



FIRST COBALT CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(EXPRESSED IN CANADIAN DOLLARS)

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GENERAL

This Management's Discussion and Analysis of First Cobalt Corp. ("First Cobalt" or the "Company") ("MD&A") was prepared on November 30, 2020 and provides analysis of the Company's financial results for the nine months ended September 30, 2020 and 2019. The following information should be read in conjunction with the accompanying condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and 2019 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 (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 in the business of cobalt refining and the acquisition and exploration of resource properties. The Company is focused on building a diversified portfolio of assets that are highly leveraged to the cobalt market with assets located primarily in North America with the intent of providing a North American supply of cobalt.

First Cobalt is a public company listed on the TSX Venture 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 2020 HIGHLIGHTS AND RECENT EVENTS

Refinery Advancement

On May 4, 2020, the Company announced positive engineering study results for the First Cobalt Refinery (the "Refinery") expansion. The engineering study demonstrated that the Refinery could become a viable, globally competitive player in the North American and European electric vehicle (EV) supply chain. The study outlined the Refinery's ability to reach annual production of 25,000 tonnes of battery grade cobalt sulfate from third party feed, representing 5% of the total global refined cobalt market and 100% of North American cobalt supply with strong operating cash flows and a globally competitive cost structure.

On September 24, 2020, the Company provided an engineering update which reduced the operating costs estimate by 13%, which further improves margins and enhances project economics. The updated capital estimate was US\$60 million to construct the expanded facility (compared to \$56 million in the May 4 engineering study) and the updated operating cost estimate was \$2.36 per pound of cobalt produced (compared to \$2.72/lb in the May 4 engineering study).

On November 10, 2020, the Company announced that bench scale testing of cobalt hydroxide feedstock from Glencore's Katanga Operation yielded recoveries in excess of 97%, significantly higher than the 93% recovery rate utilized in the May 4 engineering study.

First Cobalt and Glencore have agreed to discuss a long-term feed purchase contract rather the tolling arrangement originally contemplated, providing First Cobalt with greater leverage to the cobalt market by entering into offtake contracts with end users directly. In order to secure a diversity of supply, First Cobalt will supplement any feed provided by Glencore with other sources of ethically produced, high-quality cobalt hydroxide. The Company does not anticipate any difficulties securing sufficient feedstock for the Refinery's nameplate capacity of 5,000 tonnes per

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annum of contained cobalt. Moreover, diversification of feedstock supply will help offset the risk of supply interruptions from any single mining operation.

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.

Private Placement

On August 27, 2020, the Company completed a non-brokered private placement for total proceeds of \$2.5 million. The offering consists of (i) an aggregate of 8,225,000 units of the Company ("Flow-Through Units") at a price of \$0.16 per Flow-Through Unit for gross proceeds of approximately \$1.3 million (the "FT Offering") and (ii) an aggregate of 8,528,643 units (the "Units") of the Company 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' (a "Flow-Through Share") and one-half of one common share purchase warrant (each whole common share purchase warrant a "Warrant"). Each Unit consists of one common share of the Company (a "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 following the Closing Date. All proceeds from the sale of the Flow-Through Units will be used to incur eligible Canadian Exploration Expenses as defined in the Income Tax Act (Canada) related to the Company's projects in Ontario, Canada.

Loan Maturity Extension

On November 10, 2020, the Company announced that the maturity date on its US\$5 million loan with Glencore had been extended by one year to August 23, 2022. All other terms remain unchanged, including Glencore's right to convert all or a portion of the balance owing to common shares of First Cobalt at a discount to market of up to 15%.

Refinery Life Cycle Assessment and Commitment to Industry-Leading ESG Practices

On October 29, 2020, the Company released results of a Life Cycle Assessment ("LCA") which affirmed the low carbon footprint of the Refinery. The report concluded that the environmental impacts associated with refining cobalt at the First Cobalt Refinery will be materially lower than the published impacts of a leading Chinese refiner. The Company is committed to the sustainable production of cobalt for its essential role in the manufacturing of electric vehicles and employing industry-leading ESG practices at the Refinery.

Cobalt Ontario Silver Assets Review

On August 6, 2020, the Company announced that it is undertaking a review of its silver assets in Ontario, Canada with a view towards value creation for shareholders. Given the greatly improved silver market and inquiries received about

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its silver assets, management is reviewing all opportunities to create value from these non-core portfolio holdings including potential spin outs, divestitures, or joint ventures.

The Company holds the largest land package in the historical silver mining camp of Cobalt, Ontario, which contains more than 50 past-producing mines, including some of the regions largest high-grade silver producers. Over the course of 2017 and 2018, the Company drilled many high-grade silver intercepts at its Ontario properties, including:

- 1,050 g/t Ag and 0.20% Co over 3.5m at Crown Reserve
- 820 g/t Ag and 0.45% Co over 3.6m at Kerr
- 686 g/t Ag and 0.37% Co over 4.3m at Kerr
- 328 g/t Ag and 0.84% Co over 2.5m at Kerr
- 169 g/t Ag and 0.27% Co over 4.1m at Kerr #2
- 132 g/t Ag and 0.03% Co over 8.0m at Drummond
- 515 g/t Ag and 0.61% Co over 2.2m at Drummond
- 451 g/t Ag and 0.1% Co over 2.0m at Drummond
- 785 g/t Ag over 1.3m at Keeley South
- 106 g/t Ag over 13.7m at Keeley

COVID-19 Impacts

Market volatility and economic uncertainty due to the COVID-19 pandemic have cast uncertainty over global economic activity levels. Despite the current market instability, First Cobalt remains confident in the electric vehicle (EV) revolution and has a strong business plan with an experienced team that continues to execute on corporate objectives. The Company has sufficient cash on hand to cover general operations into late 2021 as well as additional dedicated funds remaining from the Glencore loan to advance work at the refinery and flow-through funding to conduct exploration in Ontario. First Cobalt expects to fund future refinery expansion capital costs via one or more corporate, private equity, debt and government counterparties and does not expect to be overly dependent on equity markets for advancement of the refinery.

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.

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OUTLOOK AND OVERVIEW OF CURRENT PROGRAMS

The Company's vision is to provide a North American supply of cobalt. In support of this vision, in 2017 First Cobalt completed a three-way merger with Cobalt One and CobalTech to consolidate the Canadian Cobalt Camp and take ownership of the First Cobalt Refinery. In 2018, First Cobalt acquired US Cobalt to secure ownership of the Iron Creek cobalt-copper project, located on patented land in the prospective Idaho Cobalt Belt in Idaho, USA, which is known to host primary cobalt deposits. In 2019, the Company partnered with Glencore to seek to recommission the First Cobalt Refinery with a view to becoming the only refinery of battery grade cobalt sulfate in North America. These transactions strategically position First Cobalt as a leading primary cobalt company with a permitted refinery and North American projects in close proximity to infrastructure as well as the U.S. electric vehicle supply chain.

First Cobalt's primary focus for 2020 is advancing the First Cobalt Refinery as it is the Company's quickest path to cash flow.

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. On May 4, 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. On September 24, 2020, the Company provided an engineering update which reduced the operating costs estimate by 13%, which further improves margins and enhances project economics.

Most of the cobalt consumed today is mined in the Democratic Republic of Congo and then shipped to China for refining. There are no primary cobalt refining facilities operating in North America, which gives the First Cobalt Refinery a strategic advantage in the electric vehicle supply chain. As a permitted facility with an operating history from 1996 to 2015, Management believes that the refinery could play an important role in North America as a source of refined cobalt for the manufacturing of lithium-ion batteries. At a high-level, the Company's refinery plan is as follows:

1. Divert ethically sourced African mine production from China to North America
2. Recommission an existing, permitted Canadian cobalt refinery
3. Produce cobalt sulfate in Canada for use in the North American EV market
4. Continue to expand capacity of the refinery to meet demand from a growing North American electric vehicle market by treating additional mine supply and/or recycled battery material

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. They study indicated strong operating margins at the asset level. Subsequent to the original study, additional engineering work and market analysis has taken place. The table below compare the key assumptions and economic outputs in the original study to management's current estimates on the outlook for this asset:

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		May 4 Engineering Study LOM Total / Average	Current Estimate LOM Total / Average
Cobalt Price	US\$/lb	25	25
Life of Refinery (*)	years	11	13
Cobalt Hydroxide Payability	%	70%	75%
Production			
Mill Head Grade	%Co	30.0%	30.0%
Mill Recovery Rate	%	93.0%	97.0%
Total Cobalt Recovered	klb	123,576	146,182
Total Average Annual Production	klb	11,234	11,245
Operating Costs			
Total Operating Costs	US\$/lb Co	\$2.72	\$2.36
Transportation Cost	US\$/lb Co	\$0.17	\$0.17
Capital Costs			
Initial Capital	US\$M	\$56.0	\$60.0
Life-of-Refinery Sustaining Capital	US\$M	\$0.6	\$0.6
Financials Pre-Tax			
NPV (8%)	US\$M	\$192	\$202
IRR	%	64%	57%
Payback	years	1.6	1.8
NPV (8%) / Initial Capital	:	3.4	3.4
Financials Post-Tax			
NPV (8%)	US\$M	\$139	\$147
IRR (%)	%	53%	48%
Payback (years)	years	1.8	2.0
NPV (8%) / Initial Capital	:	2.5	2.4

(*) Only tailings area one was used as the life-of-mine for financial calculation purposes. As there are two tailings areas of equal size on the wholly-owned refinery property, the actual estimated capacity is 26 years of tailings.

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

- Q4 2020 – Submit permits for a 55 tpd facility and complete Refinery pilot plant
- Q1 2021 – Finalize commercial arrangements with Glencore and other parties
- Q2 2021 – Receive final permits necessary to commence Refinery construction and secure project financing
- Q3 2021 – Complete detailed engineering and commence construction activities
- Q4 2022 – Commence production

The Company continues to make progress towards achieving its objective of providing ethically sourced battery grade cobalt for the North American electric vehicle market. The Company continues to work with Glencore, engineering firms, process experts and financial advisers to finalize and execute on the plans to recommission and expand the Refinery.

2. The Iron Creek Project (USA)

Following the acquisition of US Cobalt in 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.

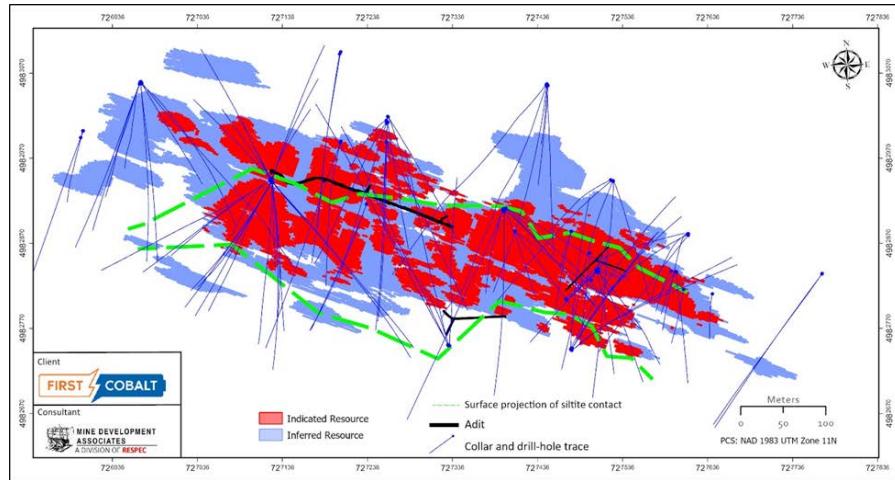
A second phase drill campaign was initiated to increase the resource along strike and at depth in addition to conducting infill drilling to upgrade a portion of the inferred resources to the indicated category for mine planning and to improve the confidence for future engineering studies. However, as 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.

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



Extensional drilling has extended the strike length of Iron Creek mineralization to nearly 900 metres and mineralization has also been extended 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 and commenced a new geophysics program at the property in October 2020.

The current program will trace extensions of mineralization and follow-up on geophysical anomalies detected by previous work. The objective is to refine follow-up drill targets further east along strike of the cobalt-rich zone as well as the western extension of the copper-rich zone. Interpretation of the geophysical results is expected later this year and will support planned resource drilling at Iron Creek in 2021 as well as further testing of nearby cobalt-copper mineralized targets, including the Ruby zone.

3. The Cobalt Camp (Canada)

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

During 2018, 30,280 metres were drilled in the Cobalt Camp across 192 drill holes. Continuity of mineralization has yet to be determined, but intersection widths and grades show the potential for open pit resources remains. Significant silver intercepts were noted as part of the drill program. The Company is reviewing its non-core silver properties with a view to surfacing value for shareholders.

The Company's data compilation, field work, drilling and structural modeling has made a significant contribution to advancing the industry's understanding of this historic mining camp. The application of First Cobalt's structural model to the central area of the Cobalt Camp has generated several new, untested targets. The Company raised approximately \$1.3 million in flow-through funding in August 2020, and is currently developing the associated exploration program in Ontario. The Company expects to incur the majority of these exploration costs during 2021.

MINERAL PROPERTIES

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

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Creek property includes patented and unpatented claims totalling 2,600 acres as well as 600 metres of underground drifting from three adits. Other cobalt-copper targets exist on the Company's property away from the Iron Creek resource. In Canada, the Company also controls over 10,000 hectares of prospective land and 50 historic mining operations in the Cobalt Camp as well as what is believed to be the only permitted primary cobalt refinery in North America able to produce battery grade cobalt sulfate.

	Balance December 31, 2019	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance September 30, 2020
Iron Creek	\$ 87,420,121	\$ -	\$ -	\$ -	\$ -	\$ 87,420,121
Cobalt Camp, Ontario	1	-	-	-	-	1
Other Properties	-	-	-	-	-	-
Total	\$ 87,420,122	\$ -	\$ -	\$ -	\$ -	\$ 87,420,122

	Balance December 31, 2018	Acquisition Costs	Writedown	ARO Adjustment	Other Adjustments	Balance December 31, 2019
Iron Creek	\$ 87,312,865	\$ 107,256	\$ -	\$ -	\$ -	\$ 87,420,121
Cobalt Camp, Ontario	106,372,001	200,000	(106,843,000)	271,000	-	1
Other Properties	213,779	-	(213,779)	-	-	-
Total	\$ 193,898,645	\$ 307,256	\$ (107,056,779)	\$ 271,000	\$ -	\$ 87,420,122

There were no new mineral property additions during the nine months ended September 30, 2020. Minor costs incurred to stake additional land adjacent to the Iron Creek property were expensed. This staking work increased the Company's land position in Idaho by 50% to approximately 2,600 acres of mineral patents and claims.

During 2019, the Company acquired additional surface rights on certain Iron Creek land packages for a payment of \$107,256. The Company also earned a 50% interest in the past producing Keeley and Frontier mine properties after making the final required anniversary payment of \$200,000 in January 2019. The mines are located within the historic Silver Centre camp in Cobalt South.

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The exploration and evaluation expenditures incurred by the Company for the years ended September 30, 2020 and 2019 are outlined below:

	September 30, 2020			September 30, 2019		
	Iron Creek,		Cobalt Camp,	Iron Creek,		Cobalt Camp,
	USA	Canada	Total	USA	Canada	Total
Drilling	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Exploration support and administration	-	-	-	-	-	963
Field Operations and consumables	14,763	-	14,763	-	4,323	4,323
Geochemistry	2,248	2,340	4,588	14,505	17,893	32,398
Geological consulting	7,389	-	7,389	225,667	729	226,396
Geologist salaries	-	-	-	-	165,736	165,736
Property taxes	27,696	-	27,696	18,615	29,962	48,576
Sampling and geological costs	70,345	-	70,345	482,226	209,740	691,967
Total	\$ 122,440	\$ 2,340	\$ 124,780	\$ 741,013	\$ 429,346	\$ 1,170,359

Exploration and evaluation expenditures during the nine months ended September 30, 2020 were lower than the comparative 2019 period, primarily driven by minimal activity at both the Cobalt Camp and Iron Creek.

The Company announced an upgraded mineral resource estimate for Iron Creek in January 2020 and also acquired additional mineral claims on surrounding land. The majority of the costs associated with the resource update were incurred in 2019. Expenditures for Iron Creek during the nine months ended September 30, 2020 mainly related to taxes for land claims and final resource estimation costs. A geophysics program at Iron Creek was commenced in October 2020, to support future resource drill targets.

Expenditures for the Cobalt Camp during the nine months ended September 30, 2019 relating to minor geological costs associated with 2018 drilling activity and salaries for geologist personnel. The Company raised \$1.3 million in flow-through funding in August 2020 and is developing the associated Ontario exploration program.

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SUMMARY OF QUARTERLY RESULTS

Key financial information for the three months ended September 30, 2020, 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, 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
Current Liabilities	7,986,544	29,374	99,243	286,589
Exploration and Evaluation Assets	87,420,122	99,365,746	99,365,746	99,365,746
Total Assets	98,709,039	109,258,301	110,780,117	110,287,517
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)	(97,437,980)
Loss per Share	(0.00)	(0.00)	(0.01)	(0.27)

	September 30, 2019 (\$)	June 30, 2019 (\$)	March 31, 2019 (\$)	December 31, 2018 (\$)
Financial Position				
Current Assets	7,449,576	2,846,574	2,749,427	5,228,886
Current Liabilities	215,145	1,236,551	2,183,896	3,883,203
Exploration and Evaluation Assets	194,263,122	194,476,901	194,476,901	193,898,645
Total Assets	207,296,788	202,781,244	202,699,426	204,600,629
Operations				
Exploration and evaluation expenditures	(80,995)	(163,808)	(925,556)	(7,304,472)
Salary and benefits	(377,577)	(368,324)	(413,599)	(664,125)
Consulting fees	(194,692)	(35,473)	(178,890)	(117,388)
Professional fees	(150,358)	(319,910)	(332,120)	648,171
Investor relations, marketing, and travel	(242,715)	(239,323)	(185,399)	(333,338)
Refinery and Associated Studies	(112,989)	(52,711)	(60,491)	(55,217)
Environmental Expenses	(59,264)	(85,819)	(67,689)	(66,359)
General and administrative	(125,407)	(92,523)	(92,632)	(335,194)
Share-based payments	(284,176)	(363,376)	(555,554)	(1,068,089)
Total Operating Expenses	(1,628,173)	(1,721,267)	(2,811,930)	(9,296,011)
Net Loss	(1,469,012)	(2,794,498)	(2,795,409)	(9,559,510)
Loss per Share	(0.00)	(0.01)	(0.01)	(0.03)

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RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

The following are highlights from the Company's results of operations for the three months ended September 30, 2020 and 2019:

- Exploration and evaluation expenditures were \$73,677 for the three months ended September 30, 2020, compared to \$80,995 for the three months ended September 30, 2019. The decrease is driven by reduced activity at both the Cobalt Camp and Iron Creek. The Iron Creek geophysics program commenced in October 2020.
- Refinery and associated studies costs were \$91,840 for the three months ended September 30, 2020, compared to \$112,989 for the three months ended September 30, 2019. The costs incurred for the three months ended September 30, 2020 mainly relate to metallurgical test work and Ausenco engineering costs for updates to the engineering study.
- Salary and benefits were \$279,753 for the three months ended September 30, 2020, compared to \$377,577 for the three months ended September 30, 2019. The Company continues to operate with a streamlined workforce to keep cash expenditures low.
- Professional fees were \$71,386 for the three months ended September 30, 2020, compared to \$150,358 incurred during the three months ended September 30, 2019. During 2020, overall professional fees decreased as result of lower legal costs incurred during 2020 due to less Corporate development activity.
- Investor relations, marketing, and travel expenses were \$75,712 for the three months ended September 30, 2020 which was a decrease from the \$242,715 incurred in the three months ended September 30, 2019 due to an overall planned reduction in marketing activities and reduced travel due to the impacts of COVID-19.
- Environmental expenses were \$312,986 for the three months ended September 30, 2020, compared to \$59,264 for the three months ended September 30, 2019. These costs have increased due to work performed on the permit amendments for the refinery expansion.
- Share-based payment expenses were \$303,325 for the three months ended September 30, 2020 similar to the \$284,176 cost for the three months ended September 30, 2019.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

The following are highlights from the Company's results of operations for the nine months ended September 30, 2020 and 2019:

- Exploration and evaluation expenditures were \$124,780 for the nine months ended September 30, 2020, compared to \$1,170,359 for the nine months ended September 30, 2019. The decrease is driven by reduced activity at both the Cobalt Camp and Iron Creek. The Iron Creek geophysics program commenced in October 2020.
- Refinery and associated studies costs were \$1,176,413 for the nine months ended September 30, 2020, compared to \$226,191 for the nine months ended September 30, 2019. The costs incurred for the nine months ended September 30, 2020 mainly relate to engineering costs for Ausenco for the preparation of the engineering study released in May 2020.
- Salary and benefits were \$1,124,588 the nine months ended September 30, 2020, similar to the \$1,159,500 for the nine months ended September 30, 2019. The Company continues to operate with a streamlined workforce to keep cash expenditures low.
- Professional fees were \$173,499 for the nine months ended September 30, 2020, compared to \$802,388 incurred during the nine months ended September 30, 2019. During 2020, overall professional fees decreased as result of lower legal costs incurred during 2020 due to less Corporate development activity.

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- Investor relations, marketing, and travel expenses were \$238,040 for the nine months ended September 30, 2020 which was a decrease from the \$498,994 incurred in the nine months ended September 30, 2019 due to an overall planned reduction in marketing activities and reduced travel due to the impacts of COVID-19.
- Environmental expenses were \$648,936 for the nine months ended September 30, 2020, compared to \$212,772 for the nine months ended September 30, 2019. These costs have increased due to additional environmental work at the refinery to support the engineering study and for associated permitting costs.
- Share-based payment expenses were \$547,282 for the nine months ended September 30, 2020 compared to \$1,203,106 for the nine months ended September 30, 2019, due to timing of vesting, and a reduction in the value of stock-based compensation grants in both 2019 and 2020.

CAPITAL STRUCTURE

As of the date of this MD&A, the Company has 404,100,757 common shares issued and outstanding. In addition, there are outstanding share purchase warrants and stock options for a further 38,054,835 and 17,378,333 common shares, respectively. The Company also has 3,890,522 Deferred Share Units (DSUs) and 1,300,000 Restricted Share Units (RSUs) issued under its Long-Term Incentive Plan.

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

Grant Date	Expiry Date	Number of warrants outstanding	Weighted Average Exercise Price
May 31, 2016	May 31, 2021	200,000	\$0.06
March 15, 2018	March 15, 2020	-	\$1.50
March 29, 2019	March 29, 2021	9,104,466	\$0.27
February 5, 2020	February 5, 2022	15,256,476	\$0.21
August 27, 2020	August 27, 2022	13,493,893	\$0.21
		38,054,835	\$0.22

During the nine months ended September 30, 2020, the Company issued a total of 28,750,369 share purchase warrants.

- On February 5, 2020, 15,097,430 warrants were issued to subscribers in the Company's private placement. A further 159,046 warrants were issued as finders' fees associated with the private placement.
- On August 27, 2020, 12,641,143 warrants were issued to subscribers in the Company's private placement. An additional 852,750 warrants were issued as finders' fees associated with the private placement.

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

Exercise Price	Options Outstanding			Options Exercisable		
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Exercise Price	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
\$ 0.69	1,290,000	1.50	\$ 0.69	\$ 0.69	1,290,000	\$ 0.69
0.66	1,500,000	1.25	\$ 0.66	\$ 0.66	1,500,000	0.66
0.52	450,000	2.17	\$ 0.52	\$ 0.52	450,000	0.52
0.51	810,000	2.13	\$ 0.51	\$ 0.51	810,000	0.51
0.49	2,273,333	2.57	\$ 0.49	\$ 0.49	1,515,555	0.49
0.42	225,000	1.67	\$ 0.42	\$ 0.42	225,000	0.42
0.36	1,300,000	2.82	\$ 0.36	\$ 0.36	866,667	0.36
0.36	1,000,000	4.83	\$ 0.36	\$ 0.36	1,000,000	0.36
0.36	562,500	0.46	\$ 0.36	\$ 0.36	562,500	0.36
0.29	187,500	1.19	\$ 0.29	\$ 0.29	187,500	0.29
0.27	400,000	2.90	\$ 0.27	\$ 0.27	133,333	0.27
0.18	1,000,000	3.23	\$ 0.18	\$ 0.18	1,000,000	0.18
0.16	350,000	3.84	\$ 0.16	\$ 0.16	116,667	0.16
0.145	500,000	4.74	\$ 0.145	\$ 0.145	-	0.15
0.14	3,830,000	3.76	\$ 0.14	\$ 0.14	1,276,667	0.14
0.14	2,200,000	4.61	\$ 0.14	\$ 0.14	-	0.14
	17,878,333	3.04	\$ 0.34	\$ 0.34	10,933,889	\$ 0.43

During the nine months ended September 30, 2020, the Company issued 1,471,300 DSUs. DSUs vest immediately and may not be exercised until a director or officer ceases to have an active role with the Company. A total of 326,657 of the DSUs were issued to Directors in lieu of cash directors fees for the fourth quarter of 2019. The company issued an additional 1,300,000 RSUs for management, employees and consultants during the nine months ended September 30, 2020.

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.

As at September 30, 2020 the Company is not subject to any externally imposed capital requirements. Under the Company's debt agreement with Glencore, there are a number of basic covenants related to the use of funds and ensuring the refinery activities remain on schedule, though there are no financial metric-related covenants. The proceeds from the debt agreement are permitted to be used for refinery advancement items approved by Glencore. The current post-engineering study work plan the Company is progressing utilizes funds remaining from the initial Glencore loan advance.

The addition of the Glencore loan added a debt component to the Company's capital structure in 2019. The Company will continue to adjust its capital structure based on Management's assessment of the best capital mix to effectively advance its assets.

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LIQUIDITY

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements. The Company has historically financed its operations primarily through the sale of share capital by way of private placements; however, in August 2019, the Company agreed to a debt arrangement with Glencore to help fund the advancement of its refinery and continue to move it towards first cash flow. The current and future activities required to advance the refinery are expected to be funded primarily through debt arrangements.

On February 5, 2020, the Company completed a private placement for \$2.1 million to improve its liquidity position and on August 27, 2020 the Company completed another private placement which included \$1.3 million of proceeds on a flow-through basis and \$1.2 million of proceeds on a non-flow-through basis. With the proceeds from these financings the Company has sufficient funds on hand to continue operations for 12 months. The Company will require additional funding in Q4 2021 to continue its operations and conduct any other exploration activities. The Company has historically been successful in financing activities; however, there can be no assurances that the Company will be able to obtain financing. This represents a material uncertainty that casts doubt on the Company's ability to continue as a going concern.

At September 30, 2020, the Company had cash of \$4,717,884 (December 31, 2019 - \$4,419,642) and working capital deficit of \$2,492,723 (compared to a working capital position of \$4,840,086 on December 31, 2019).

To maintain liquidity, the Company issued common shares for cash proceeds during the nine months ended September 30, 2020 as follows:

- On February 5, 2020, the Company completed a non-brokered private placement by issuing 15,097,430 Units 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 10 consecutive trading days, the Company shall have the option, but not the obligation, to effect an accelerate expiration date that shall be 20 calendar days from the issuance of a notice of acceleration.
- 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 Company took significant steps in 2019 to reduce its ongoing expenditure burn rate. While discretionary spending is minimal, the Company expects the impact of COVID-19 to result in further reductions in investor relations and travel expenditures.

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(expressed in Canadian Dollars)	Nine months ended		Nine months ended
	September 30,	2020	September 30, 2019
Cash Flows used in operating activities	\$	(4,138,973)	\$ (7,033,650)
Cash Flows provided by (used in) investing activities		-	2,032,699
Cash Flows provided by financing activities		4,433,362	8,236,507
Effect of exchange rates on cash		3,853	(129,795)
Changes in cash during the period		298,242	3,105,761
Cash – Beginning of the period		4,419,642	3,262,121
Cash – End of the period	\$	4,717,884	\$ 6,367,882

Cash used in operating activities was \$4,138,973 during the nine months ended September 30, 2020 compared to \$7,033,650 used in operating activities during the nine months ended September 30, 2019. The decrease in cash used in operating activities was driven primarily by the reduction in exploration activities, investor relations, and legal fees. The majority of the operating cash outflows related to advancing the refinery engineering studies.

Cash used in investing activities was \$Nil during the nine months ended September 30, 2020 compared to \$2,032,699 provided by investing activities during the nine months ended September 30, 2019. The 2019 inflow was related to sales of marketable securities and equipment.

Cash flows from financing activities were \$4,433,262 during the nine months ended September 30, 2020 relating to the proceeds from the Company's February and August 2020 private placements. This compares to \$8,236,507 for the nine months ended September 30, 2019 relating to proceeds from the Company's debt agreement with Glencore and its March 2019 private placement.

The development of the Company in the future will depend on the Company's ability to complete additional financings. In the past, the Company has relied on the issuance of equity securities to meet its cash requirements and has now completed a debt arrangement to fund refinery activities. Assuming that the Company's refinery work is successful, there is also near term cash flow potential from recommissioning the First Cobalt Refinery, otherwise, funding for potential future obligations, in excess of funds on hand, will depend on the Company's ability to obtain financing through debt and equity financing, joint venture transactions for the Company's extensive land holdings, or other means. There can be no assurances that the Company will be successful with its refinery strategy or in completing any such financing or in joint venturing its property; failure to obtain additional capital could result in the delay or indefinite postponement of further advancement of the Company's assets.

COMMITMENTS

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

- For the First Cobalt Refinery, on an annual basis there are activities required for the proper maintenance of the tailings management facility – including two discharges, an inspection of the tailings dam and an annual report. There are also property taxes paid for the property. The total cost for these activities is approximately \$50,000-\$75,000 on an annual basis.
- At Iron Creek, current annual requirements are limited to tax payments and are less than \$50,000 per year.

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- For the Cobalt Camp, there is no exploration spending requirement in 2020 given the large expenditure in the 2018 year. Taxes on the various properties are less than \$10,000 annually and this is the only cash requirement in 2020 and the following few years.

There are minimum spend requirements to maintain the rights to various mineral claims in Ontario; however, spending above these levels in any given year can be “banked” and used in future years and it can be spread across various commonly controlled properties. First Cobalt has determined the annual cost to be between \$300,000 and \$400,000 across all properties in the Cobalt Camp. Given spending of \$7.6 million in 2018, the Company has banked significant assessment credits and no exploration activity is required in 2020 to maintain its claims.

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

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 \$918,732 is on deposit with the Ministry of Energy, Northern Development, and Mines as financial assurance.

For the Cobalt Camp exploration properties, the Company is responsible for rehabilitating disturbances and features on its patented land, and not on mineral claims. The majority of the properties controlled by the Company in the Cobalt Camp are mineral claims. A liability of \$1,811,000 has been recorded for the associated rehabilitation work, reflecting the Company's best estimate. The known features that comprise this estimate will be progressively rehabilitated to reduce the liability over time.

On August 26, 2019, the Company completed a US\$5 million loan arrangement with Glencore which has now committed the Company to future repayment. The interest rate is variable at LIBOR + 5%. In November 2020, the Company announced a one-year extension of the loan maturity date to August 23, 2022. The table below reflects the current estimate of cash outflows for interest and principal payments under the loan in Canadian dollars, taking into account the maturity date extension.

The Company holds the option to pay the interest on the loan in-kind, by accruing it to the principal and paying it upon maturity. The interest owing at both December 31, 2019 and June 30, 2020 was accrued to the principal balance. Additionally, Glencore has the option to convert the full balance owing at maturity to common shares of the Company at a 15% discount to the Company's 10-day volume weighted average trading price, subject to a floor price of \$0.13. As each of these items is dependent on the exercise of a future right or option, they have not been reflected in the commitments table below.

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	Interest	Principal	Total Debt Commitments
2020	\$93,484	\$-	\$93,484
2021	370,887	-	370,887
Thereafter	237,774	7,086,267	7,324,041
Total	\$ 702,145	\$ 7,086,267	\$ 7,788,412

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, 2020 and 2019, the Company paid and/or accrued the following fees to management personnel and directors:

	September 30, 2020	September 30, 2019
Management	\$ 970,070	\$716,561
Directors	136,469	294,578
	\$ 1,106,539	\$ 1,011,139

During the nine months ended September 30, 2020 the Company had share-based payments made to management and directors of \$499,069 (September 30, 2019 - \$1,008,599). As at September 30, 2020, the Company had \$46,188 payable to directors/management (December 31, 2019 - \$61,468).

OFF BALANCE SHEET ARRANGEMENTS

The Company currently has no off balance sheet arrangements.

SUBSEQUENT EVENTS

Subsequent to September 30, 2020:

- (a) On November 10, 2020, the Company announced that it had agreed with Glencore to extend the maturity date on its outstanding debt by one year to August 23, 2022.

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.

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The hierarchy is as follows:

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

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

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

As at September 30, 2020, the Company had an embedded derivative liability relating to the conversion option included in its debt agreement with Glencore. This is a Level 2 fair value measurement, as the fair value is impacted by both the foreign exchange rate between the Canadian dollar and the US dollar and the risk free interest rate for the time period between the balance sheet date and the date at which Glencore can choose to exercise the conversion option. The conversion option provides Glencore with the ability to elect to have the balance owing under the debt agreement settled by shares of the Company at a 15% discount to the 10-trading day volume weighted average trading price of the Company's shares on the TSXV, subject to a floor price of \$0.13 per share. Upon execution of the loan agreement in August 2019, the fair value of this embedded derivative was recorded as a financial derivative liability with the residual loan balance, net of transaction costs, recorded as long-term debt under an amortized cost basis. As at September 30, 2020 the fair value of this embedded conversion derivative is \$468,619.

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 and proceeds from future equity financings.

Credit risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's debt with Glencore bears interest at a rate of LIBOR + 5% and thus is

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a floating rate instrument. Therefore, changes in the market LIBOR interest rate will impact the cash flows ultimately required to settle interest payment obligations under the debt agreement.

Foreign Currency Risk

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

BUSINESS RISKS AND UNCERTAINTIES

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

Financing

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

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

With the loan agreement with Glencore, the Company has secured debt for the first time and has certain repayment obligations. The Company expects for this debt to roll into a larger financing facility to construct an expanded refinery and for the debt to be serviced and repaid through cash flows generated from refinery operations. In the event the refinery is not constructed or sufficient cash flow from operations is not generated, there is a risk that the Company may not have sufficient available capital to meet its debt obligations in which case the assets pledged may be transferred to the lender.

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. 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.

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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.

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Additional information on risks and uncertainties relating to First Cobalt's business is provided in First Cobalt's Annual Information Form dated August 5, 2020 under the heading "Risk Factors".

CRITICAL ACCOUNTING ESTIMATES

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

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

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

- **Exploration and Evaluation Assets**

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

- **Going Concern**

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

- **Loan Payable & Financial Derivative Liability**

Loan Payable & Financial Derivative Liability values involve significant judgment. The company estimates loan payable at inception and is carried at amortized cost, whereas FV of financial derivative liability is reviewed and adjusted on a quarterly basis. Factors considered in the amortized cost of the loan payable, and the fair value of the financial derivative liability are risk free rate, share price volatility, LIBOR, effective interest, and foreign exchange fluctuations.

- **Income taxes**

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

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from

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these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

• **Environmental rehabilitation**

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

• **Valuation of Share-Based Payments**

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including the share price, expected share price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and equity reserves.

• **Valuation of Mineral Properties**

In cases where an impairment indicator is present, the fair value of mineral properties will need to be estimated to compare to the book value of the assets. Given the Company's properties are mainly focused on cobalt, which is a specialty metal and not as common as other precious metals or base metals, there is limited information and data availability for use in this estimation process. Significant judgement is required in evaluating appropriate comparable mineral properties and determining the ultimate valuation methodology.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are summarized in Note 3 to the amended and restated audited consolidated financial statements for the years ended December 31, 2019 and 2018.

FUTURE CHANGES IN ACCOUNTING POLICIES

There are no new standards issued by the International Accounting Standards Board ("IASB") that were not effective at December 31, 2019 that are expected to have an impact on the Company.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There was no change in the Company's internal controls over financial reporting that occurred during the nine months ended September 30, 2020 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

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that as of September 30, 2020, 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.

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.