



eCobalt Solutions Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the Three Months Ended

March 31, 2019

(Stated in Canadian dollars)

Suite 1810 – 999 West Hastings Street
Vancouver, BC, Canada
V6C 2W2

eCobalt Solutions Inc.

March 31, 2019

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eCobalt Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position

(Stated in Canadian dollars)

(Unaudited)

	Note	March 31, 2019	December 31, 2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,091,495	7,693,536
Trade and other receivables		39,638	100,120
Deferred financing costs		741,957	351,748
Prepaid expenses and deposits		336,012	653,144
Total current assets		4,209,102	8,798,548
Reclamation bond	3	2,889,037	2,610,922
Mineral properties	4	39,346,722	37,948,650
Property, plant and equipment	5	52,286,541	52,369,066
Total assets		98,731,402	101,727,186
Liabilities			
Current liabilities			
Accounts payable		1,054,821	1,489,608
Accrued liabilities	8(b)(ii)	980,170	2,671,084
Total current liabilities		2,034,991	4,160,692
Provision for site reclamation and closure costs	6	10,339,824	10,350,045
Deferred tax liabilities		35,507	35,507
Total liabilities		12,410,322	14,546,244
Shareholders' Equity			
Common shares	7	214,196,230	211,596,292
Share purchase warrants reserve		10,152,910	12,752,848
Share-based payments reserve		12,964,795	12,481,728
Foreign currency translation reserve		552,769	552,769
Deficit		(151,545,624)	(150,202,695)
Total shareholders' equity		86,321,080	87,180,942
Total liabilities and shareholders' equity		98,731,402	101,727,186

Commitments (Note 13)

"David Smith"

Director

"Michael Callahan"

Director

eCobalt Solutions Inc.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Stated in Canadian dollars)

(Unaudited)

		Three months ending	
	Note	March 31, 2019	March 31 2018
		\$	\$
Expenses			
Accounting and audit		4,284	16,000
Accretion expense on site reclamation and closure	6	60,911	32,474
Bank charges and interest expense		9,515	5,565
Depreciation	5	124,876	35,287
Directors' fees and expenses	8(b)(ii)	45,000	40,649
Foreign exchange gain		(211,003)	(29,476)
Legal and advisory fees		18,976	79,518
Listing and filing fees		66,073	82,058
Office		109,706	169,266
Salary and wages	8(b)	422,947	349,103
Shareholder relations		102,486	298,489
Share-based payments	7(b)(iii), 8(b)(i)	483,067	384,137
Loss from operating activities		(1,236,838)	(1,463,070)
Loss on sale of property, plant and equipment	5	(147,225)	-
Other income		41,134	84,697
Net loss and comprehensive loss for the period		(1,342,929)	(1,378,373)
Basic and diluted loss per share	7(d)	(0.01)	(0.01)
Weighted average number of common shares outstanding		160,047,386	143,547,498

eCobalt Solutions Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Stated in Canadian dollars)

(Unaudited)

	Note	Common shares without par value	Share purchase warrants reserve	Share-based payments reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity	
		Shares	Amount					
			\$	\$	\$	\$	\$	
Balance, December 31, 2017		132,597,451	182,145,265	10,820,048	10,295,352	552,769	(124,687,954)	79,125,480
Issuance of common shares on exercise of stock options		265,000	175,355	-	(61,805)	-	-	113,550
Issuance of common shares on exercise of share purchase warrants		1,888,450	3,167,090	(758,135)	-	-	-	2,408,955
Issuance of common shares and warrants for cash, net of share issue costs		23,000,000	24,690,362	3,193,950	-	-	-	27,884,312
Share-based payments		-	-	-	384,137	-	-	384,137
Net loss and comprehensive loss		-	-	-	-	-	(1,378,373)	(1,378,373)
Balance, March 31, 2018		157,750,901	210,178,072	13,255,863	10,617,684	552,769	(126,066,327)	108,538,061
Issuance of common shares on exercise of share purchase warrants		2,296,485	1,418,220	(503,015)	-	-	-	915,205
Share-based payments		-	-	-	1,864,044	-	-	1,864,044
Net loss and comprehensive loss		-	-	-	-	-	(24,136,368)	(24,136,368)
Balance, December 31, 2018		160,047,386	211,596,292	12,752,848	12,481,728	552,769	(150,202,695)	87,180,942
Expiration of share purchase warrants	7(c)(ii)	-	2,599,938	(2,599,938)	-	-	-	-
Share-based payments	7(b)(iii)	-	-	-	483,067	-	-	483,067
Net loss and comprehensive loss		-	-	-	-	-	(1,342,929)	(1,342,929)
Balance, March 31, 2019		160,047,386	214,196,230	10,152,910	12,964,795	552,769	(151,545,624)	86,321,080

eCobalt Solutions Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

(Unaudited)

	Note	Three months ending	
		March 31, 2019	March 31, 2018
		\$	\$
Operating activities			
Net loss for the period		(1,342,929)	(1,378,373)
Items not involving cash			
Accretion expense on site reclamation and closure	6	60,911	32,474
Depreciation	5	124,876	35,287
Loss on sale of property, plant and equipment	5	147,225	-
Shared-based payments	7(b)(iii)	483,067	384,137
Unrealized foreign exchange loss (gain)		(144,593)	160,937
Change in working capital items	10	(3,655,022)	(1,639,149)
Net cash used by operating activities		(4,326,465)	(2,404,687)
Investing activities			
Reclamation bond		(331,512)	-
Mineral property expenditures	4	(776,074)	(473,660)
Proceeds on sale of property, plant and equipment	5	919,743	-
Purchase of property, plant and equipment	5	(111,158)	(2,595,785)
Net cash used by investing activities		(299,001)	(3,069,445)
Financing activities			
Issuance of common shares and warrants		-	29,900,000
Share issue costs		-	(2,015,688)
Exercise of share purchase warrants		-	2,408,955
Exercise of stock options		-	113,550
Net cash provided by financing activities		-	30,406,817
Effects of exchange rate changes on the balance of cash held in foreign currencies		23,425	(55,080)
Net cash outflows during the period		(4,602,041)	24,877,605
Cash and cash equivalents, beginning of period		7,693,536	11,740,992
Cash and cash equivalents, end of period		3,091,495	36,618,597
Financial position as at		March 31, 2019	March 31, 2018
Cash and cash equivalents are comprised of:			
Cash		1,569,139	34,010,116
Cash equivalents		1,522,356	2,608,481
		3,091,495	36,618,597

Supplemental cash flow information (Note 10)

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)

(Unaudited)

1. Nature of business and going concern

eCobalt Solutions Inc. (“the Company” or “eCobalt”) was incorporated on June 13, 1988 under the Company Act of British Columbia and commenced operations on that date. The Company is in the process of exploring its mineral properties and has determined that certain of these properties contain measured and indicated resources of cobalt, copper and gold.

The Company’s primary project, located in the mining friendly state of Idaho, is the 100% owned and fully environmentally permitted, Idaho Cobalt Project (the “ICP”). The ICP is comprised of a mine and mill site located in Lemhi County outside of the town of Salmon, Idaho. A feasibility level study was originally completed on the ICP in 2007. In December 2009, the Company and the United States Department of Agriculture Forest Service signed the “Forest Service Evaluation” which approved and finalized the Company’s Mine Plan of Operations (the “Mine Plan”) for the ICP. The approval and finalization of the Company’s Mine Plan allowed the Company to commence construction on the ICP mine site. By November 2012, the Company had completed two of three stages of construction at the mine and mill site. The Company had spent US\$65.3 million completing two phases of the ICP mine and mill construction that commenced in June 2011 and completed in December 2012. This work was comprised of extensive earthworks including access and haul road, portal bench, mill and concentrator pads and tailing waste storage facility construction. In addition, pre-purchased mining and milling equipment, including the ball mill, flotation circuits, grizzlies, hoppers, conveyors, etc., totaling approximately US\$16 million was delivered to a staging area outside the town of Salmon, Idaho. During fiscal 2018, an additional US\$27 million was spent on pre-construction activities to get the ICP ready for development, including the advancement and completion of environmental systems, as required by the Mine Plan. The final phase of construction will involve underground development and the construction of the mill and concentrator and other ancillary facilities at the ICP mine site.

The Company filed a National Instrument 43-101 compliant Feasibility Study Technical Report (“FS”) for the ICP on SEDAR on November 10, 2017. Results from the FS are based on an underground mine with a target production rate of 800 short tons per day and a weighted average annual production of 2.4M pounds of cobalt, 3.3M pounds of copper and 3,000 oz of gold over a 12.5 year mine life with an estimated pre-production period of 24 months utilizing a 0.25% cobalt cut-off grade. The economic model uses a 34% corporate tax rate and a 7.5% discount rate, resulting in an after-tax NPV of \$135.8M and an IRR of 21.3% using an average base case price of \$26.65/pound for contained cobalt in cobalt sulfate. The FS has been compiled in accordance with NI 43-101 guidelines. Since the release of the FS, the Company has engaged in tasks to enhance project economics and to further reduce overall risks of the ICP, the results of which will be released in a new FS.

All obligations, commitments, and permits related to the ICP remain in good standing.

Going concern

At March 31, 2019, the Company had working capital of \$2,174,111 (December 31, 2018 - \$4,637,856). For the three-month period ended March 31, 2019, the Company reported a comprehensive loss of \$1,342,929 (March 31, 2018 – loss of \$1,378,373) and an accumulated deficit of \$151,545,624 (December 31, 2018 - \$150,202,695).

The ability of the Company to continue as a going concern over a longer term is dependent on the Company’s ability to raise the financing necessary to complete development of the ICP and ultimate production. The Company filed a short form base shelf prospectus (the “Shelf Prospectus”) on January 12, 2017, and subsequently filed a renewal of the Shelf Prospectus on March 15, 2019, which, subject to securities regulatory requirements, allows the Company to make offerings of up to \$100,000,000 of common shares, preference shares, debt securities, warrants, subscription receipts, units, or any combination of such securities during the 25-month period that the Shelf Prospectus is effective.

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)
(Unaudited)

1. Nature of business and going concern (continued)

Under the Shelf Prospectus, the Company completed a bought deal financing on February 28, 2017 for gross proceeds of \$17,250,000 by issuing 17,250,000 units at \$1.00 per unit and on February 23, 2018 for gross proceeds of \$29,900,000 by issuing 23,000,000 units at \$1.30 per unit. The Company also completed a direct offering under the Shelf Prospectus on April 17, 2019 for gross proceeds of \$2,000,000 by issuing 6,250,000 units at \$0.32 per unit (Note 14(d)).

Raising capital sufficient to complete construction of the ICP is dependent on continued discussions with off-takers, senior debt providers, alternative lenders, potential streamers and investors and is a material uncertainty. Raising further capital sufficient to establish profitable operations is also a material uncertainty. The need to raise external financing and lack of established profitable operations are material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

The Company's registered office is Suite 1200 – 750 West Pender Street, Vancouver, British Columbia V6C 2T8.

2. Basis of preparation

(a) Statement of compliance

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International 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 follow the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements for the year ended December 31, 2018. These condensed interim consolidated financial statements should be read in conjunction with the Company's December 31, 2018 audited consolidated financial statements.

The Board of Directors authorized these condensed interim consolidated financial statements for issue on May 9, 2019.

(b) Adoption of new accounting standards

Certain pronouncements were issued by the IASB that were mandatory for accounting periods beginning on or after January 1, 2019. The Company adopted the following new IFRS pronouncements effective January 1, 2019.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has determined the adoption of this new standard does not have a material impact on its consolidated financial statements.

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)

(Unaudited)

3. Reclamation bond

In connection with the ICP, the U.S. Forest Service required the Company to place a Reclamation Performance Bond in the amount of US\$7,206,557 (December 31, 2018 – US\$6,379,617) in relation to surface disturbances from pre-construction activities. The Reclamation Performance Bond will be released upon meeting the reclamation requirement of the U.S. Forest Service at the end of the Life of Mine of the ICP.

On June 21, 2011, the Company entered into an agreement with an insurance company to issue a surety bond in the amount required by the Reclamation Performance Bond. As part of the insurance agreement, the Company is required to deposit US\$2,161,967 (December 31, 2018 – US\$1,913,885) in trust as collateral for potential liability, as surety, incurred by the insurance company. The Safekeeping Agreement with the trustee requires the trust proceeds to be invested in any securities backed by the US Treasury, including US Treasury Bills and US Treasury Notes. The trustee can only release the trust proceeds under the following conditions:

- (a) Within thirty (30) days following the written request from the insurance company; and
- (b) Within thirty (30) days following the written request from the Company subsequent to the expiration and termination of the bond, whereby the insurance company has been exonerated of all past, present and future liability.

		March 31,	December 31,
		2019	2018
		\$	\$
Reclamation Performance			
Bond Requirement	US\$	7,206,557	6,379,617
Insured	US\$	7,206,557	6,379,617
In Trust:			
U.S. Treasury Securities	US\$	2,161,967	1,913,885
Foreign exchange rate		1.3363	1.3642
Reclamation bond	CDN\$	2,889,037	2,610,922

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)
(Unaudited)

4. Mineral properties

Mineral properties at March 31, 2019 consist of:

	March 31, 2019	Additions	December 31, 2018
	\$	\$	\$
Idaho Cobalt Belt (a)			
Idaho Cobalt Project (i)	38,261,736	1,391,120	36,870,616
Other Projects (b)			
Virgin River (i)	1,052,210	6,952	1,045,258
Other	32,776	-	32,776
	1,084,986	6,952	1,078,034
	39,346,722	1,398,072	37,948,650

During the three months ended March 31, 2019, the Company spent \$776,074 (March 31, 2018 - \$473,660) and accrued \$481,780 (March 31, 2018 - \$792,879) on mineral properties. A non-cash adjustment of \$140,218 (March 31, 2018 - \$(851,648)) for site reclamation and closure cost was also made (Note 6), resulting in a total addition of \$1,398,072 (March 31, 2018 - \$414,891) for the period.

(a) Idaho Cobalt Belt

(i) Idaho Cobalt Project

The Company owns a 100% interest in the ICP. All critical environmental permits are in place with an approved mine Plan of Operations. The ICP is comprised of the primary high grade cobalt deposit and the partially completed mine and mill located in Lemhi County outside of the town of Salmon, Idaho. The FS on the ICP has been compiled in accordance with NI 43-101 guidelines and a Technical Report was filed on SEDAR on November 10, 2017 (Note 1).

(b) Other projects

(i) Virgin River

The Company owns 2% of the Virgin River project located in the Athabasca Basin of northern Saskatchewan. Cameco Corporation ("Cameco") and Orano each own 49% in the joint exploration agreement with Cameco as the operator of the project. The Company has the first right of offer to acquire up to 10% of the project; a right which has been carried through to \$10,000,000 of exploration and development.

During the year ended February 29, 2008, the Company was advised by its joint venture partners that the first \$10,000,000 of exploration expenditures had been met. An updated joint venture agreement and confirmation of expenditures were concluded. A budget of \$2,200,000 has been proposed for 2019 to further evaluate the Dufferin Lake Fault through electromagnetic geophysical surveys and six diamond drill holes expected to total approximately 6,000 meters. The claims are in good standing until 2035.

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements

for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)

(Unaudited)

5. Property, plant and equipment

	Land	Buildings	Vehicles	Mobile equipment	Office and field equipment	Furniture and fixtures	Computer software	Project construction and maintenance	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
As at December 31, 2017	554,194	525,905	149,249	361,086	217,344	409,580	-	43,995,753	46,213,111
Additions for the period	-	702,277	479,884	895,610	98,422	51,151	-	22,148,066	24,375,410
Impairment for the period	-	-	-	-	-	-	-	(16,820,451)	(16,820,451)
As at December 31, 2018	554,194	1,228,182	629,133	1,256,696	315,766	460,731	-	49,323,368	53,768,070
Additions for the period	-	-	-	-	3,633	-	-	1,105,686	1,109,319
Reclassify asset put into use	-	-	-	-	-	-	565,069	(565,069)	-
Disposals for the period	(80,135)	(462,847)	(415,368)	(352,956)	-	-	-	-	(1,311,306)
As at March 31, 2019	474,059	765,335	213,765	903,740	319,399	460,731	565,069	49,863,985	53,566,083
Accumulated Depreciation									
As at December 31, 2017	-	(260,614)	(31,346)	(316,371)	(180,862)	(385,925)	-	-	(1,175,118)
Additions for the period	-	(21,388)	(66,963)	(97,827)	(20,820)	(16,888)	-	-	(223,886)
As at December 31, 2018	-	(282,002)	(98,309)	(414,198)	(201,682)	(402,813)	-	-	(1,399,004)
Additions for the period	-	(12,735)	(22,574)	(35,042)	(14,696)	(14,485)	(25,344)	-	(124,876)
Disposals for the period	-	147,924	68,305	28,109	-	-	-	-	244,338
As at March 31, 2019	-	(146,813)	(52,578)	(421,131)	(216,378)	(417,298)	(25,344)	-	(1,279,542)
Carrying Value									
As at December 31, 2018	554,194	946,180	530,824	842,498	114,084	57,918	-	49,323,368	52,369,066
As at March 31, 2019	474,059	618,522	161,187	482,609	103,021	43,433	539,725	49,863,985	52,286,541

The Company capitalizes the costs associated with construction and maintenance of the mine, mill and processing facility and will depreciate these assets when they are put into use.

During the three-month period ended March 31, 2019, the Company spent \$111,158 (March 31, 2018 - \$2,595,785) and accrued \$998,161 (March 31, 2018 - \$714,738) on property, plant and equipment, resulting in total additions of \$1,109,319 (March 31, 2018 - \$3,310,523) for the period. During the same period, the Company also sold property, plant and equipment with a carrying value of \$1,066,968 for total proceeds of \$919,743, resulting in a loss of \$147,225.

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)
(Unaudited)

6. Provision for site reclamation and closure costs

The Company's provision for site reclamation and closure relates to the ICP and is based on the Company's legal obligations for environmental remediation, reclamation, and decommissioning at the end of the mine life. The undiscounted cash flows of the obligation as at March 31, 2019 were \$9,630,121 or US\$7,206,557 (December 31, 2018 - \$9,831,184 or US\$7,206,557). The discount rate used to determine the present value of the obligation was based on US Treasury Bond rate of 2.63% and rate of inflation of 2.50% (December 31, 2018 - US Treasury Bond rate of 3.13% and rate of inflation of 2.90%) resulting in a combined rate of 0.127% (December 31, 2018 – 0.224%), discounted by 15.5 years. The Company assumes that reclamation and decommissioning will take place over a three-year period, commencing after the 12.5 year mine life.

	\$
Reclamation and closure cost, December 31, 2017	6,123,070
Additions	4,828,960
Accretion expense	248,049
Change in discount rate	(1,523,000)
Foreign exchange	672,966
Reclamation and closure cost, December 31, 2018	10,350,045
Accretion expense	60,911
Change in discount rate	140,218
Foreign exchange	(211,350)
Reclamation and closure cost, March 31, 2019	10,339,824

7. Share capital

(a) Authorized and issued

The Company has 50,000,000 preferred shares without par value authorized for issue and an unlimited number of common shares without par value authorized for issue.

At March 31, 2019, the Company had no preferred shares outstanding and 160,047,386 (December 31, 2018 – 160,047,386) common shares issued and outstanding.

(b) Stock options

The Company has a Stock Option Plan ("the Plan") for directors, officers and employees. Under this Plan, the aggregate number of common shares which may be subject to issuance pursuant to options granted under the Plan shall in aggregate be a fixed maximum percentage such that the percentage of common shares in the capital of the Company may be reserved for issuance is a maximum 10% of the issued and outstanding shares of the Company. The number of shares reserved for issuance at any one time to any one person shall not exceed 5% of the outstanding shares issued within any one-year period. Options granted must be exercised no later than 10 years after the date of the grant or such lesser periods as regulations require.

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)

(Unaudited)

7. Share capital (continued)

(b) Stock options (continued)

All options are subject to vesting restrictions based on the Plan and at the discretion of the Board of Directors. Effective June 28, 2017, the Board of Directors adopted the following vesting restrictions on all new options granted:

- 25% to be vested immediately;
- An additional 37.5% to be vested on the first anniversary; and
- The remaining 37.5% to be vested on the second anniversary.

The exercise price is the fair value of the Company's common shares at the grant date. The maximum number of common shares to be issued under the Plan reserved for issuance as at March 31, 2019 was 16,004,739 (December 31, 2018 - 16,004,739). The maximum number of shares reserved for issuance to insiders may not exceed 10% of the outstanding shares issued. Under certain conditions, option holders may elect to exercise their stock options on a cashless basis.

(i) As at March 31, 2019, outstanding and exercisable stock options were as follows:

Options		Exercise price	Weighted avg remaining contractual life	Expiry date
Outstanding	Exercisable			
		\$		
360,000	360,000	0.21	0.24 years	June 25, 2019
1,376,500	1,376,500	0.20	1.08 years	April 27, 2020
1,760,000	1,760,000	0.60	2.44 years	September 6, 2021
1,955,000	1,221,875	1.17	3.25 years	June 28, 2022
375,000	234,375	1.17	3.27 years	July 7, 2022
175,000	109,375	1.16	3.52 years	October 5, 2022
140,000	87,500	1.92	3.79 years	January 11, 2023
60,000	37,500	1.38	3.87 years	February 9, 2023
100,000	62,500	1.40	3.95 years	March 12, 2023
200,000	50,000	1.39	4.02 years	April 6, 2023
2,725,000	681,250	1.00	4.25 years	June 28, 2023
210,000	52,500	0.83	4.49 years	September 24, 2023
1,200,000	300,000	0.87	4.51 years	October 2, 2023
100,000	25,000	0.63	4.59 years	November 1, 2023
10,736,500	6,358,375	0.85	3.20 years	

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)

(Unaudited)

7. Share capital (continued)

(b) Stock options (continued)

(i) As at December 31, 2018, outstanding and exercisable stock options were as follows:

Options		Exercise price	Weighted avg remaining contractual life	Expiry date
Outstanding	Exercisable			
		\$		
360,000	360,000	0.21	0.48 years	June 25, 2019
1,376,500	1,376,500	0.20	1.32 years	April 27, 2020
1,760,000	1,760,000	0.60	2.68 years	September 6, 2021
1,955,000	1,221,875	1.17	3.49 years	June 28, 2022
375,000	234,375	1.17	3.52 years	July 7, 2022
175,000	109,375	1.16	3.76 years	October 5, 2022
140,000	35,000	1.92	4.03 years	January 11, 2023
60,000	15,000	1.38	4.11 years	February 9, 2023
100,000	25,000	1.40	4.20 years	March 12, 2023
200,000	50,000	1.39	4.27 years	April 6, 2023
2,725,000	681,250	1.00	4.49 years	June 28, 2023
210,000	52,500	0.83	4.73 years	September 24, 2023
1,200,000	300,000	0.87	4.76 years	October 2, 2023
100,000	25,000	0.63	4.84 years	November 1, 2023
10,736,500	6,245,875	0.85	3.45 years	

(ii) The changes in stock options during the current and previous periods were as follows:

	March 31, 2019	Weighted avg exercise price	December 31, 2018	Weighted avg exercise price
		\$		\$
Balance outstanding, beginning of period	10,736,500	0.85	6,341,500	0.72
Activity during the period				
Options granted	-	-	4,810,000	1.01
Options exercised	-	-	(265,000)	0.43
Options forfeited	-	-	(150,000)	1.28
Balance outstanding, end of period	10,736,500	0.85	10,736,500	0.85

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)
(Unaudited)

7. Share capital (continued)

(b) Stock options (continued)

- (iii) During the three-month period ended March 31, 2019, no stock options were granted to directors, officers, employees and/or consultants of the Company (March 31, 2018 - 375,000). Using the Black-Scholes option pricing model, the Company recognized share-based payments of \$483,067 related to stock options vested during the period (March 31, 2018 - \$384,137).

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model, which requires the input of highly subjective assumptions regarding volatility. The Company has used historical volatility of the Company's share price to estimate the annualized volatility used in its Black Scholes option pricing model.

(c) Warrants

- (i) As at March 31, 2019, the outstanding and exercisable share purchase warrants were as follows:

Warrants outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
	\$		
11,500,000	1.95	0.40 years	August 23, 2019
11,500,000	1.95	0.40 years	

As at December 31, 2018, the outstanding and exercisable share purchase warrants were as follows:

Warrants outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
	\$		
948,750	1.35	0.16 years	February 28, 2019
6,430,250	1.50	0.16 years	February 28, 2019
11,500,000	1.95	0.64 years	August 23, 2019
18,879,000	1.77	0.46 years	

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)

(Unaudited)

7. Share capital (continued)

(c) Warrants (continued)

(ii) The changes in warrants during the current and previous periods were as follows:

	March 31, 2019	Weighted avg exercise price	December 31, 2018	Weighted avg exercise price
		\$		\$
Balance outstanding, beginning of period	18,879,000	1.77	11,563,935	1.23
Activity during the period				
Warrants granted	-	-	11,500,000	1.95
Warrants exercised	-	-	(4,184,935)	0.79
Warrants expired	(7,379,000)	1.48	-	-
Balance outstanding, end of period	11,500,000	1.95	18,879,000	1.77

(d) Loss per share

	March 31, 2019	March 31, 2018
Net loss	\$ (1,342,929)	\$ (1,378,373)
Weighted average number of common shares outstanding	160,047,386	143,547,498
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)

The following potential common shares are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding:

Stock options	9,000,000	140,000
Warrants	11,500,000	17,930,250

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018 (Stated in Canadian Dollars, unless otherwise noted) (Unaudited)

8. Related party transactions

(a) Subsidiaries

	Ownership interest	
	March 31, 2019	December 31, 2018
Formation Holdings Corp.	100%	100%
Formation Holdings US, Inc.	100%	100%
US Cobalt, Inc.	100%	100%
Formation Capital Corporation, U.S.	100%	100%
Essential Metals Corporation	100%	100%
Coronation Mines Ltd.	100%	100%

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

(b) Compensation of key management personnel

The compensation to directors and officers of the Company during the three-month periods ended March 31, 2019 and 2018 were as follows:

	March 31, 2019	March 31, 2018
	\$	\$
Salaries and short-term employee benefits including bonuses	264,865	209,875
Share-based payments (i)	266,329	144,109
Directors' fees (iii)	45,000	39,000
	576,194	392,984

(i) Share-based payments (non-cash expense) are based on the fair value of stock options granted to directors and officers of the Company. During the three-month period ended March 31, 2019, no stock options were granted to directors and officers who are considered key management of the Company (March 31, 2018 - Nil). Using the Black-Scholes option pricing model, the Company recognized share-based payments of \$266,329 related to stock options held by directors and officers which vested during the year (March 31, 2018 - \$144,109).

(ii) During the three-month period ended March 31, 2019, the Company paid or accrued directors fees of \$45,000 (March 31, 2018 - \$39,000). The Company also reimbursed directors for business related expenses in the amount of \$Nil (March 31, 2018 - \$1,649). Outstanding balances owed to directors and officers at March 31, 2019 were \$45,000 (March 31, 2018 - \$39,000).

All executive officers are entitled to termination and change of control benefits. Pursuant to employment agreements, the Company may be obligated to pay up to \$1,990,000 in the event that certain senior management is terminated without cause and up to \$2,600,000 in the event of a change in control as defined in the agreements.

9. Segmented information

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)
(Unaudited)

The Company operated in two reportable segments, being exploration and development of mineral properties and corporate support. The Company's non-current assets by geographic location and total assets, liabilities and losses by operating segment are as follows:

	As at March 31, 2019		
	Canada	United States	Total
	\$	\$	\$
Non-current Assets			
Mineral properties	1,202,706	38,144,016	39,346,722
Property, plant and equipment	124,382	52,162,159	52,286,541
Reclamation bond	-	2,889,037	2,889,037
Total non-current assets	1,327,088	93,195,212	94,522,300

	As at December 31, 2018		
	Canada	United States	Total
	\$	\$	\$
Non-current Assets			
Mineral properties	1,893,734	36,054,916	37,948,650
Property, plant and equipment	142,487	52,226,579	52,369,066
Reclamation bond	-	2,610,922	2,610,922
Total non-current assets	2,036,221	90,892,417	92,928,638

	As at March 31, 2019		
	Exploration and development	Corporate	Total
	\$	\$	\$
Total Assets	91,665,014	7,066,388	98,731,402
Total Liabilities	11,618,897	791,425	12,410,322

	As at December 31, 2018		
	Exploration and development	Corporate	Total
	\$	\$	\$
Total Assets	90,211,940	11,515,246	101,727,186
Total Liabilities	13,579,586	966,658	14,546,244

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)

(Unaudited)

9. Segmented information (continued)

	For the three months ended March 31, 2019		
	Exploration and development	Corporate	Total
	\$	\$	\$
Expenses			
Accretion and interest expense	61,055	9,371	70,426
Depreciation	103,138	21,738	124,876
Foreign exchange loss	-	(211,003)	(211,003)
General and administrative	545	768,927	769,472
Share based compensation	-	483,067	483,067
Other income	-	(41,134)	(41,134)
Net loss for the period	164,738	1,030,966	1,195,704

	For the three months ended March 31, 2018		
	Exploration and development	Corporate	Total
	\$	\$	\$
Expenses			
Accretion and interest expense	32,311	5,728	38,039
Depreciation	33,152	2,135	35,287
Foreign exchange gain	-	(29,476)	(29,476)
General and administrative	117,819	917,264	1,035,083
Share based compensation	-	384,137	384,137
Other income	-	(84,697)	(84,697)
Net loss for the period	183,282	1,195,091	1,378,373

10. Supplemental cash flow information

Changes in operating working capital during the three-month periods ended March 31, 2019 and 2018 were comprised of the following:

	March 31, 2019	March 31, 2018
	\$	\$
Trade and other receivables	60,482	(2,797)
Deferred financing costs	(390,209)	-
Prepaid expenses and deposits	317,132	96,971
Accounts payable and accrued liabilities	(3,642,427)	(1,733,323)
Change in operating working capital for the periods ended	(3,655,022)	(1,639,149)

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)

(Unaudited)

10. Supplemental cash flow information (continued)

Non-cash investing activities during the three-month periods ended March 31, 2019 and 2018 were comprised of the following:

	March 31, 2019	March 31, 2018
	\$	\$
Accounts payable and accrued liabilities related to mineral properties	481,780	792,879
Accounts payable and accrued liabilities related to property, plant and equipment	998,161	714,738
Provision for site reclamation and closure costs included in mineral properties	140,218	(851,648)
Change in non-cash investing activities for the periods ended	1,620,159	655,969

11. Financial instruments

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value.

The Company's financial assets consist of assets classified as fair value through profit and loss which includes cash and cash equivalents, and assets classified as amortized cost consisting of trade and other receivables and the reclamation bond. Cash and cash equivalents and trade and other receivables are valued using level 1 of the fair value hierarchy. The fair value of the reclamation bond will not be realized until the bond is released from the trustee (Note 3). At March 31, 2019, the fair value of the reclamation bond is \$2,832,833 (December 31, 2018 - \$2,522,112) and is calculated in accordance with level 2 of the fair value hierarchy.

The Company's financial liabilities are classified as amortized cost and consist of accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying value because of the short term nature of these instruments.

12. Financial risk management

The Company has exposure to risk of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are credit risk, liquidity risk, interest rate risk and foreign exchange rate risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, cash equivalents and reclamation bond.

The Company invests its excess cash, cash equivalents and reclamation bond principally in highly rated government and corporate debt securities, which may be liquidated at any time. The Company has established guidelines relative to diversification, credit ratings and maturities that maintain safety and liquidity. These guidelines are periodically reviewed by the Company's audit committee and modified to reflect changes in market conditions.

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018 (Stated in Canadian Dollars, unless otherwise noted) (Unaudited)

12. Financial risk management (continued)

Credit risk (continued)

The Company's maximum exposure to credit risk is as follows:

	March 31, 2019	December 31, 2018
	\$	\$
Cash and cash equivalents	3,091,495	7,693,536
Reclamation bond	2,889,037	2,610,922
Total	5,980,532	10,304,458

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work, capital and operating expenditures. The Company has considerable discretion to reduce or increase exploration plans and capital investment budgets depending on current or projected liquidity.

The following summarizes the Company's financial obligations and their maturity:

	March 31, 2019			December 31, 2018	
	Within 1 year	2-5 years	Over 5 years	Total	Total
	\$	\$	\$	\$	\$
Accounts payable	1,054,821	-	-	1,054,821	1,489,608
Accrued liabilities	980,170	-	-	980,170	2,671,084
	2,034,991	-	-	2,034,991	4,160,692

Interest rate risk

The Company is subject to interest rate risk on its cash and cash equivalents and believes that the results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short-term nature of the investments. Excess cash is invested in highly rated investment securities at fixed interest rates with varying terms to maturity but generally with maturities of three months or less from the date of purchase.

As at March 31, 2019, the Company's cash equivalents of \$1,522,356 (December 31, 2018 - \$5,042,058) are comprised of short-term GIC's that are redeemable in 30 days from the date of purchase and earn an interest rate of up to 1.70% (December 31, 2018 - 1.70%). The Company is not subject to material interest rate risk.

eCobalt Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)
(Unaudited)

12. Financial risk management (continued)

Foreign exchange rate risk

The Company reports its consolidated financial statements in Canadian dollars; however, the Company has extensive operations in the US. As a consequence, the financial results of the Company's operations as reported in Canadian dollars are subject to changes in the value of the Canadian dollar relative to the US dollar.

Exploration and development activities in the US are held in the Company's US subsidiaries and are recorded in US dollars and translated into Canadian dollars on the consolidated financial statements date, as such, the Company can be exposed to significant fluctuations in the exchange rate between the US dollar and the Canadian dollar. The Company does not currently enter into any foreign exchange hedges to limit exposure to exchange rate fluctuations. The Board of Directors continually assesses the Company's strategy toward its foreign exchange rate risk, depending on market conditions.

Translation exposure

A number of the Company's subsidiaries are located in countries other than Canada. Therefore, exchange rate movements in the US dollar can have a significant impact on the Company's consolidated operating results due to the translation of monetary assets and liabilities.

At March 31, 2019, a 10% strengthening (weakening) of the Canadian dollar against the US dollar would have increased (decreased) the Company's net loss before taxes by approximately \$293,000 (March 31, 2018 - \$509,000).

13. Commitments

The following is a schedule of the Company's annual commitments as at March 31, 2019:

	Note	2019	2020	2021
		\$	\$	\$
Mineral property expenditure	(a)	37,112	-	-
Office operating leases	(b)	76,425	8,591	-
Construction and professional service contracts	(c)	57,339	-	-
		170,876	8,591	-

(a) The Company has committed \$44,000 towards the 2019 exploration program for the Virgin River joint venture, which represents the Company's 2% interest, and has \$37,112 remaining to spend.

(b) The Company has office lease commitments totalling \$85,016 with various end dates up to January 31, 2020.

(c) The Company has committed \$57,339 towards environmental compliance and other professional service contracts at the ICP.

(d) Pursuant to employment agreements, the Company may be obligated to pay up to \$1,990,000 in the event that certain senior management is terminated without cause and up to \$2,600,000 in the event of a change in control as defined in the agreements.

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018

(Stated in Canadian Dollars, unless otherwise noted)
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14. Subsequent events

- (a) On April 1, 2019, the Company and Jervois Mining Limited (“Jervois”) entered into an arrangement agreement (the “Arrangement Agreement”) pursuant to which the companies will combine (the “Transaction”). The Transaction will be completed by way of a Plan of Arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”) whereby Jervois will acquire all of the issued and outstanding common shares of eCobalt that Jervois does not already own.

Under the Arrangement, each common share of the Company will be exchanged for 1.65 common shares of Jervois (the “Exchange Ratio”). After closing of the Transaction, eCobalt stock options and warrants will provide that upon exercise the holders will receive Jervois shares. To increase eCobalt’s cash position, eCobalt entered into a binding term sheet pursuant to which Dundee Resources Limited (“Dundee”) agreed to subscribe for 6,250,000 units for aggregate gross proceeds to eCobalt of \$2 million (the “Dundee Placement”) (Note 14(d)).

The Arrangement will be subject to the approval of at least 66 2/3% of the votes cast by eCobalt shareholders present in person or represented by proxy at a special meeting of eCobalt shareholders. In addition to the eCobalt shareholder approval, the Arrangement is also subject to Jervois shareholder approval and receipt of certain regulatory, court and stock exchange approvals, as well as shares of Jervois being conditionally accepted for listing on the TSX Venture Exchange (“TSXV”), and other closing conditions customary in transactions of this nature.

Following completion of the Transaction, the Board of Directors of the combined entity will consist of three members from Jervois and two members from eCobalt. The Arrangement Agreement has been unanimously approved by the Board of Directors of both Jervois and eCobalt.

- (b) On April 2, 2019, 40,000 common shares were issued on exercise of stock options with an exercise price of \$0.20 for gross proceeds of \$8,000.
- (c) On April 8, 2019, 35,000 common shares were issued on exercise of stock options with an exercise price of \$0.21 for gross proceeds of \$7,350.
- (d) On April 17, 2019, the Company announced the closing of the Dundee Placement, issuing a total of 6,250,000 units at a price of \$0.32 per unit for gross proceeds of \$2 million by way of a prospectus supplement to the Shelf Prospectus, renewed on March 15, 2019. Each unit consists of one common share of the Company and one common share purchase warrant with each whole warrant being exercisable for one additional common share of the Company at an exercise price of \$0.40 until April 17, 2021.