ -	\$ -	\$ 87,538,746
Cobalt Camp, Ontario	1	-	-	-	-	1
Total	\$ 87,420,122	\$ 118,625	\$ -	\$ -	\$ -	\$ 87,538,747

	Balance December 31, 2019	Acquisition Costs	Writedown and Other Adjustments	ARO Adjustment	Reclassification to Held for Sale	Balance December 31, 2020
Iron Creek	\$ 87,420,121	\$ -	\$ -	\$ -	\$ -	\$ 87,420,121
Cobalt Camp, Ontario	1	-	5,638,693	65,980	(5,704,673)	1
Total	\$ 87,420,122	\$ -	\$ 5,638,693	\$ 65,980	\$ (5,704,673)	\$ 87,420,122

In 2020, the Company reversed a portion previously recorded impairment charges relating to the Cobalt Camp relating to its announced sale transaction with Kuya Silver Corporation.

SUMMARY OF QUARTERLY RESULTS

Key financial information for the three months ended September 30, 2021, as well as the quarters spanning the most recently preceding fiscal years, are summarized as follows, reported in Canadian dollars except for per share amounts.

	September 30, 2021 (\$)	June 30, 2021 (\$)	March 31, 2021 (\$)	December 31, 2020 (\$)
Financial Position				
Current Assets	61,183,656	15,294,828	20,716,695	10,466,083
Exploration and Evaluation Assets	87,538,747	87,538,747	87,420,122	87,420,122
Total Assets	160,836,530	110,094,032	113,950,731	103,681,301
Current Liabilities	2,114,940	597,799	536,273	2,841,703
Long-term Liabilities	50,485,043	1,264,177	8,761,004	8,688,892
Operations				
Exploration and evaluation expenditures	(1,211,988)	(416,154)	(146,347)	(290,457)
Salary and benefits	(606,306)	(559,211)	(417,057)	(644,950)
Consulting fees	(489,727)	(299,304)	(327,500)	(70,192)
Professional fees	(1,682,906)	(391,376)	(140,795)	(385,290)
Investor relations, marketing, and travel	(125,307)	(133,731)	(117,531)	(281,206)
Refinery and Associated Studies	(1,796,661)	(1,478,715)	(729,506)	(352,396)
Environmental Expenses	(299,212)	(129,062)	(257,222)	(488,930)
General and administrative	(146,024)	(61,303)	(86,401)	(36,021)
Share-based payments	(188,981)	(262,126)	(95,308)	(142,354)
Total Operating Expenses	(6,547,112)	(3,730,982)	(2,317,667)	(2,691,796)
Net (Loss) Gain	(10,502,113)	(6,407,856)	(2,510,183)	2,914,581
(Loss) Gain per Share	(0.02)	(0.01)	(0.01)	0.00

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	September 30 2020 (\$)	June 30, 2020 (\$)	March 31, 2020 (\$)	December 31, 2019 (\$)
Financial Position				
Current Assets	5,493,821	4,097,459	5,619,275	5,126,675
Exploration and Evaluation Assets	87,420,122	87,420,122	87,420,122	87,420,122
Total Assets	98,709,039	97,312,677	98,834,493	98,341,893
Current Liabilities	7,986,544	29,374	99,243	286,589
Long-term Liabilities	2,737,321	10,124,169	10,014,065	9,468,540
Operations				
Exploration and evaluation expenditures	(73,677)	(32,384)	(18,719)	(130,035)
Salary and benefits	(279,753)	(540,201)	(304,634)	(328,729)
Consulting fees	(107,917)	(86,220)	(159,997)	(60,000)
Professional fees	(71,386)	(62,314)	(39,799)	(121,643)
Investor relations, marketing, and travel	(75,712)	(53,652)	(108,676)	(198,253)
Refinery and Associated Studies	(91,840)	(355,865)	(728,708)	(964,874)
Environmental Expenses	(312,986)	(164,380)	(171,570)	(151,790)
General and administrative	(110,290)	(63,625)	(105,838)	(137,028)
Share-based payments	(303,325)	(110,016)	(133,941)	(181,798)
Total Operating Expenses	(1,426,886)	(1,468,657)	(1,771,882)	(2,274,150)
Net Loss	(1,512,738)	(1,678,422)	(2,111,319)	(109,383,604)
Loss per Share	(0.00)	(0.00)	(0.01)	(0.30)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

The following are highlights from the Company's results of operations for the three months ended September 30, 2021 and 2020:

- Exploration and evaluation expenditures were \$1,211,988 for the three months ended September 30, 2021, compared to \$73,677 for the three months ended September 30, 2020. In 2020, there was limited exploration activity but there is now an active exploration program at Iron Creek. Cost associated with geophysics and preparing the site for drilling were key drivers of the increase this period. The Cobalt Camp assets also have active exploration occurring on them in conjunction with Kuya silver, with drilling and geologists costs the main driver of current period expenditures, which utilizes the flow-through funds raised in 2020.
- Refinery and associated studies costs were \$1,796,661 for the three months ended September 30, 2021, compared to \$91,840 for the three months ended September 30, 2020. The costs incurred for the three months ended September 30, 2021 mainly relate to front-end engineering design costs as the Company ramps up engineering efforts to restart the refinery. As the Company has moved fully into the development phase of the project in September 2021, the majority of engineering costs incurred from September 2021 onward focus on project advancement to bring the refinery to its intended use and are being capitalized.
- Salary and benefits were \$606,306 for the three months ended September 30, 2021, compared to \$279,753 for the three months ended September 30, 2020. The increase is a result of the Company expanding its workforce during 2021 with increased headcount at its corporate, refinery, and exploration sites.
- Professional fees were \$1,682,906 for the three months ended September 30, 2021, compared to \$71,386 incurred during the three months ended September 30, 2020, due an increase in legal and advisory costs related to the issuance of the convertible notes.
- Environmental expenses were \$299,212 for the three months ended September 30, 2021, compared to \$312,986 for the three months ended September 30, 2020. The decrease was the result of onboarding new environmental personnel in 2021 allowing the Company to reduce the use of external environmental consultants in some areas.

- Consulting fees were \$489,727 for the three months ended September 30, 2021, compared to \$107,917 for the three months ended September 30, 2020. The increase was due mainly to financial advisory fees paid in relation to the Company's refinery financing process.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

The following are highlights from the Company's results of operations for the nine months ended September 30, 2021 and 2020:

- Exploration and evaluation expenditures were \$1,774,489 for the nine months ended September 30, 2021, compared to \$124,780 for the nine months ended September 30, 2020. The increase is driven by active exploration programs at both Iron Creek and Cobalt Camp.
- Refinery and associated studies costs were \$4,004,882 for the nine months ended September 30, 2021, compared to \$1,176,413 for the nine months ended September 30, 2020. The costs incurred for the nine months ended September 30, 2021 mainly relate to front-end engineering design costs as the Company ramps up engineering efforts to restart the refinery.
- Salary and benefits were \$1,582,574 for the nine months ended September 30, 2021, compared to \$1,124,588 for the nine months ended September 30, 2020. The increase is a result of the Company expanding its workforce during 2021.
- Professional fees were \$2,215,077 for the nine months ended September 30, 2021, compared to \$173,499 incurred during the nine months ended September 30, 2020 due an increase in legal costs, transaction costs and accounting costs. The legal and transaction costs mainly relate to fees paid for the convertible note process completed in September 2021. As the Company ramps up its refinery restart, legal fees have increased to review vendor contracts.
- Environmental expenses were \$685,496 for the nine months ended September 30, 2021, compared to \$648,936 for the nine months ended September 30, 2020. These costs relate to work performed on the permit amendments for the refinery expansion.
- Consulting fees were \$1,116,531 for the nine months ended September 30, 2021, compared to \$354,134 for the nine months ended September 30, 2020. The increase was the result of an advisory fee paid to Cormark Securities Inc. relating to the Kerr assets sale to Kuya Silver Corp, and cost incurred in relation to due diligence activities and financial advisory fees for the Company's financing processes.

CAPITAL STRUCTURE

As of the date of this MD&A, the Company has 551,110,076 common shares issued and outstanding. In addition, there are outstanding share purchase warrants and stock options for a further 22,946,123 and 15,418,335 common shares, respectively. The Company currently has 3,173,949 Deferred Share Units (DSUs), 1,14,791 Restricted Share Units (RSUs), and 1,575,000 Performance Share Units (PSUs) issued under its Long-Term Incentive Plan.

During the three months ended September 30, 2021, 781,250 warrants of the Company were exercised for gross proceeds of \$164,063. No warrants expired during the three months ended September 30, 2021.

During the nine months ended September 30, 2021, 28,245,859 warrants of the Company were exercised for gross proceeds of \$6.2 million. The Company also issued a total of 17,658,480 share purchase warrants in conjunction with the bought deal financing. During the nine months ended September 30, 2021, a total of 400,000 warrants expired.

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

Grant Date	Expiry Date	Number of warrants outstanding	Weighted Average Exercise Price
August 27, 2020	August 27, 2022	5,287,643	\$0.21
January 22, 2021	January 22, 2023	15,766,500	\$0.50
January 22, 2021	January 22, 2023	1,891,980	\$0.31
		22,946,123	\$0.42

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

Options Outstanding				Options Exercisable	
Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
\$ 0.14	3,003,335	2.93	\$ 0.14	1,826,668	\$ 0.14
0.14	2,016,667	3.78	0.14	550,000	0.14
0.15	500,000	3.91	0.15	250,000	0.15
0.16	350,000	3.01	0.16	233,333	0.16
0.18	1,000,000	2.39	0.18	1,000,000	0.18
0.27	400,000	2.07	0.27	400,000	0.27
0.35	575,000	4.55	0.35	-	0.35
0.35	250,000	5.11	0.35	-	0.35
0.36	1,100,000	1.99	0.36	1,100,000	0.36
0.36	1,000,000	3.99	0.36	1,000,000	0.36
0.41	100,000	3.39	0.41	-	0.41
0.49	1,973,333	1.74	0.49	1,973,333	0.49
0.52	450,000	1.34	0.52	450,000	0.52
0.66	1,500,000	0.42	0.66	1,500,000	0.66
0.69	1,200,000	0.67	0.69	1,200,000	0.69
	15,418,335	2.50	\$ 0.34	11,483,334	\$ 0.39

During the three months ended September 30, 2021, the Company did not issue any Options, DSUs, PSUs or RSUs.

During the nine months ended September 30, 2021, the Company issued 675,000 Options, 248,980 DSUs, 263,456 RSUs, and 1,575,000 PSUs. DSUs vest immediately and may not be exercised until a director or officer ceases to serve their role. The RSUs vest over a 2-2.5-year period and are expensed consistent with their vesting period. The PSUs vest over a 2 year period and are expensed consistent with their vesting period.

Subsequent to quarter-end, in November 2021, 250,000 Options and 50,000 RSUs were issued to new employees of the Company. A further 35,714 DSUs were issued to a Director as compensation for their services.

CAPITAL RESOURCES

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.

The Company will continue to adjust its capital structure based on Management's assessment of the best capital mix to effectively advance its assets. With the closing of the Notes on September 2, 2021 and the associated Additional Notes issued on October 22, 2021, the Company now has added a debt component to its capital structure.

In addition to its cash on hand, the Company also has executed contribution agreements with the Government of Ontario and Government of Canada for aggregate funding towards the refinery construction of \$10 million. With the completion of the Note Offering (inclusive of the Additional Notes) and Equity Offering, the Company's current working capital on hand, in aggregate with the government investments, will provide the funding required to substantially finance the estimated construction costs of the refinery. The Company will still require a working capital facility to cover the feedstock purchase cycle through to the sale of final cobalt sulfate and to meet minimum liquidity requirements under the Note Offering and is in discussions with working capital finance providers.

LIQUIDITY

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and asset advancement requirements. The company has financed its refinery construction project with a combination of debt instruments and the sale of share capital. During the third quarter of 2021, the Company completed a combined convertible note and equity financing package for gross proceeds of approximately \$56 million (US\$45 million).

At September 30, 2021, the Company had cash of \$61,183,656 (December 31, 2020 - \$4,174,296) and working capital of \$62,815,365 (December 31, 2020 - \$7,624,380). This figure does not include the committed \$10 million of Government investments. Subsequent to quarter-end, in October 2021 the Company issued US\$7.5 million of additional convertible notes at the same terms of the original Notes, injecting further cash resources into the Company.

To maintain liquidity, the Company issued common shares for cash proceeds during the nine months ended September 30, 2021 as follows:

- On January 22, 2021, the Company completed a bought deal by issuing 31,533,000 Units at a Unit price of \$0.31 for gross proceeds of \$9.78 million. Each Unit consists of one common share in the share capital of the Company and one-half of one common share purchase warrant (each full warrant a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share at a price of \$0.50 for a period of two years. The transaction costs associated with the issuance were \$928,826, and an additional 1,891,980 Warrants valued at \$250,354 were issued to the broker at a price of \$0.31 for a period of two years.
- During the first nine months of 2021, the Company issued 28,245,859 common shares for gross proceeds of approximately \$6,216,494 for exercised warrants. There were no significant transaction costs associated with these issuances.
- The Company also issued 1,007,913 common shares resulting from the exercise of options, DSUs and RSUs during the first nine months of 2021. The total proceeds from the option exercises were \$50,400.
- On June 22, 2021, the Company issued 225,000 shares for the acquisition of exploration & evaluation assets in Idaho, USA.

FIRST COBALT CORP.MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

- On July 23, 2021, the Company issued 435,000 common shares at a price of \$0.323 per share for gross proceeds of approximately \$136,290 under its ATM program. The transaction costs associated with this issuance was \$4,215, which reflect the commissions paid to Cantor Fitzgerald.
- On September 2, 2021, the Company issued 38,150,000 common shares at a price of \$0.25 per common shares for total gross proceeds of \$9,537,500 via a public equity offering under the Company's base shelf prospectus. The transaction costs associated with this issuance were \$584,750.

Additionally, in February 2021, the Company launched an ATM Program to allow for the issuance of up to \$10 million of common shares from treasury. There were no issuances of shares under the ATM Program during the first quarter of 2021. During the second quarter of 2021, the Company has issued a total of 1,588,500 common shares under the ATM Program at an average price of \$0.3436 per share, providing gross proceeds of \$529,396. A commission of \$16,373 was paid to Cantor Fitzgerald in relation to these distributions. During the third quarter, the Company issued 435,000 common shares at a price of \$0.323 per share for gross proceeds of approximately \$140,505 under its ATM program. The transaction costs associated with this issuance was \$4,215 which reflect the commissions paid to Cantor Fitzgerald. The ATM Program was terminated during the third quarter of 2021.

At September 30, 2021, the principal amount of debt outstanding relating to the convertible notes was US\$37.5 million. If no conversion takes place, the principal balance will be due in full on December 1, 2026. The convertible note is split between a host debt component and an embedded financial derivative liability component on the balance under IFRS. On October 22, 2021, an additional US\$7.5 million of convertible notes were issued, bringing the total notes issued to US\$45 million.

Subsequent to quarter-end, the Company received conversion notices for US\$4 million of principal for its outstanding convertible notes. In line with the conversion terms in the Note Indenture, a total of 16,232,960 common shares were issued and cash make-whole interest payments of US\$0.5 million were made. The total outstanding principal balance of the notes is currently US\$41 million.

The total costs of the activities required to advance the refinery are expected to be funded primarily through cash on hand and the contributions from the Government of Ontario and Government of Canada.

<i>(expressed in Canadian Dollars)</i>	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash Flows used in operating activities	\$ (11,993,732)	\$ (4,150,473)
Cash Flows provided by (used in) investing activities	(1,948,605)	11,500
Cash Flows provided by financing activities	70,364,947	4,433,362
Changes in cash during the period	56,422,610	294,389
Effect of exchange rates on cash	586,750	3,853
Cash – Beginning of the period	4,174,296	4,419,642
Cash – End of the period	\$ 61,183,656	\$ 4,717,884

Cash used in operating activities was \$11,993,732 during the nine months ended September 30, 2021, compared to \$4,150,473 used in operating activities during the nine months ended September 30, 2020. The increase in cash used in operating activities was driven primarily by increased refinery engineering and permitting costs, and additional legal, advisory, and transaction costs associated with the Company's financing process.

Cash used in investing activities was \$1,948,605 during the nine months ended September 30, 2021, compared to \$11,500 provided by investing activities during the nine months ended September 30, 2020. The increase in cash

used in investing activities was driven mainly by milestone payments made for the cobalt crystallizer equipment which will be utilized in the expanded refinery.

Cash flows provided by financing activities were \$70,364,948 during the nine months ended September 30, 2021 compared to the \$4,433,362 from financing activities during the nine months ended September 30, 2020. The 2021 inflow was related to proceeds from the Company's January 2021 bought deal financing, exercise of warrants and options, and Note Offering and Equity Offering that closed in September 2021.

The Company has sufficient cash on hand to cover normal operations for a number of years. With the completion of the Note Offering and Equity Offering, the further US\$7.5 million of Additional Notes issued in October 2021 and the committed Government funding, the Company currently has substantially all the funding required to cover the estimated refinery project construction capital costs.

COMMITMENTS

The committed cash outflows associated with the Company's Notes is summarized below:

	Total		
	Interest	Principal	Commitments
Current	3,360,163	-	3,360,163
1 - 5 years	13,449,859	-	13,449,859
Thereafter	570,767	47,685,375	48,256,142
Total	<u>\$ 17,380,789</u>	<u>\$ 47,685,375</u>	<u>\$ 65,066,164</u>

In connection with the current refinery work plan, the Company has signed contracts with numerous vendors. A number of these contracts are for engineering work and other services that are billed on a time and materials basis, and thus if work is stopped there is no financial exposure to the Company other than paying for hours worked for these contracts. Subsequent to quarter-end, the Company has signed formal contracts for certain equipment and physical assets such as the solvent extraction equipment, cobalt crystallizer, and the exterior building for the solvent extraction plant. These new contractual commitments, for which the Company is contractual committed to pay in full, total approximately \$16 million.

The Company has recorded a provision for environmental remediation, reclamation and decommissioning for its Ontario assets. For the refinery, a liability of \$926,321 has been recorded, linked to a currently filed closure plan. In relation to the refinery closure plan, an amount of \$937,550 is on deposit with the Ministry of Energy, Northern Development, and Mines as financial assurance.

For the Cobalt Camp exploration properties, the Company has recorded a reclamation liability of \$337,856 as at September 30, 2021 representing the best estimate of the associated rehabilitation work.

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 nine months ended September 30, 2021 and 2020, the Company paid and/or accrued the following fees to management personnel and directors:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Management	\$ 418,269	\$ 398,562	\$ 1,104,121	\$ 970,070
Directors	48,935	52,026	142,307	136,469
	\$ 467,204	\$ 450,588	\$ 1,246,428	\$ 1,106,539

During the three months ended September 30, 2021 the Company had share-based payments made to management and directors of \$134,795 (September 30, 2020 - \$105,551).

During the nine months ended September 30, 2021 the Company had share-based payments made to management and directors of \$399,845 (September 30, 2020 - \$499,069). As at September 30, 2021 the accrued liabilities balance for related parties was \$112,500 (December 31, 2020 - \$361,500), relating only to the timing of normal course director and management compensation.

OFF BALANCE SHEET ARRANGEMENTS

The Company currently has no off balance sheet arrangements.

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.

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 be able to satisfy obligations in the near term with its cash balances. With the Company issuing convertible notes during the quarter, it now has future obligations to pay semi-annual interest payments and the principal upon maturity. The Company expects to settle these obligations with cash flows generated by refinery operations.

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. With the Company's debt with Glencore now extinguished, there is no current interest rate risk present. The Company's convertible notes bear interest at a fixed interest rate.

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, and accrued liabilities that are denominated in US Dollars. In addition, the Company's new convertible notes are denominated in US dollars and fluctuations in foreign exchange rates will impact the Canadian dollar amounts required to settle interest and principal payments for these convertible notes. 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 resource 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

The Company has raised funds through equity financing and debt arrangements to fund its operations and the advancement of the Refinery. The market price of natural resources, specifically cobalt prices, is highly speculative and volatile. Instability in prices may affect the interest in resource assets and the development of and production from

such properties. This may adversely affect the Company's ability to raise capital or obtain debt to fund corporate activities and growth initiatives.

Technical Capabilities of the Refinery

The Company's strategic priority is the advancement of the First Cobalt Refinery, with significant engineering studies and metallurgical testing conducted to date. There is no assurance that the final refining process will have the capabilities to produce specific end products. The Company will manage this risk through contracting technical experts on metallurgy and engineering to support refinery process decisions.

Ability to meet Debt Service Obligations

The Company now has debt service obligations arising from the Notes, which include ongoing coupon payments and payment of principal at maturity. In the event the refinery construction is not completed as planned or sufficient cash flow from refinery operations is not generated, there is a risk that the Company may not have sufficient available capital to meet its debt obligations. In this event, the assets pledged may be transferred to the lenders.

Global Pandemic

The ability for the Company to source financing, equipment and construction and operation personnel for its refinery may be impacted by the COVID-19 global pandemic. At present, the Company has not encountered any adverse consequences. The ultimate impacts of the current pandemic are not known, but could have significant impacts on the Company's ability to attract financing and advance its assets.

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 Annual Information Form dated April 15, 2021 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.

The areas requiring a significant degree of judgement are outlined in the Company's most recent annual financial statements. With the completion of the Notes, there is a new area requiring significant judgement that impacts the Company's condensed interim consolidated financial statements, as outlined below:

Notes Payable and Financial Derivative Liability

Notes payable and financial derivative liability values involve significant judgement and estimation. The Company estimates the value of the note payable at inception and it is carried at amortized costs, whereas the fair value of the financial derivative liability is reviewed and adjusted on a quarterly basis. Factors considered in the amortized cost of the notes payable and the fair value of the financial derivative liability are the risk free rate, share price volatility, credit spread, effective interest, and foreign exchange fluctuations.

There are no other new areas requiring significant judgement that impacted the Company's condensed interim consolidated financial statements.

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 three months ended September 30, 2021 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 September 30, 2021, 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 the advancement of the refinery, 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, successful outcome of the work in support of the recommissioning of the Refinery, 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.

FIRST COBALT CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

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 work programs 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 work programs on its assets 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.



FIRST COBALT CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

(EXPRESSED IN CANADIAN DOLLARS)

FIRST COBALT CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)
(expressed in Canadian dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021 AND DECEMBER 31, 2020 (UNAUDITED)

<i>(expressed in Canadian Dollars)</i>	September 30, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 61,183,656	\$ 4,174,296
Marketable securities (Note 6)	2,250,224	-
Prepaid expenses and deposits	396,327	366,465
Receivables	1,100,098	220,649
Assets held for sale (Note 6)	-	5,704,673
	64,930,305	10,466,083
Non-Current Assets		
Exploration and evaluation assets (Note 5)	87,538,747	87,420,122
Property, plant and equipment (Note 4)	5,723,733	4,876,364
Capital long-term prepayments (Note 4)	1,706,195	-
Long-term restricted cash	937,550	918,732
Total Assets	\$ 160,836,530	\$ 103,681,301
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 2,021,262	\$ 981,207
Flow-through share liability (Note 9)	93,678	321,372
Liabilities held for sale (Note 6)	-	1,539,124
	2,114,940	2,841,703
Non-Current Liabilities		
Long-term glencore loan payable (Note 10)	-	6,664,385
Long-term convertible notes payable (Note 11)	22,446,042	-
Financial derivative liability - glencore loan arrangement (Note 10)	-	760,330
Financial derivative liability - convertible notes (Note 11)	28,039,001	-
Asset retirement obligations (Note 8)	1,264,177	1,264,177
Total Liabilities	\$ 53,864,160	\$ 11,530,595
Shareholders' Equity		
Common shares (Note 12)	267,924,726	234,649,393
Reserve (Note 13 and 14)	16,356,665	15,387,665
Accumulated other comprehensive income	525,157	527,674
Deficit	(177,834,178)	(158,414,026)
Total Shareholders' Equity	\$ 106,972,370	\$ 92,150,706
Total Liabilities and Shareholders' Equity	\$ 160,836,530	\$ 103,681,301
Commitments and contingencies (Note 17)		
Subsequent events (Note 21)		

**Approved on behalf of the Board of Directors and
authorized for issue on November 29, 2021**

/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, 2021 (UNAUDITED)
(expressed in Canadian dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (UNAUDITED)

<i>(expressed in Canadian Dollars)</i>	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Operating expenses				
Consulting fees	\$ 489,727	\$ 107,917	\$ 1,116,531	\$ 354,134
Exploration and evaluation expenditures	1,211,988	73,677	1,774,489	124,780
General and administrative	146,024	110,290	293,728	279,753
Investor relations and marketing	109,254	75,051	351,368	218,388
Refinery and associated studies	1,796,661	91,840	4,004,882	1,176,413
Environmental expenses	299,212	312,986	685,496	648,936
Professional fees	1,682,906	71,386	2,215,077	173,499
Salary and benefits	606,306	279,753	1,582,574	1,124,588
Share-based payments	188,981	303,325	546,415	547,282
Travel	16,053	661	25,201	19,652
Operating loss	(6,547,112)	(1,426,886)	(12,595,761)	(4,667,425)
Other				
Withholding tax expense	-	(25,897)	(38,667)	(44,113)
Foreign exchange gain (loss)	129,342	93,418	173,962	(75,771)
Interest Income (expense)	-	(149,561)	(109,600)	(510,564)
Gain on kuya option exercise (Note 9)	973,154	-	973,154	-
Loss on marketable securities	(871,206)	-	(2,236,803)	-
Loss on financial derivatives revaluation on glencore loan	-	(54,632)	(12,320)	(55,426)
Flow-through share premium	49,447	-	227,694	-
Loss on conversion of glencore loan	-	-	(1,566,073)	-
Loss on derivative liability - convertible notes (Note 11)	(4,235,738)	-	(4,235,738)	-
Other non-operating income (expense)	-	50,820	-	50,820
Loss before taxes	(10,502,113)	(1,512,738)	(19,420,152)	(5,302,479)
Income tax expense	-	-	-	-
Net loss	(10,502,113)	(1,512,738)	(19,420,152)	(5,302,479)
Other comprehensive income				
Foreign currency translation income (expense)	(628)	1,639	(2,517)	3,853
Net loss and other comprehensive income	\$ (10,502,741)	\$ (1,511,099)	\$ (19,422,669)	\$ (5,298,626)
Basic and diluted loss per share	\$ (0.02)	\$ (0.00)	\$ (0.04)	\$ (0.01)
Weighted average number of shares outstanding (basic and diluted) (Note 15)	507,543,366	391,519,624	484,898,056	387,442,429

FIRST COBALT CORP.**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)***(expressed in Canadian dollars)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (UNAUDITED)***(expressed in Canadian Dollars)*

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Operating activities		
Net loss	\$ (19,420,152)	\$ (5,302,479)
Adjustments for items not affecting cash:		
Depreciation	527	-
Share-based payments	546,415	547,282
Directors fees paid in DSUs	19,585	53,617
Loss on marketable securities	2,236,803	-
Loss on financial derivatives revaluation on glencore loan	12,320	55,426
Gain on kuya option exercise	(973,154)	-
Unrealized (gain) loss on foreign exchange	(412,788)	146,710
Interest expense on loan	128,042	513,123
Interest income on restricted cash	(18,818)	-
Loss on conversion of glencore loan	1,566,073	-
Flow-through share premium	(227,694)	-
Loss on derivative liability - convertible notes	4,235,738	-
	(12,307,103)	(3,986,321)
Changes in non-cash working capital:		
Decrease (Increase) in receivables	(379,449)	38,149
Decrease (Increase) in prepaid and other current assets	(29,862)	(118,553)
Increase (Decrease) in accounts payable and accrued liabilities	722,682	(83,748)
Cash Flows used in operating activities	(11,993,732)	(4,150,473)
Investing activities		
Capital long-term prepayments	(1,706,195)	-
Transfer from (to) restricted cash	-	11,500
Proceeds from sale of marketable Securities	151,676	-
Addition to property, plant and equipment	(344,086)	-
Acquisition of exploration and evaluation assets (Note 5)	(50,000)	-
Cash received on sale of mineral properties (Note 6)	500,000	-
Cash transferred on sale of mineral properties (Note 6)	(500,000)	-
Cash Flows provided by (used in) investing activities	(1,948,605)	11,500
Financing activities		
Proceeds from issuance of units, net transaction costs of \$928,826 (Note 12)	8,872,975	4,433,362
Proceeds of issuance of shares, net transaction costs of \$796,248 (Note 12)	8,741,252	-
Proceeds from ATM, net transaction costs of \$20,588 (Note 12)	665,686	-
Proceeds from exercise of warrants (Note 12)	6,216,494	-
Proceeds from exercise of options	50,400	-
Proceeds from convertible notes, net transaction costs of \$1,473,109 (Note 11)	45,818,140	-
Cash Flows provided by financing activities	70,364,947	4,433,362
Changes in cash during the period	56,422,610	294,389
Effect of exchange rates on cash	586,750	3,853
Cash – Beginning of the period	4,174,296	4,419,642
Cash – End of the period	\$ 61,183,656	\$ 4,717,884
Supplemental information (Note 18)		

FIRST COBALT CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)

(expressed in Canadian dollars)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (UNAUDITED)**

(Expressed in Canadian Dollars, except per share amounts)

	Common Shares		Reserves	Accumulated Other		Deficit	Total
	Number of Shares	Amount		Comprehensive	Income (Loss)		
Balance – December 31, 2020	409,292,107	\$234,649,393	\$15,387,665	\$ 527,674	\$(158,414,026)	\$ 92,150,706	
Net loss for the year	-	-	-	-	(19,420,152)	\$(19,420,152)	
Other comprehensive income for the year	-	-	-	(2,517)	-	\$(2,517)	
Share based payment expense	-	-	546,415	-	-	\$ 546,415	
Directors fees paid in DSUs	-	-	19,585	-	-	\$ 19,585	
Shares and units issued for:							
Acquisition of exploration and evaluation assets (Note 5)	225,000	68,625	-	-	-	\$ 68,625	
Exercise of warrants, options, and DSUs/PSUs/RSUs (Note 12 and 13)	29,253,772	7,531,149	(1,264,255)	-	-	\$ 6,266,894	
January equity offering - net of transaction costs	31,533,000	7,205,720	1,667,255	-	-	\$ 8,872,975	
September equity offering - net of transaction costs	38,150,000	8,741,252	-	-	-	\$ 8,741,252	
ATM sales - net of transaction costs	2,023,500	665,686	-	-	-	\$ 665,686	
Conversion of glencore loan (Note 10)	23,849,737	9,062,901	-	-	-	\$ 9,062,901	
Balance – September 30, 2021	534,327,116	\$267,924,726	\$16,356,665	\$ 525,157	\$(177,834,178)	\$ 106,972,370	
Balance – December 31, 2019	372,249,684	\$230,374,837	\$13,714,970	\$ 523,085	\$(156,026,128)	\$ 88,586,764	
Net loss for the year	-	-	-	-	(5,302,479)	\$(5,302,479)	
Other comprehensive loss for the year	-	-	-	3,853	-	\$ 3,853	
Share based payment expense	-	-	547,282	-	-	\$ 547,282	
Directors fees paid in DSUs	-	-	53,616	-	-	\$ 53,616	
Shares and units issued for:							
Cash, net of transaction costs (Note 12)	31,851,073	2,939,490	1,156,648	-	-	\$ 4,096,138	
Balance – September 30, 2020	404,100,757	\$233,314,327	\$15,472,516	\$ 526,938	\$(161,328,607)	\$ 87,985,174	

FIRST COBALT CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)

(expressed in Canadian dollars)

1. Nature of Operations

First Cobalt Corp. (the "Company", "First Cobalt" or "FCC") was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia (the "Act"). On September 4, 2018, 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 producing battery materials for the electric vehicle supply chain. The Company is focused on building an ethical North American supply of cobalt, nickel, and battery precursor material. In December 2021, subject to shareholder approval, the Company will change its name to Electra Battery Materials Corporation to better reflect its strategic vision.

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 401 Bay Street, 6th Floor, Toronto, Ontario, M5H 2Y4.

The Company is in the process of constructing its expanded refinery and exploring and developing its mineral properties. On September 2, 2021 the Company completed a refinery construction financing package comprising convertible notes and an offering of common shares for total gross proceeds of US\$45 million. With the completion of this financing, a full restart decision was made and the project entered the full development phase. An additional US\$7.5 million of convertible notes were issued on October 22, 2021 pursuant to upsize options granted to the original note holders in the September 2, 2021 financing.

The Company is focused on building a North American integrated battery materials complex for the electric vehicle supply chain. In addition, the Company continues to exploration its Idaho mineral properties as a potential future source of North American cobalt and copper. The recoverability of the amounts shown for exploration & evaluation assets 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 exploration and evaluation assets 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

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). These condensed interim consolidated financial statements should be read in conjunction with our most recent annual financial statements. These condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements except for the accounting standard disclosed in Note 2 below. On November 29, 2021, the Board of Directors authorized these financial statements for issuance.

FIRST COBALT CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)

(expressed in Canadian dollars)

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

Marketable Securities

Marketable securities represent shares held in Kuya Silver Corporation (“Kuya Silver” or “Kuya”) received as part of the sale of the Kerr assets to Kuya, refer to note 9 for details of the arrangement. Marketable securities held by the Company are held for trading purposes and are classified as financial asset measured at fair value through profit or loss (“FVTPL”). At each reporting date, the Company marks-to-market the value of the marketable securities based on quoted market prices; therefore, these financial assets are classified as Level 1 on the fair value hierarchy.

Any profit or loss arising from the sale of these securities, or the revaluation at reporting dates, is recorded to the consolidated statement of loss and other comprehensive loss. As the marketable securities are held for trading purposes and not as part of a strategic investment, they are expected to be liquidated within a twelve-month period and are classified as a current asset on the statement of financial position.

Capitalization of Development Costs

Development costs associated with bringing the Company’s hydrometallurgical refinery to the location and condition necessary for it to be capable of operating in its intended manner are capitalized as property, plant and equipment costs.

Borrowing Costs

Borrowing costs are expensed as incurred except where they relate to the financing of construction or development of qualifying assets in which case they are capitalized as property, plant and equipment up to the date when the qualifying asset is ready for its intended use.

All proceeds from the convertible notes are being utilized for the construction and expansion of the First Cobalt Refinery, which given its construction timeline of over a year, is a qualifying asset under IAS 23 Borrowing Costs.

Operating Segments

Upon the decision to move into the full development stage of the refinery, this business unit is now likely to earn revenue and incur expenses that are separate and discrete from the rest of the Company. The Company’s Chief Executive Officer reviews operating results and assesses performance for the refinery on a separate basis, and therefore, the refinery now meets the definition of a segment. The Company’s operating segments are as follows:

- The Cobalt Camp Refinery (Canada)
- Corporate and Other

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.

FIRST COBALT CORP.NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)

(expressed in Canadian dollars)

The following subsidiaries have been consolidated for all dates presented within these financial statements:

Subsidiary	Ownership	Location
Cobalt Projects International Corp.	100%	Canada
Cobalt Industries of Canada Corp.	100%	Canada
Cobalt One Limited	100%	Australia
Cobalt Camp Refinery Ltd.	100%	Canada
Cobalt Camp Ontario Holdings Corp.	100%	Canada
Ophiolite Consultants Pty Ltd.	100%	Australia
Acacia Minerals Pty Ltd.	100%	Australia
US Cobalt Inc. ("USCO")	100%	Canada
1086360 BC Ltd.	100%	Canada
Idaho Cobalt Company	100%	United States
Scientific Metals (Delaware) Corp.	100%	United States

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

3. Recently Adopted and Issued Not Yet Effective Accounting Standards**Property, Plant and Equipment**

An amendment has been issued to IAS 16 – *Property, Plant and Equipment*, effective in 2022, such that revenue earned prior to the time at which an asset has reached its intended use will be recognized as revenue, and not a reduction to the cost of property, plant and equipment. As the Refinery is expected to become operational in the fourth quarter of 2022, there will likely be a period a of revenue earned prior to the asset reaching commercial production (the point at which it would be available for its intended use). The Company will continue to assess the impact of these accounting standard change at future reporting periods.

Classification of liabilities as current or non-current

In January 2020, the IASB published narrow scope amendments to IAS 1 Presentation of financial statements. The narrow scope amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments are effective for annual periods beginning on or after January 1, 2023 and applied retrospectively. The Company will adopt the narrow scope amendments on the date they become effective and is currently evaluating the impact of the amendments on its consolidated condensed interim financial statements.

Deferred tax related to assets and liabilities arising from a single transaction

In May 2021, the IASB published a narrow scope amendment to IAS 12 Income taxes. In September 2021, IAS 12 was revised to reflect this amendment. The amendment narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as deferred taxes on leases and decommissioning obligations. The amendment is effective for annual periods beginning on or after January 1, 2023 and applied retrospectively. The Company will adopt the amendment on the date it becomes effective and is currently evaluating the impact of the amendment on its consolidated condensed interim financial statements.

As at September 30, 2021, there have been no other accounting pronouncements issued by the IASB that would materially affect the Company's consolidated condensed interim financial statements.

FIRST COBALT CORP.NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)

(expressed in Canadian dollars)

4. Property, Plant and Equipment and Capital Long-term Prepayments

	Balance			Balance
	December 31,	Additions	Depreciation	September 30,
	2020			2021
Property, plant and equipment - Canada	\$ 4,876,364	\$ 825,544	\$ -	\$ 5,701,908
Property, plant and equipment - Iron Creek	-	22,352	(527)	21,825
Total Property, plant and equipment	\$ 4,876,364	\$ 847,896	\$ (527)	\$ 5,723,733

	Balance			Balance
	December 31,	Additions	Depreciation	December 31,
	2020			2020
Property, plant and equipment - Canada	\$ 4,876,364	\$ -	\$ -	\$ 4,876,364
Property, plant and equipment - Iron Creek	-	-	-	-
Total Property, plant and equipment	\$ 4,876,364	\$ -	\$ -	\$ 4,876,364

The majority of the Company's plant and equipment assets relate to its hydrometallurgical refinery located near Temiskaming Shores, Ontario, Canada. The carrying value of property, plant and equipment is \$5,723,733 (December 31, 2020 - \$4,876,364), all of which is pledged as security for the Convertible Notes issued on September 2, 2021 (Note 14).

In September 2021, the Company moved into the development stage and began capitalizing engineering and other costs directly associated with bringing the refinery into the state required for its intended use. Capitalized development costs for the quarter totaled \$344,086, and capitalized borrowing costs were \$503,810.

As at September 30, 2021, the Company's closure costs for the existing Refinery are estimated to be \$926,321 (December 31, 2020: \$926,321) and are recorded as asset retirement obligations. No depreciation has been recorded for the Refinery in the current year (December 31, 2020 - \$Nil) as the asset is not yet in service.

FIRST COBALT CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)

(expressed in Canadian dollars)

	Balance		Balance
	December 31,	Additions	September 30,
	2020		2021
Capital long-term prepayments - Canada	\$ -	\$ 1,706,195	\$ 1,706,195
Total Capital long-term prepayments	\$ -	\$ 1,706,195	\$ 1,706,195

	Balance		Balance
	December 31,	Additions	December 31,
	2019		2020
Capital long-term prepayments - Canada	\$ -	\$ -	\$ -
Total Capital long-term prepayments	\$ -	\$ -	\$ -

During the second quarter of 2021, the Company signed an agreement for its cobalt crystallizer, a key long-lead equipment item and has made initial milestones payments relating to vendor work activities for this asset totaling \$1,706,195.

5. Exploration and Evaluation Assets

	Balance	Acquisition	Writedown and	ARO	Reclassification	Balance
	December 31,	Costs	Other	Adjustment	to Held for Sale	September 30,
	2020		Adjustments			2021
Iron Creek	\$ 87,420,121	\$ 118,625	\$ -	\$ -	\$ -	\$ 87,538,746
Cobalt Camp, Ontario	1	-	-	-	-	1
Total	\$ 87,420,122	\$ 118,625	\$ -	\$ -	\$ -	\$ 87,538,747

	Balance	Acquisition	Writedown and	ARO	Reclassification	Balance
	December 31,	Costs	Other	Adjustment	to Held for Sale	December 31,
	2019		Adjustments			2020
Iron Creek	\$ 87,420,121	\$ -	\$ -	\$ -	\$ -	\$ 87,420,121
Cobalt Camp, Ontario	1	-	5,638,693	65,980	(5,704,673)	1
Total	\$ 87,420,122	\$ -	\$ 5,638,693	\$ 65,980	\$ (5,704,673)	\$ 87,420,122

In the second quarter of 2021, the Company acquired the West Fork property comprising 103 mineral claims directly west to the Iron Creek property. This effectively doubled the Company's land position in Idaho and based on drilling at the western portion of Iron Creek, the Company believes there is potential that the cobalt and copper mineralization at Iron Creek extends west onto the West Fork property. Geophysical surveys will be conducted at the West Fork property to test for mineralization extensions. To acquire these mineral claims, the Company paid consideration of \$50,000 in cash and 225,000 common shares (valued at \$68,625).

In 2020, the Company reversed a portion previously recorded impairment charges relating to the Cobalt Camp relating to its announced sale transaction with Kuya Silver Corporation (Note 9).

FIRST COBALT CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)

(expressed in Canadian dollars)

All of the Iron Creek mineral properties are pledged as security for the Convertible Notes issued on September 2, 2021 (Note 14). Upon successful commissioning of the Refinery, the Iron Creek mineral properties will be released from the Convertible Notes security package.

6. Kerr Sale to Kuya Silver Corp

In December 2020, management committed to a plan to sell the Kerr Assets as well as their associated asset retirement obligations to Kuya. Accordingly, at December 31, 2020, these assets and liabilities were presented as a disposal group held for sale.

On February 26, 2021, the sale of the Kerr Assets closed as planned. Kuya paid the following consideration for the package of mineral patents and claims and the assumption of the associated asset retirement obligations:

- \$1,000,000 in cash – \$500,000 was paid on closing and \$500,000 was held in escrow with legal counsel subject to final administrative items (refer to note 5). The completion of the administrative items and release of funds from escrow occurred in November 2021.
- 1,437,470 common shares of Kuya Silver Corp. – based on the closing price of \$2.55 on the transaction date, this equated to share consideration of \$3,665,549.

The Company contributed \$500,000 to the Kerr Asset exploration program from the flow-through proceeds received in August 2020 as part of the transaction. The transaction was completed through the sale of the shares of CobalTech Mining Inc., a wholly-owned subsidiary of First Cobalt.

The total value for the transaction was equivalent to book value of the assets and liabilities held for sale related to the Kerr Assets, which were classified as Held for Sale at December 31, 2020. Therefore, there is no gain or loss recorded relating to the completion of the sale.

In addition to the outright sale of the Kerr Assets outlined above, as part of the purchase and sale agreement, Kuya had the right to elect to exercise an option to earn up to a 70% interest in the remaining Cobalt Camp assets (the "Remaining Assets") with further payments. Per the terms of the agreement, the following outlines the potential option payments and associated obligations for the Remaining Assets:

- a) On or prior to September 1, 2021, Kuya had the right to elect to initiate the Option by making a cash payment of \$1,000,000 or issuing the equivalent value in Kuya Shares at the Earn-In VWAP prior to such payment (the "Initial Earn-In Payment").
- b) Prior to September 1, 2022, with Kuya having completed a cash payment of \$300,000 to First Cobalt or having issued the equivalent value of Kuya Shares at an issuance price equivalent to the Earn-In VWAP prior to such payment and having incurred expenditures of no less than \$2,000,000 on the Remaining Assets, in consideration for a forty-nine percent (49%) interest in and to the Remaining Assets in favour of Kuya.
- c) Prior to September 1, 2023, with Kuya having completed a further cash payment of \$350,000 to the First Cobalt, or having issued the equivalent value of Kuya Shares at an issuance price equivalent to the Earn-In VWAP prior to such payment, and having incurred further expenditures of no less than \$1,000,000 on the Remaining Assets, in consideration for an additional eleven percent (11%) interest in and to the Remaining Assets, for an aggregate interest of sixty percent (60%) in favour of Kuya.

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

- d) Prior to September 1, 2024, with Kuya having completed a further cash payment of \$350,000 to the First Cobalt, or having issued the equivalent value of Kuya Shares at an issuance price equivalent to the Earn-In VWAP prior to such payment, and having incurred further expenditures of no less than \$1,000,000 on the Remaining Assets, in consideration for an additional ten percent (10%) interest in and to the Remaining Assets, for an aggregate interest of seventy percent (70%) in favour of Kuya.

In addition, the agreement includes milestone payments to be made by Kuya to FCC in the event that a large resource is delineated.

On September 1, 2021, Kuya elected to initiate the option program by issuing 671,141 of its own shares to First Cobalt, which equated to a value of \$1,000,000 based on the 20-day VWAP of Kuya common shares. These shares are subject to a hold period of 4 months plus one day. The fair value of these shares on the date of issuance was \$973,154 which was recorded as the initial value of these marketable securities and an associated gain was recorded in the statement of profit and loss.

The Kuya shares acquired are recorded as marketable securities. These shares were marked-to-market at September 30, 2021 resulting in a loss of \$2,236,803 being recorded during the nine months ended September 30, 2021 (December 31, 2020 - \$nil).

7. Accounts Payable and Accrued Liabilities

	September 30, 2021	December 31, 2020
Accounts Payable	\$ 1,029,395	\$ 434,157
Accrued Interest	257,766	-
Other Accrued Liabilities	981,020	547,050
	<hr/> \$ 2,021,262	<hr/> \$ 981,207

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 \$112,500 (December 31, 2020 - \$361,500) due to related parties (Note 24). The increase in accounts payable and accrued liabilities relates mainly to timing of payments on refinery advancement activities.

FIRST COBALT CORP.NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)*(expressed in Canadian dollars)***8. Asset Retirement Obligations**

	September 30, 2021	December 31, 2020
Current	\$ -	\$ -
Long-term	1,264,177	1,264,177
	<u>\$ 1,264,177</u>	<u>\$ 1,264,177</u>

As at September 30, 2021, the Company has recorded its best estimate of the asset retirement obligations relating to its properties and assets. The Refinery has a formal closure plan filed with the Ministry of Northern Development, Mines, Natural Resources and Forestry (NDMNRF). The current expected closure costs for the filed closure plan are \$926,321, which has been recorded as an asset retirement obligation liability. This closure plan relates to the facility as currently constructed and not the expanded facility.

The remainder of the liability above relates to First Cobalt's Ontario properties. First Cobalt controls properties under both shared patents and mineral claims. For features on patented land, the Company is liable for any rehabilitation required.

The Company has recorded its best estimate of the cost to rehabilitate the known features on patented lands as an asset retirement obligation. The Liability recorded relates to the Keeley-Frontier patents, of which the Company owns a 50% stake. Based on an updated estimate of the cost to remediate all features on patented properties, an updated long-term inflation rate assumption of 1.60%, and an updated risk-free interest rate assumption of 0.67%, the estimated ARO liability at December 31, 2020 amounted to \$337,856. The impacts of any change in assumptions during the first nine months of 2021 are not significant and thus the liability balance remains in line with the December 31, 2020 amount.

9. Flow-through Share Liability

On August 27, 2020, the company completed a non-brokered private placement by issuing 8,225,000 Flow-through Units at a Unit price of \$0.16 per Flow-Through Unit for gross proceeds of \$1.3 million. Each Flow-Through Unit consists of one common share of the Company qualifying as a Flow-Through Share and one-half of one common share purchase Warrant. Each full Warrant will entitle the holder thereof to purchase one Common Share of the Company at a price of \$0.21 per Common Share, for a period of 24 months.

The initial amount of the flow-through share liability associated with the flow-through shares was determined to be \$337,225 based on the difference between the fair value price per common share in the Flow-Through Units and the Non-Flow-Through Units issued at the same time.

As at September 30, 2021, the Company's flow-through share liability balance was \$93,678 (December 31, 2020 - \$321,372). The flow-through share liability is amortized as flow-through eligible funds are spent on

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(expressed in Canadian dollars)

eligible activities, which resulted in a reduction in the flow-through share liability of \$227,694 during the nine months ended September 30, 2021, as also seen in Flow-through share premium.

10. Glencore Loan Arrangement

The Company entered a loan arrangement with Glencore on August 26, 2019.

Effective April 7, 2021, the Company completed a loan amendment agreement (the "Second Amending Agreement") with Glencore AG to repay the existing loan by issuing common shares of the Company. A total of 23,849,737 shares were issued at a deemed price of \$0.29 per share, representing a 15% discount to the closing trading price of the Company's shares on the TSXV on the day before the agreement was publicly announced. The original loan agreement contained a right (the "conversion right") for Glencore to convert the balance owing into common shares at a discount of 15% to market price, and the amendments permitted First Cobalt to repay the loan early by issuing common shares on broadly similar terms to the conversion right.

The total market value of the shares issued was \$9,062,901. The long-term loan payable and the financial derivative liability were both derecognized as of April 7, 2021 and an associated loss of \$1.57 million was booked in the second quarter of 2021.

The following table sets out the details of the Glencore loan as of September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020
Long-term Loan Payable – beginning of year	\$ 6,664,385	\$ 6,318,026
Accretion and capitalized interest	128,042	629,017
Foreign exchange gain	(68,251)	(177,480)
Modification gain	-	(105,178)
Glencore Loan Conversion	(6,724,176)	-
Long-term Loan Payable – end of period	\$ -	\$ 6,664,385
Less: current portion	-	-
Non-current portion	\$ -	\$ 6,664,385

The following table sets out the details of the Company's financial derivative liability for the conversion feature in the Glencore loan as of September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020
Financial Derivative Liability – beginning of year	\$760,330	\$413,193
Loss on fair value derivative revaluation	12,320	347,137
Glencore Loan Conversion	(772,650)	-
Financial Derivative Liability – end of period	\$-	\$760,330

FIRST COBALT CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 (UNAUDITED)

(expressed in Canadian dollars)

11. Convertible Note Arrangement

The Company closed a Convertible Note Arrangement (the "Notes") on September 2, 2021 for gross proceeds of US\$37,500,000. As the Notes include a conversion feature and other embedded derivatives (Note 15), its value was split between Financial Derivative Liability measured initially and subsequently at fair value through profit loss and Long-term convertible notes payable measured at fair value less transaction cost and subsequently at amortized cost.

The Notes bear interest at a fixed rate of 6.95%, with coupon payments due in February and August each year in cash. The maturity date is December 1, 2026 and all principal, if not converted, is due upon maturity.

The Notes are convertible into common shares of First Cobalt, at the option of the Noteholders, at an initial Conversion Rate of 4,058.24 common shares per US\$1,000 principal amount of Notes.

After the third anniversary of the issue of the Notes, the Company may mandate the conversion of the Notes at its option in the event the trading price of the Company's common shares exceeds 150% of the Conversion Price for at least 20 trading days, whether consecutive or not, during any consecutive 30 day trading period.

Converting Noteholders will be entitled to an interest make-whole payment, equal to two years of coupon payment of remaining coupon payment until maturity, whichever is less. In the event of a fundamental change, namely a change of control, the conversion rate may be adjusted, in line with a prescribed table in the Note Indenture.

The Notes are secured by a first priority security interest (subject to permitted liens) in substantially all of the Company's assets. Security against the Company's Iron Creek Project in Idaho will be released upon achieving certain refinery commissioning thresholds. The Notes are subject to customary events of default and basis positive and negative covenants. The Company is required to maintain a minimum liquidity balance of US\$7,500,000 under the terms of the Notes, which can be satisfied with a future working capital facility.

Holders of the Notes also had the option to require the Company to issue to the Noteholders an aggregate additional US\$7,500,000 principal amount of Notes, issued at par and on the same terms as noted above, prior to October 22, 2021. The Noteholders exercised this option in full, and US\$7,500,000 of additional Notes were issued on October 22, 2021.

The total value recorded to the host debt portion at inception was \$23,487,987. Transaction costs of \$1,473,109 were recorded as a reduction in the initial debt balance, leading to a net host debt value of \$22,014,878 on the September 2, 2021 initial recognition date. The following table sets out the details of the Company's long-term debt relating to the host debt portion Notes as of September 30, 2021.

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	September 30, 2021	December 31, 2020
Convertible Notes Payable – beginning of year	\$ -	\$ -
Additions	22,014,878	
Effective interest	503,810	-
Foreign exchange (gain)/loss	185,120	-
Convertible Notes Payable – end of period	\$22,703,808	\$ -
Less: current portion recorded as Accrued Interest	(257,766)	-
Non-current portion	\$ 22,446,042	\$ -

The effective interest associated with the convertible notes payable is capitalized to the associated refinery assets. The foreign exchange movement is recorded as a gain or loss in the Statement of Loss and Other Comprehensive Loss.

The Convertible Note Arrangement contains certain features that are embedded derivatives that are separated from the host debt contract relating to the noteholders option to convert principal into common shares, the Company's option to force a mandatory conversion and the interest make-whole payment.

The embedded derivatives were fair valued using the finite difference valuation method with the following key assumptions:

- The conversion rate, interest rate, make-whole interest requirements, and maturity date terms from the Convertible Note Indenture and outlined above
- Risk free rates of 0.9% at the September 2, 2021 initial recognition date and 1.1% at the September 30, 2021 period end date based on the US dollar zero curve at each date
- Equity volatility of 60% at both September 2, 2021 and September 30, 2021 based on an assessment of the Company's historical volatility and the estimated maximum a third party investor would be willing to pay for
- A First Cobalt share price of US\$0.234 at the September 2, 2021 and US\$0.205 per share as September 30, 2021 reflecting the quoted market prices
- A credit spread of 25% at both September 2, 2021 and September 30, 2021

The following table sets out the details of the Company's financial derivative liability related to embedded derivatives in the Notes as of September 30, 2021

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Financial Derivative Liability – initial recognition	\$23,803,263
Loss on fair value derivative revaluation	(4,235,738)
Financial Derivative Liability – end of period	\$28,039,001

Transaction costs of \$1,492,883 relating to the financial derivative liability portion of the convertible notes were expensed during the quarter ended September 30, 2021.

12. 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, 2021, the Company had 534,327,116 (December 31, 2020 – 409,292,107) common shares outstanding.

(b) Issued Share Capital

During the nine months ended September 30, 2021, the Company issued common shares as follows:

- On January 22, 2021, the Company completed a bought deal by issuing 31,533,000 Units at a Unit price of \$0.31 for gross proceeds of \$9,537,500. Each Unit consists of one common share in the share capital of the Company and one-half of one common share purchase warrant (each full warrant a “Warrant”). Each Warrant entitles the holder thereof to purchase one additional common share at a price of \$0.50 for a period of two years. The transaction costs associated with the issuance were \$928,826, and an additional 1,891,980 Warrants valued at \$250,354 were issued to the broker at a price of \$0.31 for a period of two years.
- During the first nine months of 2021, the Company issued 28,245,859 common shares for gross proceeds of approximately \$6,216,494 for exercised warrants. There were no significant transaction costs associated with these issuances.
- The Company also issued 1,007,913 common shares resulting from the exercise of options, DSUs and RSUs during the first nine months of 2021. The total proceeds from the option exercises were \$50,400.
- On April 7, 2021, the company issued 23,849,737 common shares to repay the existing Glencore loan. The shares were issued at a deemed price of \$0.29 per share, representing a 15% discount to the closing trading price of the Company’s shares on the TSXV on the day before the agreement was publicly announced.
- During Q2 2021, the Company issued 1,588,500 common shares at an average price of \$0.3436 per share for gross proceeds of approximately \$545,769 under its ATM Program. The transaction

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costs associated with these issuances were \$16,373, which reflect commissions paid to Cantor Fitzgerald.

- On June 22, 2021, the Company issued 225,000 shares for the acquisition of exploration & evaluation assets in Idaho, USA.
- On July 23, 2021, the Company issued 435,000 common shares at a price of \$0.323 per share for gross proceeds of approximately \$140,505 under its ATM program. The transaction costs associated with this issuance was \$4,215, which reflect the commissions paid to Cantor Fitzgerald.
- On September 2, 2021, the Company issued 38,150,000 common shares at a price of \$0.25 per common shares for total gross proceeds of \$9,537,500 via a public equity offering under the Company's base shelf prospectus. The transaction costs associated with this issuance were \$796,248.

During the year ended December 31, 2020, the Company issued common shares as follows:

- On February 5, 2020, the Company completed a non-brokered private placement by issuing 15,097,430 Units at a Unit price of \$0.14 for gross proceeds of \$2.1 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 \$0.21 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. The transaction costs associated with the issuance was \$65,035.
- On August 27, 2020, the company completed a non-brokered private placement by issuing 8,225,000 Flow-through Units at a Unit price of \$0.16 per Flow-Through Unit for gross proceeds of \$1.3 million and 8,528,643 Units at a price of \$0.14 per Unit for gross proceeds of approximately \$1.2 million. Each Flow-Through Unit consists of one common share of the Company qualifying as a Flow-Through Share and one-half of one common share purchase Warrant. Each Unit consists of one Common Share and one Warrant. Each full Warrant will entitle the holder thereof to purchase one Common Share of the Company at a price of \$0.21 per Common Share, for a period of 24 months. The transaction costs associated with the issuance was \$145,222.
- During December 2020, the Company issued 5,191,350 common shares for gross proceeds of approximately \$1.1 million for exercised warrants, options and DSUs. There were no significant transaction costs associated with these issuances.

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13. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – December 31, 2019	\$0.99	22,322,148
Issuance of warrants	\$0.21	15,256,476
Warrant expiries	\$1.50	(13,017,682)
Issuance of warrants	\$0.21	13,493,893
Exercised warrants	\$0.27	(3,356,333)
Exercised warrants	\$0.21	(515,000)
Exercised warrants	\$0.21	(250,000)
Balance – December 31, 2020	\$0.22	33,933,502
Issuance of warrants	\$0.50	15,766,500
Issuance of warrants	\$0.31	1,891,980
Exercised warrants	\$0.27	(5,548,133)
Exercised warrants	\$0.21	(14,741,476)
Exercised warrants	\$0.21	(7,956,250)
Warrant expiries	\$0.06	(200,000)
Warrant expiries	\$0.27	(200,000)
Balance - September 30, 2021	\$0.42	22,946,123

The expiry of warrants are as follows:

Grant Date	Expiry Date	Number of warrants outstanding	Weighted Average Exercise Price
August 27, 2020	August 27, 2022	5,287,643	\$0.21
January 22, 2021	January 22, 2023	15,766,500	\$0.50
January 22, 2021	January 22, 2023	1,891,980	\$0.31
		22,946,123	\$0.42

During the three months ended September 30, 2021, 781,250 warrants of the Company were exercised for gross proceeds of \$164,063. No warrants expired during the three months ended September 30, 2021.

During the nine months ended September 30, 2021, 28,245,859 warrants of the Company were exercised for gross proceeds of \$6,216,494. The Company issued a total of 17,658,480 share purchase warrants in conjunction with its January 2021 bought deal financing (Note 14). During the nine months ended September 30, 2021, a total 400,000 warrants expired.

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- On January 22, 2021, 15,766,500 warrants were issued to subscribers in the Company's bought deal financing (Note 14). 1,891,980 warrants were issued as broker warrants associated with the bought deal financing. The total fair value of \$1,667,256 was recorded in reserves. The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 0.17%, an expected life of 2 years, an expected volatility of 77.10%, no expected dividends, and a share price of \$0.315.

During the year ended December 31, 2020, 4,121,333 warrants of the Company were exercised for gross proceeds of \$1.07 million. Additionally, the Company issued a total of 28,750,369 share purchase warrants in conjunction with two private placements as outlined below:

- On February 5, 2020, 15,097,430 warrants were issued to subscribers in the Company's private placement (Note 14). 159,046 warrants were issued as finders' fees associated with the private placement. The total fair value of \$591,673 was recorded in reserves. The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.54%, an expected life of 2 years, an expected volatility of 71.57%, no expected dividends, and a share price of \$0.14.
- On August 27, 2020, a further 12,641,143 warrants were issued to subscribers in the Company's private placement (Note 14). 852,750 warrants were issued as finders' fees associated with the private placement. The total fair value of \$564,976 was recorded in reserves. The fair value of the warrants was estimated using the Black-Scholes Options Pricing Model assuming a risk-free interest rate of 0.25% an expected life of 2 years, an expected volatility of 76.79%, no expected dividends, and a share price of \$0.14.

14. 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	Number of shares issued
	exercise price	or issuable on exercise
Balance December 31, 2019	\$0.38	15,253,333
Expiries	\$1.43	(75,000)
Grant	\$0.14	2,200,000
Grant	\$0.15	500,000
Expiries	\$0.44	(2,375,000)
Exercised	\$0.14	(300,000)
Balance December 31, 2020	\$0.33	15,203,333
Grant	\$0.41	100,000
Exercised	\$0.14	(359,998)
Grant	\$0.35	575,000
Balance September 30, 2021	\$0.33	15,518,335

During the nine months ended September 30, 2021:

- In February 2021, the Company granted 100,000 stock options to a new employee as an initial grant under its long-term incentive plan. The options may be exercised within 5 years from the date of grant at a price of \$0.405 per share, and vest over a three-year period. The fair value of the options at the date of grant was estimated to be \$22,211 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 0.20% per year, an expected life of 2.5 years, an expected volatility of 83.57%, no expected dividends, and share price of \$0.435.
- A total of 359,998 options were exercised at an exercise price of \$0.14.
- In April 2021, the Company granted 575,000 stock options to new employees as initial grants under its long-term incentive plan. The options may be exercised within 5 years from the date of grant at a price of \$0.345 per share, and vest over a three-year period. The fair value of the options at the date of grant was estimated to be \$91,974 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 0.29% per year, an expected life of 2.5 years, an expected volatility of 79.90%, no expected dividends, and share price of \$0.34.

During the year ended December 31, 2020:

- In July 2020, the Company granted 2,200,000 stock options to Officers 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 over a three-year period. The fair value of the options at the date of grant was estimated to be \$149,155 using the Black-Scholes Option Pricing Model, assuming a

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risk-free rate of 0.25% per year, an expected life of 2.5 years, an expected volatility of 76.82%, no expected dividends, and share price of \$0.145.

- In August 2020, the Company granted 500,000 stock options to a new Officer under its long-term incentive plan. The options may be exercised within 5 years from the date of grant at a price of \$0.145 per share, and vest over a three-year period. The fair value of the options at the date of grant was estimated to be \$33,529 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 0.26% per year, an expected life of 2.5 years, an expected volatility of 76.65%, no expected dividends, and share price of \$0.145.
- A total of 2,450,000 options expired during the year relating to employees who are no longer with the Company. In December 2020, 300,000 stock options were exercised at an exercise price of \$0.14.

Incentive share options outstanding and exercisable (vested) at September 30, 2021 are summarized as follows:

Options Outstanding				Options Exercisable			
Exercise Price	Number of Shares Issuable on Exercise	Weighted		Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted	
		Average Remaining Life (Years)	Average Exercise Price			Average Exercise Price	
\$ 0.14	3,170,002	2.93	\$ 0.14	1,993,335	\$ 0.14		
0.14	2,200,000	3.78	0.14	733,333	0.14		
0.15	500,000	3.91	0.15	250,000	0.15		
0.16	350,000	3.01	0.16	116,667	0.16		
0.18	1,000,000	2.39	0.18	1,000,000	0.18		
0.27	400,000	2.07	0.27	266,667	0.27		
0.35	575,000	4.55	0.35	-	0.35		
0.36	1,100,000	1.99	0.36	1,100,000	0.36		
0.36	1,000,000	3.99	0.36	1,000,000	0.36		
0.41	100,000	3.39	0.41	-	0.41		
0.49	1,973,333	1.74	0.49	1,973,333	0.49		
0.52	450,000	1.34	0.52	450,000	0.52		
0.66	1,500,000	0.42	0.66	1,500,000	0.66		
0.69	1,200,000	0.67	0.69	1,200,000	0.69		
	15,518,335	2.48	\$ 0.33	11,583,335	\$ 0.39		

During the three months ended September 30, 2021, the Company has expensed \$52,866 (September 30, 2020 - \$112,858.71) for options valued at share prices \$0.14 to \$0.49, as shared-based payment expense.

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During the nine months ended September 30, 2021, the Company has expensed \$200,581 (September 30, 2020 - \$344,056) for options valued at share prices \$0.14 to \$0.49, as shared-based payment expense.

(b) DSUs, RSUs and PSUs

During the nine months ended September 30, 2021:

- In February 2021, the Company issued 30,864 DSUs. DSUs vest immediately and may not be exercised until a director or officer ceases to serve their role. The DSUs were issued to Directors in lieu of cash directors fees for the third and fourth quarter of 2020. The Company expensed \$13,426 related to these Director DSUs.
- In February 2021, the Company issued 148,456 RSUs to an employee and officer. The Company expensed \$26,092 related to these RSUs and vest over 1-2 years.
- In April 2021, the company issued 1,575,000 PSUs to officers, employees and consultants. During the quarter, the Company expensed \$82,526 related to these PSUs, which vest over a 2 year period
- In April 2021, the Company issued 115,000 RSUs to employees. During the quarter, the Company expensed \$5,801 related to these RSUs, which vest over a 2 year period.
- In April 2021, the Company issued 218,116 DSUs to directors. During the quarter, the Company expensed \$74,159 related to these DSUs, which vested immediately.

During the year ended December 31, 2020:

- In January 2020, the Company issued 326,657 DSUs. DSUs vest immediately and may not be exercised until a director or officer ceases to serve their role. The DSUs were issued to Directors in lieu of cash directors fees for the fourth quarter of 2019. The company expensed \$47,365 related to these Director DSUs.
- In July 2020, the Company issued 1,144,643 DSUs. DSUs vest immediately and may not be exercised until an officer or director ceases to serve their role. The DSUs were issued to Officers and Directors. The company expensed \$165,973 related to these DSUs.
- In July 2020 and August 2020, the Company issued a total of 1,300,000 RSUs to directors, officers, employees and consultants under its long-term incentive plan. The RSUs vest over a 2-2.5 year period and are expensed consistent with their vesting period. A total of \$88,715 was expensed in 2020 relating to these RSUs.

During the three months ended September 30, 2021, the Company has expensed \$Nil (September 30, 2020 - \$ 161,431) for DSUs, \$101,232 (September 30, 2020 - \$nil) for PSUs, and \$34,862 (September 30, 2020 - \$29,035) for RSUs as shared-based payment expense.

During the nine months ended September 30, 2021, the Company has expensed \$87,585 (September 30, 2020 - \$228,350) for DSUs, \$183,758 (September 30, 2020 - \$Nil) for PSUs, and \$69,880 (September 30, 2020 - \$29,035) for RSUs as shared-based payment expense.

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The following table sets forth the computation of basic and diluted loss per share for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30	
	2021	2020	2021	2020
Numerator				
Net loss for the year / period	\$ (10,502,113)	\$ (1,512,738)	\$ (19,420,152)	\$ (5,302,479)
Denominator				
Basic – weighted average number of shares outstanding	507,543,366	391,519,624	484,898,056	387,442,429
Effect of dilutive securities	-	-	-	-
Diluted – adjusted weighted average number of shares outstanding	507,543,366	391,519,624	484,898,056	387,442,429
Loss Per Share – Basic and Diluted	\$(0.02)	\$(0.00)	\$(0.04)	\$(0.01)

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 convertible notes, stock options, and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

Convertible notes, 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, 2021 and 2020 as the warrants and stock options were anti-dilutive since the Company was in a loss position.

16. 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 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:

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

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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.

Financial assets and liabilities

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

	Carrying Value		September 30, 2021			Total Fair Value
	Fair value through profit or loss	Amortized cost	Level 1	Level 2	Level 3	
<i>Assets:</i>						
Cash and Cash Equivalents	\$ -	\$61,183,656	\$ -	\$ -	\$ -	\$61,183,656
Restricted cash	-	937,550	-	-	-	937,550
Receivables		1,100,098				1,100,098
Marketable securities	2,250,224	-	2,250,224	-	-	2,250,224
	\$2,250,224	\$63,221,304	\$2,250,224	\$ -	\$ -	\$65,471,528
<i>Liabilities:</i>						
Accounts payable and accrued liabilities	\$ -	\$2,021,262	\$ -	\$ -	\$ -	\$2,021,262
Long-term convertible notes payable	-	22,446,042	-	-	-	22,446,042
Financial derivative liability – convertible notes	28,039,001	-	-	-	28,039,001	28,039,001
	\$28,039,001	\$24,467,304	\$ -	\$-	\$28,039,001	\$52,506,305

The Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period. There were no transfers between levels that occurred during the period ending September 30, 2021.

A) Cash and cash equivalents

Cash, cash equivalents' carrying amount approximates their fair value due to the short-term maturity of these financial assets.

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B) Restricted cash

Restricted cash's carrying amount approximates their fair value as they are known deposits held in cash by government agencies, and major banking institutions and due to the short term maturity of these financial assets.

C) Receivables

Receivables carrying amount approximates their fair value due to the short-term maturity of these financial assets.

D) Marketable securities

Marketable securities are included in Level 1 as these assets are quoted on active markets.

E) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities' carrying amount approximates their fair value due to the short-term maturity of these financial liabilities.

F) Long-term convertible notes payable

Long-term notes payable is recorded at amortized cost. The carrying amount is adjusted for the effective interest accretion on a quarterly basis.

G) Financial derivative liability – convertible notes

The fair value of the embedded derivative (Note 11) as at September 30, 2021 was \$28,039,001 and is accounted for at FVTPL. The valuation is derived by a finite difference method, whereby the convertible debt as a whole is viewed as a hybrid instrument consisting of two components, an equity component (i.e., the conversion option) and a debt component, each with different risk. These two aforementioned risks result in a pair of coupled partial differential equations and are solved simultaneously to calculate the value of the debt and equity components of the convertible bond. The key inputs in the valuation include risk-free rates, share price, equity volatility, and credit spread. As there are significant unobservable inputs used in the valuation, the financial derivative liability is included in Level 3.

Methodologies and procedures regarding Level 3 fair value measurements are determined by the Company's management. Calculation of Level 3 fair values is generated based on underlying contractual data as well as observable and unobservable inputs. Development of unobservable inputs requires the use of significant judgment. To ensure reasonability, Level 3 fair value measurements are reviewed and validated by the Company's management. Review occurs formally on a quarterly basis or more frequently if review and monitoring procedures identify unexpected changes to fair value.

While the Company considers its fair value measurements to be appropriate, the use of reasonably alternative assumptions could result in different fair values. On a given valuation date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair

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value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments.

The fair value of the embedded derivative (Note 11) has been estimated based on significant unobservable inputs which are equity volatility and credit spread. The Company used an equity volatility of 60%. If the Company had used an equity volatility that was higher or lower by 10%, the potential effect would be an increase of \$1.8 million or a decrease of \$2.2 million to the fair value of the embedded derivative (Note 11). The Company used a credit spread of 25%. If the Company had used a credit spread that was higher or lower by 5%, the potential effect would be an increase of \$1.0 million or a decrease of \$1.3 million to the fair value of embedded derivative (Note 11).

17. Commitments and Contingencies

The Company had the following minimum contractual commitments as at September 30, 2021:

	Interest	Principal	Commitments
Current	3,360,163	-	3,360,163
1 - 5 years	13,449,859	-	13,449,859
Thereafter	570,767	47,685,375	48,256,142
Total	<u>\$17,380,789</u>	<u>\$47,685,375</u>	<u>\$ 65,066,164</u>

As at September 30, 2021, the Company was not committed to any material exploration contracts that require significant future outflow of resources.

In connection with the current refinery work plan, as at September 30, 2021 the Company has signed contracts with numerous vendors, though if work is halted for any reason there are no locked in contractual minimums that would be required to be paid.

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(expressed in Canadian dollars)

18. 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, 2021 and 2020, other than minor interest on restricted cash balances of \$18,818.

19. 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 and equipment, and exploration and evaluation assets are located in Canada and USA.

(a) Segmented Operating Results

For three months ended September 30, 2021

	Refinery	Corporate & Other	Total
Operating Expenses			
Consulting fees	\$ 9,003	\$ 480,724	\$ 489,727
Exploration and evaluation expenditures	-	1,211,988	1,211,988
General and administrative	60,841	85,183	146,024
Investor relations and marketing	-	109,254	109,254
Refinery and associated studies	1,796,661	-	1,796,661
Environmental expenses	299,212	-	299,212
Professional fee	27,850	1,655,056	1,682,906
Salary and benefits	179,290	427,016	606,306
Share-based payments	-	188,981	188,981
Travel	13,284	2,769	16,053
Operating Loss	\$ (2,386,141)	\$ (4,160,971)	\$ (6,547,112)
Gain (Loss) on sale of marketable securities			973,154
Loss on marketable securities			(871,206)
Loss on financial derivatives revaluation			(4,235,738)
Loss on conversion of Glencore loan			-
Interest expense			-
Other loss			178,789
Loss before taxes			\$ (10,502,113)

For nine months ended September 30, 2021

	Refinery	Corporate & Other	Total
Operating Expenses			
Consulting fees	\$ 9,003	\$ 1,107,528	\$ 1,116,531
Exploration and evaluation expenditures	-	1,774,489	1,774,489
General and administrative	75,306	218,422	293,728
Investor relations and marketing	1,782	349,586	351,368
Refinery and associated studies	4,004,882	-	4,004,882
Environmental expenses	684,521	975	685,496
Professional fee	111,714	2,103,363	2,215,077
Salary and benefits	468,020	1,114,554	1,582,574
Share-based payments	-	546,415	546,415
Travel	19,438	5,763	25,201
Operating Loss	\$ (5,374,666)	\$ (7,221,095)	\$ (12,595,761)
Gain (Loss) on sale of marketable securities			973,154
Loss on marketable securities			(2,236,803)
Loss on financial derivatives revaluation			(4,235,738)
Loss on conversion of Glencore loan			(1,566,073)
Interest expense			(109,600)
Other loss			350,669
Loss before taxes			\$ (19,420,152)

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For three months ended September 30, 2020			
	Refinery	Corporate & Other	Total
Operating Expenses			
Consulting fees	50,833	57,084	107,917
Exploration and evaluation expenditures	-	73,677	73,677
General and administrative	787	109,503	110,290
Investor relations and marketing	-	75,051	75,051
Refinery and associated studies	91,840	-	91,840
Environmental expenses	279,037	33,949	312,986
Professional fee	-	71,386	71,386
Salary and benefits	41,298	238,455	279,753
Share-based payments	-	303,325	303,325
Travel	-	661	661
Operating Loss	463,795	963,091	1,426,886
Gain (Loss) on sale of marketable securities			-
Loss on marketable securities			-
Loss on financial derivatives revaluation			-
Loss on conversion of Glencore loan			-
Interest expense			(149,561)
Other loss			63,709
Loss before taxes			1,512,738

For nine months ended September 30, 2020			
	Refinery	Corporate & Other	Total
Operating Expenses			
Consulting fees	50,833	303,301	354,134
Exploration and evaluation expenditures	-	124,780	124,780
General and administrative	998	278,755	279,753
Investor relations and marketing	-	218,388	218,388
Refinery and associated studies	1,173,513	2,900	1,176,413
Environmental expenses	596,036	52,900	648,936
Professional fee	-	173,499	173,499
Salary and benefits	41,298	1,083,290	1,124,588
Share-based payments	-	547,282	547,282
Travel	-	19,652	19,652
Operating Loss	1,862,678	2,804,747	4,667,425
Gain (Loss) on sale of marketable securities			-
Loss on marketable securities			-
Loss on financial derivatives revaluation			-
Loss on conversion of Glencore loan			-
Interest expense			(510,564)
Other loss			(124,490)
Loss before taxes			5,302,479

The following table presents assets and liabilities by segment:

	Total Assets		Total Liabilities	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Refinery	\$ 8,208,358	\$ 5,241,061	\$ 230,698	\$ 7,843,222
Corporate & Other*	152,628,172	98,440,240	53,633,462	3,687,373
Total	\$ 160,836,530	\$ 103,681,301	\$ 53,864,160	\$ 11,530,595

*The Iron Creek exploration asset is included in the Corporate & Other.

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

(a) Key Management Personnel Compensation

During the three and nine months ended September 30, 2021 and September 30, 2020, the Company paid and/or accrued the following fees to management personnel and directors:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Management	\$ 418,269	\$ 398,562	\$ 1,104,121	\$ 970,070
Directors	48,935	52,026	142,307	136,469
	\$ 467,204	\$ 450,588	\$ 1,246,428	\$ 1,106,539

During the three months ended September 30, 2021, the Company had share-based payments made to management and directors of \$134,795 (September 30, 2020 - \$105,551).

During the nine months ended September 30, 2021, the Company had share-based payments made to management and directors of \$399,845 (September 30, 2020 - \$499,069).

(b) Due to Related Parties

As at September 30, 2021 and December 31, 2020, the Company had the following amounts due to related parties:

	September 30, 2021	December 31, 2020
Accounts payable and accrued liabilities	\$ 112,500	\$ 361,500
	\$ 112,500	\$ 361,500

As at September 30, 2021 the accrued liabilities balance for related parties was \$112,500 (December 31, 2020 - \$361,500) which relate to timing of payments for routine director and management compensation.

21. Subsequent Events

Subsequent to September 30, 2021:

- (a) On October 22, 2021, the convertible note noteholders exercised an option in full to purchase an additional US\$7.5 million in principal of convertible notes with the exact same terms as those that

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closed on September 2, 2021. All available notes that were available under the Note Indenture have now been issued.

- (b) From the period from October 1 to November 29, 2021, the Company received conversion notices for US\$4 million of principal for its outstanding convertible notes. In line with the conversion terms in the Note Indenture, a total of 16,232,960 common shares were issued and cash make-whole interest payments of US\$0.5 million were made.
- (c) In November 2021, the \$500,000 of cash held in escrow relating to the Kuya transaction were received in full as the administrative items were completed.