



Q1 2021 Quarterly Report

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MESSAGE FROM CEO

We are on a path to become the most sustainable producer of cobalt in the world and the only company capable of supplying battery-grade cobalt to the North American electric vehicle market. The stage was set in 2020 with the completion of engineering studies, metallurgical work and a strategic investment from the Government of Canada and the Government of Ontario. In 2021 the story will be one of execution, as we expand the First Cobalt Refinery in Canada and resume activities at our advanced copper-cobalt project in Idaho.

2020 in Review

The 2020 fiscal year was a turning point in the history of First Cobalt, as the focus shifted from mineral exploration to near-term cash flow from our permitted Canadian refinery. In March, the Company produced a battery-grade cobalt sulfate assaying 21.4% cobalt, surpassing the reference grade for sulfate pricing, with a 99.9% product purity. This second successful test program illustrated the ability to treat different feedstocks using the flowsheet of the Company's permitted hydrometallurgical facility in Ontario, Canada.

First Cobalt published an engineering study in May that estimated annual production of 5,000 tonnes of battery grade cobalt from third-party feed, representing 5% of the total global refined cobalt market – and 100% of North American cobalt sulfate supply. In September, optimization studies lowered the operating cost of the facility to a level competitive with global peers and estimated the capital cost of the expansion and commissioning at US\$60 million. With these results in hand, we began building our technical team to execute on the project alongside Ausenco Engineering.

In tandem with these measures, we took deliberate steps to deliver on a mission of producing the world's most sustainable cobalt. In August 2020, we joined the Cobalt Institute and made a commitment to the highest standards of responsible sourcing by agreeing to follow The Cobalt Industry Responsible Assessment Framework (CIRAF) and commit to certifying the First Cobalt Refinery under the Responsible Minerals Initiative (RMI). In October, we published the results of a third-party Life Cycle Assessment, which concluded that our facility would have a carbon footprint generated through the production of one kilogram of cobalt sulfate of 1.58 kg CO₂ eq. compared to 3.25 kg CO₂ eq. for a benchmark refinery in Tongxiang, China. The impact of producing cobalt sulfate at First Cobalt's Canadian refinery rather than the existing supply chain is the equivalent of taking more than 9,000 combustion engines off the road every year.

The year was capped off with the announcements of \$10 million in funding from the Government of Canada and the Government of Ontario towards the refinery construction. The Government of Canada is providing a \$5 million interest-free loan through the Federal Economic Development Initiative for Northern Ontario. The Government of Ontario is providing a \$5 million non-repayable grant through the Northern Ontario Heritage Fund Corporation.

2021 Milestones

The first quarter of 2021 was one of significant achievements for First Cobalt. Kicking off the year was the announcement of long-term cobalt hydroxide feed arrangements with Glencore and IXM SA, a fully owned subsidiary of CMOC, which will provide a total of 4,500 tonnes of contained cobalt per year to the Refinery commencing in late 2022. The contained cobalt will be provided from Glencore's KCC mine and CMOC's Tenke Fungurume mine and represents 90% of the projected capacity of the refinery.

In mid-January, First Cobalt commenced pre-construction activities for the Refinery, including detailed engineering and the tendering process for long lead equipment items.

The momentum that was created with the announcement of a government investment in December 2020 gave us an opportunity to complete a \$9.8 million financing at roughly a 100% premium to the average share price in 2020. The funds will mainly be used for the advancement of the Refinery project.

In February, First Cobalt implemented an at-the-market equity program (ATM Program) that allows First Cobalt to issue up to \$10 million of common shares from treasury to the public from time to time, at the Company's discretion. To date, there have been no share issuances made under the ATM Program.

March was a successful and very busy month for First Cobalt. Starting off the month was the announcement of the completion of transaction with Kuya Silver Corporation to sell a portion of our exploration assets in the Canadian Cobalt Camp and to form a joint venture to advance the remaining mineral assets. Kuya acquired a 100% interest in the Kerr area properties for total consideration of \$4 million, comprised of \$1 million in cash and \$3 million in Kuya shares. This transaction allowed First Cobalt to monetize certain non-core assets to increase cash and cash equivalents on hand to be used for its refinery project. We are pleased to report that the value of our Kuya share position has appreciated notably since the transaction closed.

Later in the month, First Cobalt announced it had signed a flexible, long-term, offtake agreement with Stratton Metal Resources Limited for the sale of future cobalt sulfate production from the Refinery. First Cobalt will have the option to sell up to 100% of its annual cobalt sulfate production to Stratton Metals, subject to a minimum annual quantity. The contract term is five years, with prices based on prevailing market prices of cobalt sulfate at the time of shipments. The arrangement provides the flexibility for the Company to enter offtake contracts with OEMs and their suppliers, which reduces amounts made available to Stratton Metals.

First Cobalt then announced that it had entered into an exclusivity agreement with a lender for US\$45 million in debt financing. The exclusivity period provides the basis for which the lender will complete its due diligence requirements. Engineering work, permitting activities, and the financing process remain on schedule for a commencement of construction in mid-2021.

First Cobalt entered into a loan amendment agreement with Glencore to repay the full amount of an existing loan, approximately US\$5.5 million inclusive of capitalized interest, by issuing common shares of First Cobalt. The shares were issued at a 15% discount to market, consistent with the original loan agreement terms which gave Glencore the right to convert the balance owing to shares of First Cobalt at a discount of 15% at maturity. A total of approximately 23.8 million shares were issued, resulting in Glencore owning approximately 4.8% of First Cobalt's issued and outstanding shares.

A final catalyst in Q1 was the announcement of a study to process black mass from recycled batteries as a supplemental source of feed for the refinery in a Phase 2 expansion. First Cobalt's battery recycling circuit would be integrated into the Company's primary cobalt sulfate refinery and operated by the same team. Additional capital expenditure is expected to be modest under a base case scenario. The Company's hydrometallurgical refinery is expected to provide higher yields at a lower cost and at significantly lower energy intensity, compared to traditional pyrometallurgical facilities. Closed loop recycling of lithium-ion batteries will serve the electric vehicle (EV) market in North America and Europe and in the short term will benefit from higher availability of cobalt-rich consumer electronics.

Outlook

Our vision is to provide the world's most sustainable cobalt to the electric vehicle industry. We believe that zero emission vehicle owners care about the carbon footprint of the EV supply chain and we are committed to a carbon neutral future.

Plans are progressing to recommission and expand the First Cobalt Refinery with a view to becoming the only refiner of battery-grade cobalt sulfate in North America. The primary focus for 2021 is advancing the First Cobalt Refinery, with construction commencing in mid-2021, keeping us on track for commissioning in late 2022.

We are already thinking about the next stage of the Company's growth and we are actively studying further

expansion opportunities for the refinery, including the production of a suite of battery materials from recycled batteries (black mass).

First Cobalt also intends to increase exploration activities at its flagship development asset in Idaho.



The First Cobalt Refinery (Canada)

Most of the cobalt consumed today is mined in the Democratic Republic of Congo and then shipped to China for refining, where 80% of battery-grade cobalt is produced. North America is 100% reliant on imports of cobalt sulfate. There are no cobalt sulfate refining facilities operating in North America, which gives the First Cobalt Refinery a strategic advantage in the electric vehicle supply chain.

In 2020, engineering study results were announced 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.

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 First Cobalt's refinery plan is as follows:

1. Divert ethically sourced African mine production from China to North America
2. Recommission and expand the existing, permitted Canadian cobalt refinery
3. Produce cobalt sulfate in Canada for use in the North American and European EV markets
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 known as black mass

Engineering studies completed in 2020 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 current refined cobalt market and 100% of North American cobalt sulfate supply.

First Cobalt plans to finance the refinery expansion capital costs with a mix of debt and equity, weighted more heavily towards debt instruments. In March 2021, First Cobalt announced it had entered an exclusivity agreement with a leading financing institution to provide US\$45 million of debt financing and was entering the due diligence phase. This debt component would be the final piece required for the capital costs to be fully financed.

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

- Q2 2021 – Complete lender due diligence and finalize project financing
- Q2-Q3 2021 – Receive final permit amendment approvals necessary to commence on-site construction
- Q3 2021 – Complete detailed engineering and commence construction activities
- Q3 2021-Q3 2022 – Complete construction activities and equipment installation
- Q4 2022 – Commencement of production



The Iron Creek Project (USA)

The Iron Creek copper-cobalt project is located in Idaho, USA, along the most prolific trend of cobalt mineralization in the U.S., the Idaho Cobalt Belt. The property consists of mining patents and exploration claims covering an area of 2,600 acres. Discovered in 1946, explored extensively from 1970 to 1972, the area then remained relatively dormant until 2017. First Cobalt has completed over 29,000 metres of diamond drilling and significant infrastructure is in place to support multiple drills and underground activity for further work. Historic underground development includes 600 metres of drifting from three adits and an all-weather road connecting the project to a state highway.

First Cobalt announced a new mineral resource estimate for the Iron Creek copper-cobalt project in early 2020. The indicated resource is currently 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 an additional 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. The Company believes there is significant opportunity to increase the size of the deposit.

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 down dip. Management believes that there is potential to continue to expand the size of the Iron Creek resource. In Q4 2020, First Cobalt completed a new geophysics program at the property which identified several new drill targets.

With a strengthening cobalt market, a 2021 drill program is being designed to test for the extensions of the Iron Creek copper-cobalt resource. The areas with high chargeability anomalies from the geophysical survey that are considered to be associated with mineralization along this horizon have been prioritized for this program. The objective over the next two years is to meaningfully increase the resource size at Iron Creek and advance the asset towards a development decision.

Other cobalt and copper targets exist on the First Cobalt's property away from the Iron Creek resource which remain interesting for future exploration.

Capital Structure & Liquidity

From January 1, 2021, through to the end of Q1 the Company received an additional \$6 million in cash proceeds relating to warrant exercises. In combination with the January bought-deal and the closing of the Kuya Silver transaction, First Cobalt has approximately \$19 million of working capital on hand, not including the \$10 million of refinery construction funding pledged by the Ontario and Canadian Governments. The Company has not yet issued any shares under its approved ATM Program.

The US\$45 million debt financing process is progressing through the due diligence phase with an exclusive lender. In conjunction with the financing milestones already achieved and noted above, this debt component is the final piece required for the refinery capital costs to be fully financed.

ESG Commitments

Cobalt is essential to the global transition to electric mobility and First Cobalt is committed to sustainable production and employing industry leading ESG practices at its Refinery.

The Company will provide a clean and ethical supply of cobalt for the EV market from large, commercial mining operations that provide ethically sourced cobalt and the highest quality cobalt hydroxide globally. As a member of the Cobalt Institute, the Company will follow the Cobalt Industry Responsible Assessment Framework (CIRAF), an industry-wide risk management tool that helps cobalt supply chain players identify production and sourcing related risks. We have also committed to the Responsible Minerals Initiative, which will include a third-party audit of the systems in place to responsibly source minerals in line with current global standards.

We will have a lower quartile carbon intensity cobalt by virtue of hydro powered mining operations supplying our hydro powered refining operation. In October 2020 results were released from a Life Cycle Assessment that 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.

First Cobalt believes that this and other ESG practices will help it establish a premium brand of cobalt sulfate for the electric vehicle market.

COVID-19 Response

Despite the current market instability, First Cobalt remains confident in the electric vehicle revolution and has a strong business plan with an experienced team that continues to execute on corporate objectives.

First Cobalt continues to advance its plans for the refinery and has not encountered any adverse effects relating to COVID-19 to date. Best practice protocols are being developed for on-site activity later this year to ensure the health and safety of all personnel.

Leadership Team

MANAGEMENT

Trent Mell

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Chief Financial Officer

Mark Trevisiol P.Eng

Vice President, Project Development

Peter Campbell P.Eng

Vice President, Business Development

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About First Cobalt

First Cobalt's mission is to be the most sustainable producer of battery materials. The Company owns North America's only permitted cobalt refinery, a critical asset in the development and manufacturing of batteries for electric vehicles. First Cobalt also owns the Iron Creek cobalt-copper project in Idaho, USA as well as several significant cobalt and silver properties in the Canadian Cobalt Camp.

For more information visit firstcobalt.com or contact:

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