eCobalt Solutions Inc.

Management's Discussion and Analysis

For the Three Months Ended

March 31, 2019

Date of Report: May 9, 2019

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Vancouver, BC, Canada
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Symbol: Toronto Stock Exchange – ECS

Table of Contents

Quarterly Snapshot and Short-Term Outlook

Announcement of Arrangement Agreement

On April 1, 2019, eCobalt Solutions Inc. (the "Company" or "eCobalt") 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").

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.

Closing of Direct Offering

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.

Idaho Cobalt Project Update

On February 20, 2019, the Company announced that in response to current cobalt market conditions it imposed cost control measures throughout the organization to preserve its treasury while it focuses on critical path items needed to bring the ICP into production. Non-essential operating and corporate expenses were reduced or eliminated. Further work at the ICP will focus on activities required to maintain the site and comply with the approved Plan of Operations, with the objective of re-commencing project development when full project financing is secured. The Company's workforce was reduced to only those employees essential for completing all critical path items and ongoing activities at site, which will include continuation of the water monitoring program, monitoring of the storm water plan and environmental compliance.

Cobalt Market – Near-term Price Weakness Expected; Long-Term Fundamentals Remain Strong

The cobalt price has fallen more than 50% since mid 2018 due to an oversupply of product on the market resulting from excess cobalt production coming out of the DRC and refined supply from China. In the first quarter of 2019 prices rebounded slightly, attributed to stockpiling by traders in anticipation of higher prices over the next two to three years. While the long-term fundamentals for cobalt remain very strong, prices are expected to soften in the short term, particularly into the summer months during which consumption is traditionally weaker. [1]

Cobalt demand can be broken down into two main categories, Metallurgical end-uses and Chemical end-uses. Currently, nearly 34% of refined cobalt globally is consumed in metallurgical applications, with the remaining 66% consumed in non-metallurgical (chemical) end-uses. Driven by growing demand for electric vehicles and the cobalt-containing lithium-ion batteries needed to power them, this trend is expected to continue reaching 73% in chemical uses by 2025 and 85% by 2035.[2]

CRU forecasts strong demand for cobalt from the battery industry over the forecast period, as the uptake in electric vehicles and the pursuit of higher performing batteries increases the demand for cobalt. It is forecasted that demand for all forms of cobalt will increase from 118,000 tonnes in 2018 to 191,000 tonnes in 2025 and 488,000 tonnes by 2035. This demand growth will be driven by the rapid increase in EVs that will take place over this period.

[1] Fastmarkets MB. 2019. BATTERY MATERIALS CONF: Cobalt stockpiling drives recent spot buying; price vulnerable to backswing. [ONLINE] Available at: https://www.metalbulletin.com/Article/3869026/BATTERY-MATERIALS-CONF-Cobalt-stockpiling-drives-recent-spot-buying-price-vulnerable-to-backswing.html. [Accessed 9 May 2019].
[2] CRU Long Term Cobalt Market Outlook – October 17, 2018

Cobalt supply is forecasted to increase from around 150,000 tonnes in 2018 to over 396,000 tonnes in 2035. It is estimated that enough supply will be produced from existing producers until 2021.[3] Thereafter, a combination of expansions by existing producers, new projects, and increased levels of cobalt recycling will be required if supply is to meet demand.

Cobalt mine supply is consolidated in a small number of countries and dominated by the Democratic Republic of the Congo ("DRC"). Cobalt reserves in 2018 are estimated by the USGS to be just over 7 million tonnes of cobalt of which 50% are found in the DRC. The DRC's share of global supply is forecasted to reach 67% in 2021 despite considerable risks to political stability, infrastructure development and energy supply. The DRC government signed a new mining code in Q1 2018 ("2018 DRC Mining Code") which resulted in increased taxes and royalties on all minerals produced in the DRC. Further, cobalt is categorized as a strategic substance under the 2018 DRC Mining Code, resulting in royalties on the metal being raised from 2% to 10%. Cobalt chemicals supply is dominated by China, the largest importer of cobalt concentrates and hydrometallurgical intermediates. With the ICP located in the United States, with access to its own mined feedstock and sustainable operating practices following ethical principles, it has an advantageous position in the current market environment. The ICP has the opportunity to become a reliable and transparent source of cobalt product supply to the domestic market and export markets outside DRC and China.

Summary of Current Quarter Financial Results

Comprehensive loss for the Company's three months ended March 31, 2019 was $1,342,929 or $0.01 per share (March 31, 2018 - $1,378,373 or $0.01 per share). As at March 31, 2019, the Company had working capital of $2,174,111 (December 31, 2018 - $4,637,856). Changes to net loss in the three months ended March 31, 2019 compared to the three months ended March 31, 2018 were mainly the result of changes to the following items:

(a) Depreciation expense, a non-cash adjustment, for the three months ended March 31, 2019 was $124,876 (2018 - $35,287). The increase is due to more depreciable assets being in use during the period compared to the same period in the prior year.

(b) Foreign exchange gain, a non-cash adjustment, for the three months ended March 31, 2019 was $211,003 (2018 - $29,476). The US dollar depreciated against the Canadian dollar during this period from $1.3642 on December 31, 2018 (December 31, 2017 - $1.2545) to $1.3363 on March 31, 2019 (March 31, 2018 - $1.2894). The foreign exchange gain is mainly due to US dollar denominated accounts payable and accrued liabilities outstanding at period end. The Company's provision for site reclamation and closure costs is also originated in US dollars, which contributed to the gain. The Company keeps a portion of its cash and its reclamation bond in US dollars, which offset a portion of the foreign exchange gain. The Company reports foreign exchange gains or losses as a result of changes in valuation from foreign exchange rates at the end of the period.

(c) Legal and advisory fees for the three months ended March 31, 2019 was $18,976 (2018 - $79,518). Lower legal and advisory fees compared to the same period last year was the result of legal activities being focused on the Arrangement Agreement announced on April 1, 2019 as well as interim financing. These legal fees have been recorded as deferred financing costs as they are directly attributed to the Arrangement Agreement and the April 17, 2019 direct offering. Legal activities related general corporate affairs were reduced during the current period.

(d) Office expense for the three months ended March 31, 2019 was $109,706 (2018 - $169,266). Lower office expense compared to the same period last year was a result of cost control measures being put into effect in February 2019. Marketing report subscriptions and general overhead costs were reduced during the period.

(e) Salary and wages for the three months ended March 31, 2019 was $422,947 (2018 - $349,103). Higher salaries during the period were due to the addition of a new chief executive officer and corporate secretary in comparison to the same period in the prior year. Senior management and employee salaries are consistent with the compensation policy adopted by the Board of Directors based on an independent compensation review that benchmarked the Company's compensation policies against its peer group.

(f) Shareholder relations for the three months ended March 31, 2019 was $102,486 (2018 - $298,489). Lower shareholder relations fees during the current period was a result of cutting back on investor relations and marketing activities related to the FS, off-take, project financing and enhancing shareholder awareness of the ICP. These activities include administrative costs, travelling, conferences and marketing roadshow fees, which were all reduced during management's plan to conserve cash.

[3] Roskill Consulting Group Cobalt Price Outlook to 2037 – October 2018

(g) Share-based payments, a non-cash expense, for the three months ended March 31, 2019 was $483,067 (2018 - $384,137). During the three months ended March 31, 2019, there were no stock options granted to directors, officers, employees and consultants of the Company (2018 – Nil). The increase in share-based payments is due to the fair value of stock options vested during the period and is calculated using the Black-Scholes option pricing model.

(h) Interest income for the three months ended March 31, 2019 was $41,134 (2018 - $84,697). Lower interest income during the period was due to the lower cash and cash equivalents balance compared to the same period last year.

This Management's Discussion and Analysis ("MD&A") has been prepared by management and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the notes thereto of eCobalt Solutions Inc. (the "Company") for the three months ended March 31, 2019 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are available on SEDAR at www.sedar.com. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

This MD&A includes certain statements that may be deemed "forward-looking statements" which the Company believes it has a reasonable basis for disclosing. All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, investors are cautioned such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

The technical information contained in this MD&A has been reviewed and approved by Darby Stacey, P. Eng., Process Manager and Qualified Person for the Company as defined by NI 43-101.

1.1 Date

This MD&A is prepared as of May 9, 2019.

1.2 Overview

<u>1.2.1 Summary</u>

The Company is a mineral exploration and mine development company listed on the Toronto Stock Exchange under the symbol ECS. The Company is engaged in the business of exploring and developing mineral properties in Canada, the United States and Mexico.

The Company's primary project, located in the mining friendly state of Idaho, is the 100% owned Idaho Cobalt Project ("ICP"). All critical environmental permits are in place with an approved mine Plan of Operations. The ICP is comprised of a primary high-grade cobalt deposit and the partially completed mine site and mill located in Lemhi County outside of the town of Salmon, Idaho, and a CPF to be constructed in Southern Idaho.

On November 10, 2017, the Company SEDAR filed a NI 43-101 compliant FS on the ICP. The results of 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 lbs of cobalt, 3.3M lbs 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/lb for contained cobalt in cobalt sulfate.

Since the release of the FS, in response to feedback from potential off-takers and diminishing premiums of cobalt sulphate price the Company decided to further de-risk the project by pursuing the production of a cobalt concentrate, an upstream precursor material for battery cathode production, which may result in a material reduction of capital and operating costs at the Cobalt Production Facility ("CPF"). The Company believes that a more simplified flowsheet to produce a cobalt concentrate product may reduce both capital and operating costs which is expected to have a positive impact on overall project economics.

The Company filed a final 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. The Shelf Prospectus, subject to regulatory requirements, may allow the Company to make offerings up to $100,000,000 by issuing securities during the 25-month period that the Shelf Prospectus is effective. 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. Each unit consists of one common share and one-half of one common share purchase warrant. 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. 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. The Shelf Prospectus is expected to provide efficiency, flexibility and opportunities to finance the ICP to complete development and advance the project into commercial production.

In addition to the development of the Idaho Cobalt Project, the Company has interests in other non-core properties through its various subsidiaries that include exploration and development for silver, gold, copper, lead, and zinc exploration targets and is exploring for uranium through joint venture partnerships in northern Saskatchewan with Cameco and Orano (formerly AREVA) as joint venture partners. Limited work was conducted on these properties during the past couple of years. This portfolio of mineral properties continues to be evaluated for possible monetization.

1.2.2 Highlights for the three months ended March 31, 2019 and subsequent events

Corporate:

(a) During the three months ended March 31, 2019, the Company reported a comprehensive loss of $1,342,929 (March 31, 2018 - $1,378,373) and accumulated deficit of $151,545,624 (December 31, 2018 - $150,202,695);

(b) As at March 31, 2019, the Company had working capital of $2,174,111 (December 31, 2018 - $4,637,856);

(c) On February 20, 2019, the Company announced that in response to current cobalt market conditions it is imposing cost control measures throughout the organization to preserve its treasury while it focuses on critical path items needed to bring the ICP into production. Non-essential operating and corporate expenses will be reduced or eliminated. Work at the ICP will focus on activities required to maintain the site and comply with the approved Plan of Operations, with the objective of re-commencing project development when full project financing is secured. The Company's workforce will be reduced to only those employees essential for completing all critical path items and ongoing activities at site, which will include continuation of the water monitoring program, monitoring of the storm water plan and environmental compliance.

(d) On February 28, 2019, 948,750 warrants with an exercise price of $1.35 and 6,430,250 warrants with an exercise price of $1.50 expired.

(e) On March 15, 2019, the Company filed a renewal of the Shelf Prospectus, which 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. Unless otherwise specified in a prospectus supplement, the net proceeds from the sale of securities for cash will be used for general corporate purposes, including completing the development of the ICP to commercial production, working capital, funding ongoing operation and/or capital requirements, reducing the level of indebtedness outstanding from time to time, discretionary capital programs, exploration and development of additional properties or interests (direct or indirect) therein, and potential future acquisitions.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

1.2.3 Risk Management

Factors that may cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, general economic, market or business conditions and such other factors as discussed in the Company's Annual Information Form dated March 29, 2019. Any forward-looking statement made in this MD&A is based only on information currently available and speaks only as of the date on which it is made. Except as required by applicable securities laws, we undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

1.2.4 Basis of Analysis

The sections that follow provide information about the important aspects of the Company's operations and investments, on a consolidated basis, and include discussions of its results from operations, financial position, and sources and uses of cash, as well as significant future commitments. In addition, the Company has highlighted key trends and uncertainties to the extent practical.

The content and organization of the financial and non-financial data presented in these sections is consistent with information used by the Company for, among other purposes, evaluating performance and allocating resources. The following discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019 and related notes thereto.

While most economic indicators impact the Company's operations to some degree, the Company's operations are especially sensitive to capital spending in cobalt intensive industries such as the rechargeable battery sector, aerospace, high-tech, medical prosthetics, industrial, high-temperature steels and environmental applications such as gas and coal to liquids processes, oil desulphurization, wind turbine generators and electric and hybrid-electric vehicles. Management also monitors cobalt–related consumption expenditures on such items as computers, cell phones, paints and cutting steels.

1.2.5 Property Activities

The Company holds mineral exploration properties in Canada, the United States and Mexico.

The Company conducts its exploration independently as well as through joint venture agreements with third parties. The following is a discussion of the Company's primary mineral exploration and development project, the Idaho Cobalt Project, in addition to other projects that the Company has interests in.

(a) Idaho Cobalt Project – Idaho, USA

Background

The Company's principal property is the 100% owned ICP Mine Site, a primary high-grade cobalt deposit located in Lemhi County, Idaho, acquired through staking in 1994 and 1995. The property is held by the Company's 100% owned subsidiary, Formation Capital Corporation, U.S. and is comprised of 313 contiguous unpatented mining claims covering an area of approximately 5,990 acres. All required environmental permits have been received from the various permitting agencies and remain in good standing. A Reclamation Performance Bond in the amount of US$6.38 million was placed to cover the estimated reclamation cost of actual and planned surface disturbance and US$1.91 million was placed in trust to secure the bond. The ICP is not subject to any royalty payments.

The ICP was explored and developed to a feasibility stage in 2008 that demonstrated the viability of producing high purity cobalt metal ("HPC"). The Company continues to maintain an extensive database on the potential production of HPC from the ICP. 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 commenced certain aspects of pre-construction at the mine and mill site when the property was placed on care and maintenance in May 2013 due to weak financial markets and declining commodity prices. By that time, 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$16.0 million were 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.

2017 Feasibility Study ("FS") on the ICP

On November 10, 2017, the Company SEDAR filed a FS on the ICP, which was prepared by Micon and aspects of the study concerning the processing, infrastructural engineering, risk assessment, project scheduling and cost estimating were subcontracted to SNC. The FS is 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 lbs of cobalt, 3.3M lbs 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/lb for contained cobalt in cobalt sulfate.

A summary of the Life of Mine ("LOM") economic results are shown in the following table. Note that all monetary values used in the economics results of the FS are in US dollars.

• Pre-Tax NPV 7.5%:	$176.9 million, IRR 25.1%
• Post-Tax NPV 7.5%:	$135.8 million, IRR 21.3%
• Initial Capital Costs:	$186.7 million
• Life of Mine (LOM):	12.5 years post preproduction
• LOM Gross Revenue:	$1.129 billion
• LOM Total Net After Tax Cash Flow	$331.4 million
• LOM Average Net Cash Cobalt Production Cost: (net of gold, copper and magnesium credits)	$5.05 per pound
• Pre-Tax Initial Capital Payback:	2.9 years
• LOM Cobalt Production:	31,767,000 pounds
• LOM Copper Production:	42,819,000 pounds
• LOM Gold Production: (including ounces in copper con and doré)	39,241 ounces

The total LOM capital and reclamation cost is estimated at $288.1 million, including $186.7 million for initial capital, $5.8 million for long term water treatment bond collateral, and $95.6 million in sustaining capital and mine development capital during production over the LOM, reclamation and closure cost. Prior to the deferral of the ICP to care and maintenance status in May 2013 due to depressed market conditions, the Company spent $65.3 million on the ICP for earthworks, engineering and milling equipment including the crushing, ball mill, flotation and filtration circuits, pumps, grizzlies, hoppers, conveyers, etc. These are sunk costs and not included in the remaining initial capital costs.

The FS utilizes an updated resource, mine model and mine schedule with a feasibility study level of design for the CPF to produce cobalt sulfate. Based on the 2017 FS, a combined cobalt/copper/gold concentrate is to be produced from the mine and mill and processed at the CPF through hydrometallurgical processing of cobalt and copper bearing sulphides to produce cobalt sulfate heptahydrate which is used in the production of cathodes for rechargeable batteries. Marketable by-products include copper concentrate, copper sulfate, magnesium sulfate and gold. Gold will be recovered through a gold carbon in leach circuit producing gold-loaded carbon which will be refined at a contract facility to produce doré. The stripped carbon will be returned to the CPF for reuse.

Micon updated the estimate of cobalt, copper and gold resources in a three-dimensional resource wire frame and block model to be used for mine planning, design and scheduling as part of the FS. Micon utilized the previously estimated resources for the Ram deposit (completed by MDA for the PEA) supported by their own geostatistical model and reserve criteria. The resulting model moved some PEA level Measured resources into the Indicated category and adjusted grades within the resource categories. Cobalt, copper and gold reported in resources in the FS model are shown in the table below. The stated resource is reported at a cobalt cut-off grade of 0.20% cobalt. There is approximately 34% dilution forecasted in the stope designs with additional dilution applied, by mining method and stope conditions, for over-break. The copper and gold resources and reserves are those resources and reserves carried within the stope blocks which attain the cobalt cut-off grade. No metal recoveries are applied, as this is an in-situ resource.

Ram Deposit Mineral Resources at 0.2% Co Cut-off

Category	Zone	Co% Cut-off	Resource (Tons)	Co (%)	Co (lbs)	Au (opt)	Au (ounces)	Cu (%)	Cu (lbs)
Measured	All Zones	0.2	1,725,000	0.54	18,589,700	0.014	24,300	0.76	26,324,900
Indicated	All Zones	0.2	1,711,000	0.64	21,988,000	0.017	29,900	0.71	24,110,600
M+I	**All Zones**	**0.2**	**3,436,000**	**0.59**	**40,577,700**	**0.016**	**54,200**	**0.73**	**50,435,500**
Inferred	All Zones	0.2	1,543,000	0.51	15,593,800	0.012	18,700	0.68	21,032,200

Ram Deposit Mineral Reserves at 0.25% Co Cut-off

Category	Zone	Co% Cut-off	Resource (Tons)	Co (%)	Co (lbs)	Au (opt)	Au (ounces)	Cu (%)	Cu (lbs)
Proven	3021, 3022, 3023	0.25	1,987,209	0.43	17,107,067	0.013	25,276	0.69	27,383,521
Probable	3021, 3022, 3023	0.25	1,674,685	0.52	17,409,858	0.017	28,010	0.67	22,372,024
Total Reserve	**3021, 3022, 3023**	**0.25**	**3,661,894**	**0.47**	**34,516,925**	**0.016**	**53,286**	**0.68**	**49,755,545**

A more detailed description of the results of the FS and the ICP is in the Company's news release dated November 10, 2017. The FS has been compiled in accordance with NI 43-101 guidelines and a Technical Report is available on SEDAR.

Micon and SNC have concluded that the FS contains adequate detail and information to support the positive outcome shown for the ICP and that the ICP contains a viable cobalt and base metal resource that can be successfully mined by underground methods and recovered to concentrate with conventional milling processes. Using the assumptions contained in the FS, the project economics merit consideration by the Company to proceed to the project financing and executions stage. Management has, however, identified significant opportunities that could improve the economics of the ICP.

<u>Project Update, Preconstruction Work and Operational Expansion</u>

Since the release of the FS, in response to feedback from potential off-takers and diminishing premiums of cobalt sulphate price the Company decided to further de-risk the project by pursuing the production of a cobalt concentrate, an upstream precursor material for battery cathode production, which may result in a material reduction of capital and operating costs at the Cobalt Production Facility ("CPF"). The Company has been working on a new Feasibility Study for the production of a cobalt concentrate, and has reported the following tasks related to this work:

(a) **Metallurgical Testwork for Clean Cobalt Concentrate Product:** In response to changing battery market dynamics, market feedback, and in-depth discussions with potential off-takers since the release of the FS, there is an opportunity to reduce capital and operating costs at the Cobalt Production Facility ("CPF") and improve construction timelines by pursuing a clean cobalt concentrate product and by-product of copper/gold concentrate. Clean cobalt concentrate is an upstream product containing less than 1% arsenic that is used in the production of precursor battery cathode material. The Company has received Letters of Intent for off-take and project financing from multiple parties on this new strategy and intends to identify its partner(s) after thorough evaluation of the proposals.

The Company engaged Micon International Ltd. ("Micon"), SNC Lavalin Inc. ("SNC"), Dundee Sustainable Technologies ("DST"), Expert Processing Solutions ("XPS") and Hazen Research, Inc. ("Hazen") to conduct detailed metallurgical testing and engineering for the revised flowsheet with the intent to develop feasibility level designs and costs. Bench scale testing, conducted by XPS, demonstrated that arsenic removal from ICP ore concentrates by conventional roasting methods was successful. Pilot scale testing, conducted by Hazen, was successfully completed during the third quarter and has confirmed the arsenic removal process to produce a clean cobalt concentrate from ICP ore concentrates using rotary kiln roasting methods, as reported in a news release dated September 11, 2018.

(b) **Evaluation of Other Cobalt Concentrate Types:** Since completion of this testwork, payables for clean cobalt concentrate have declined, leading the Company to evaluate the potential of producing other forms of cobalt concentrate, which may in turn further reduce capital and operating costs for the CPF. With the objective to produce a concentrate with the lowest processing cost to be sold at attractive terms, samples have been sent to a list of potential off-take partners. As there is no equivalent or benchmark concentrate in the market, thorough testing by refineries is required to obtain final concentrate specifications and commercial terms. Testing and analysis of ICP cobalt concentrate samples is currently underway by these parties. As final concentrate specifications may affect downstream processing and requirements for the CPF, an agreement on final indicative terms is needed in order to finalize the new Feasibility Study.

(c) **Updated Resource Model:** The Company completed a three-hole, 5,000-foot drill program in 2017. On February 7, 2018 the Company announced an updated resource model that incorporated results from the 2017 drill program, as well as a review and inclusion of past drill results not included in the model previously and the creation of a new three-dimensional resource model using current state of practice software and geostatistical tools. The updated resource model delineated a total resource as follows:

Table 1. 2018 Updated Mineral Resource Estimate for the Idaho Cobalt Project(3)(4)

Category	Resource (M tons)	Co (%)	Co (M lbs)	Cu (%)	Cu (M lbs)	Au (oz/t)	Au (oz)
Measured(1)	1.50	0.66	19.9	0.78	23.6	0.017	26,000
Indicated(1)	2.37	0.54	25.8	0.89	42.2	0.018	42,000
M+I	3.87	0.59	45.7	0.85	65.8	0.017	68,000
Inferred(2)	1.82	0.46	16.7	0.81	29.4	0.015	27,000

1. *Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The Mineral Resources in this news release were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.*
2. *The quantity and grade of reported Inferred resources in this estimation are uncertain in nature. There has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.*
3. *The Cobalt cut-off grade for inclusion in the resource is 0.20%, no consideration of copper or gold content was used in determination of cut-off grade.*
4. *Contained metal figures and totals may differ due to rounding of figures*

(d) **Increase to Targeted Production Rate:** Following an extensive internal review and in response to volatility in the price for cobalt, the Company identified the potential to increase the targeted production rate to 1,200 tonnes per day ("tpd") from 800 tpd, an increase of 50% compared to the previous mine plan. This 1,200 tpd mine plan with improved economies of scale should create an economic plan for the project to be able to better withstand low price environments while capitalizing on high price environments as well. The change in targeted production rate will not require any adjustments to the planned surface disturbance of the mine and mill, therefore changes to the Company's permits which comprise the approved Plan of Operations are not expected.

Pre-construction activities at the ICP mine and mill site continued through 2018 with the procurement of the water treatment plant (“WTP”), installation of the main power substation and extension of power lines to the portal bench, the concentrator pad, water retention ponds and control wells. Along with the stockpiling of existing construction aggregate, the mobilization of the crushers to the mill site for resumption of waste pad construction was completed. The existing pre-purchased building was transported to a site in Blackfoot, ID where the CPF is proposed to be built. Pre-construction activities allow the Company to advance the project on the ground as it completes a new technical report. Once the project is fully financed, underground development can begin with environmental systems and supporting infrastructure already in place.

The Company’s main objective with pre-construction activities was to ensure that all environmental systems are in place to manage mine water and waste rock prior to commencing underground development. These systems include the ground water protection wells, the WTP to be located adjacent to the concentrator facility, piping and instrumentation, installation of the liners on the Tailings Waste Storage Facility (“TWSF”) and Water Storage Ponds, and the completion of all access and maintenance roads. These activities are part of the use of proceeds from the February 2018 public offering and were approximately 80% complete prior to work being halted for the winter season.

On February 20, 2019, the Company announced that in response to current cobalt market conditions it imposed cost control measures throughout the organization to preserve its treasury while it focuses on critical path items needed to bring the ICP into production. Non-essential operating and corporate expenses were reduced or eliminated. Further work at the ICP will focus on activities required to maintain the site and comply with the approved Plan of Operations, with the objective of re-commencing project development when full project financing is secured. The Company's workforce was reduced to only those employees essential for completing all critical path items and ongoing activities at site, which will include continuation of the water monitoring program, monitoring of the storm water plan and environmental compliance.

(b) Other Mineral Assets

i. **Black Pine – Idaho, USA:** All mineral claims related to the Black Pine are in good standing;
ii. **Morning Glory – Idaho, USA:** The Company has 100% ownership of certain additional unpatented placer mining claims located in the same area as the ICP. All mineral claims are in good standing;
iii. **Queen of the Hills – Idaho, USA:** The Company holds a 100% lease option on certain mineral claims located in Lemhi County, Idaho. All mineral claims are in good standing; and
iv. **Wallace Creek – Idaho, USA:** The Company has a 100% lease option on certain additional mineral claims located in the same area as the ICP.

(c) El Milagro – Mexico

The Company has a 100% interest in the El Milagro property in Tamaulipas, Mexico. The Company acquired the claims through staking and through purchase agreements executed with the surface right holders.

(d) Kernaghan/Bell Project – Saskatchewan, Canada

The Kernaghan/Bell Project is a joint venture among the Company, through its wholly owned subsidiary, Coronation Mines Ltd. (20%), Orano Canada Inc. ("Orano") (40%) and Cameco Corporation ("Cameco") (40%), with Orano acting as operator. The Company granted an option whereby the optionees earned an 80% interest in certain mineral claims by making certain payments (received) and completing exploration work totaling $1,000,000 (deemed completed). The Company is participating at the 20% level and has the option to dilute to a 7% participation level which then becomes a net profit interest. The optionee has the right to purchase all or part of the net profit interest during the first year of commercial production by paying $700,000 per percentage point which increases to $800,000 per percentage point during the second year of production. The project area is located near the northeast rim of the Athabasca Basin approximately 42 km north of Points North Landing. The Kernaghan/Bell project currently consists of 13 mineral claims totaling 4,342 hectares. The target unconformity depth ranges from 160m to 290m.

Orano did not conduct any exploration work during the year ended February 28, 2017. In 2018, all of the claims required an assessment filing totalling $103,845. The cost of the 2018 exploration program including overhead was $902,000, with the Company's share being $180,000 (20%). Seven diamond drill holes totaling 3,000 metres were planned to further evaluate three distinct under or untested geophysical conductor strike lengths in the western portion of the property. This program has brought the claims into good standing until 2025. No further drilling is planned for 2019.

(e) Virgin River – Saskatchewan, Canada

The Company, through its wholly owned subsidiary, Coronation Mines Ltd., owns 2% of the Virgin River project located in the Athabasca Basin of northern Saskatchewan. Cameco and Orano each own 49% in the joint exploration agreement, with Cameco acting as the operator of the project. The Company also has the first right of offer to acquire up to 10% of the project and has been carried through to $10,000,000 worth of exploration and development. This right could be exercised in the event that one of the joint venture partners wishes to sell all or a portion of their interest to a third party, in which case they must first offer Coronation Mines an additional 8% of the project. As at December 31, 2018, approximately $36,630,000 has been spent on the project, with $2,345,000 spend in 2018 and the Company's share being 2%. The claims are in good standing until 2035.

Cameco reported that work on the 2018 exploration program consisted of 9 diamond drill holes totaling 7,767 meters, focused on the Dufferin Lake Fault ("DLF") where the conductive trend was interpreted to merge with the fault. The combined results of the three fences tested demonstrated that the DLF is graphitic in this area and is associated with weak uranium mineralization in the sandstone. The program was highlighted by a widespread geochemical halo where anomalous uranium values extend ~650 meters above the unconformity intersected in a previous drill hole. 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.

1.2.6 Market Outlook

The reader is advised that information in the following section discussing the outlook of the cobalt market was derived from independent cobalt publications. The reader is also referred to the cautionary statement on page 5 regarding forward looking statements.

Cobalt Market Overview

The cobalt price has fallen more than 50% since mid 2018 due to an oversupply of product on the market resulting from excess cobalt production coming out of the DRC and refined supply from China. In the first quarter of 2019 prices rebounded slightly, attributed to stockpiling by traders in anticipation of higher prices over the next two to three years. While the long-term fundamentals for cobalt remain very strong, prices are expected to soften in the short term, particularly into the summer months during which consumption is traditionally weaker.[4]

Cobalt demand can be broken down into two main categories, Metallurgical end-uses and Chemical end-uses. Currently, nearly 34% of refined cobalt globally is consumed in metallurgical applications, with the remaining 66% consumed in non-metallurgical (chemical) end-uses. Driven by growing demand for electric vehicles and the cobalt-containing lithium-ion batteries needed to power them, this trend is expected to continue reaching 73% in chemical uses by 2025 and 85% by 2035.[5]

CRU forecasts strong demand for cobalt from the battery industry over the forecast period, as the uptake in electric vehicles and the pursuit of higher performing batteries increases the demand for cobalt. It is forecasted that demand for all forms of cobalt will increase from 118,000 tonnes in 2018 to 191,000 tonnes in 2025 and 488,000 tonnes by 2035. This demand growth will be driven by the rapid increase in EVs that will take place over this period.

Cobalt supply is forecasted to increase from around 150,000 tonnes in 2018 to over 396,000 tonnes in 2035. It is estimated that enough supply will be produced from existing producers until 2021.[6] Thereafter, a combination of expansions by existing producers, new projects, and increased levels of cobalt recycling will be required if supply is to meet demand.

Cobalt mine supply is consolidated in a small number of countries and dominated by the Democratic Republic of the Congo (“DRC”). Cobalt reserves in 2018 are estimated by the USGS to be just over 7 million tonnes of cobalt of which 50% are found in the DRC. The DRC’s share of global supply is forecasted to reach 67% in 2021 despite considerable risks to political stability, infrastructure development and energy supply. The DRC government signed a new mining code in Q1 2018 (“2018 DRC Mining Code”) which resulted in increased taxes and royalties on all minerals produced in the DRC. Further, cobalt is categorized as a strategic substance under the 2018 DRC Mining Code, resulting in royalties on the metal being raised from 2% to 10%. Cobalt chemicals supply is dominated by China, the largest importer of cobalt concentrates and hydrometallurgical intermediates. With the ICP located in the United States, with access to its own mined feedstock and sustainable operating practices following ethical principles, it has an advantageous position in the current market environment. The ICP has the opportunity to become a reliable and transparent source of cobalt product supply to the domestic market and export markets outside DRC and China.

Cobalt and the ICP

Cobalt metal, powders and chemicals remain critical in the production of rechargeable batteries and the ICP is the only primary cobalt deposit located in the United States that is environmentally permitted with the potential for near-term production. These are key positive attributes of the ICP that can address some of the risks and issues faced by the world cobalt market today. As the ICP is a primary cobalt deposit (less than 2% of current world production of cobalt comes from primary deposits), it is not directly influenced by copper and nickel markets. Being located in the United States eliminates the geopolitical and human rights issues that seem to be attached to cobalt that comes from the DRC. The ICP offers a unique opportunity for North American consumers to secure an ethically sourced, environmentally sound supply of high purity cobalt products, mined safely and responsibly. The Company believes that the ICP could be well positioned to capitalize on the growing demand for cobalt. In addition, previous engineering studies, now considered out of date, demonstrated the ability of the project to produce high purity cobalt metal suitable for critical applications in the aerospace sector. These are the two fastest growing sectors in the cobalt market.

There are significant opportunities identified by management of the Company that could improve the economics of the ICP. Excluding those opportunities typical to all mining projects, such as changes in metal prices, exchange rates, etc., there are additional opportunities that exist. For example, the Ram Deposit, which holds 100% of the identified resources and reserves of the ICP, represents only 7% of the Company’s 5,990 acre land holdings. The Sunshine and East Sunshine targets have historic resources and past exploration drilling with intercepts above ICP cut-off grade. In addition, the Company completed a three-hole, 5,000 foot drill program in 2017 which resulted in an updated resource estimate to be incorporated into a new, updated FS. The update is also based on a review and inclusion of past drill results not included previously and the creation of a new three-dimensional resource model. The Company engaged Micon to update the FS resource model accordingly. There is also potential to add additional resources from the nearby Black Pine property optioned by the Company which potentially could provide

[4] Fastmarkets MB. 2019. BATTERY MATERIALS CONF: Cobalt stockpiling drives recent spot buying; price vulnerable to backswing. [ONLINE] Available at: https://www.metalbulletin.com/Article/3869026/BATTERY-MATERIALS-CONF-Cobalt-stockpiling-drives-recent-spot-buying-price-vulnerable-to-backswing.html. [Accessed 9 May 2019]
[5] CRU Long Term Cobalt Market Outlook – October 17, 2018
[6] Roskill Consulting Group Cobalt Price Outlook to 2037 – October 2018

additional feed for the mill. Previous core drilling on the Black Pine property returned significant intercepts of cobalt and copper including 1.13% cobalt over 17.5 feet with another drill hole returning an intercept of 4.9% copper over 9.2 feet. Further exploration and development on the property would be required to further define and develop a potential resource suitable for providing additional feed for the ICP mill.

As previously discussed, there is also an opportunity to reduce capital and operating costs at the CPF and improve construction timelines by pursuing a cobalt concentrate product and by-product of copper/gold concentrate. Since clean cobalt concentrate is a less refined product compared to cobalt sulfate, investment in a CPF can be reduced significantly compared to the capital identified in the FS. This option is being evaluated is in response to the changing battery market dynamics and in-depth discussions with potential off-takers during Management's recent marketing campaigns in North America, Asia, Australia and Europe.

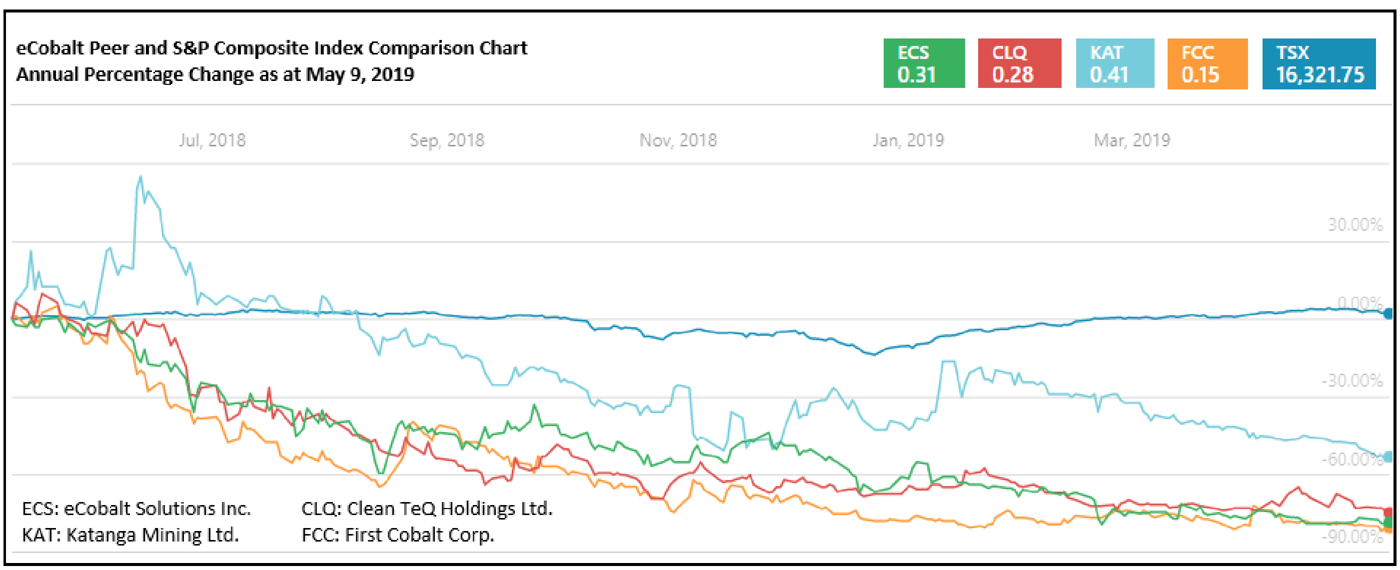
The Company has also identified the potential to increase the targeted production rate to 1,200 tonnes per day ("tpd") from 800 tpd, an increase of 50% compared to the previous mine plan. This 1,200 tpd mine plan could improve economies of scale, providing robust project economics and resilience to lower cobalt prices.

There is an opportunity for the mine to produce more tonnes for short durations on the high tonnage levels of the mine through an update of the mine plan and sequence. The Company has engaged Micon to evaluate a detailed mine design and production schedule developed in-house with third party consultants to reduce planned dilution. This design enhancement will be applied to the updated resource model and evaluated using Micon's FS cost model. It may also be possible to obtain better shipping and handling terms through formal negotiations in the future and to incorporate off-take and/or streaming agreements on some or all of the products to be produced. In addition, the project has potential to recover both heavy and light rare earth elements previously identified in association with the cobalt mineralization. No metal value is given to the copper or gold in determining the cobalt resource cut-off. Incorporating copper and gold values back into the cut-off calculation with modifications to the processing design would realize an increase in tonnage within the resource. Further information and engineering and geological assessments are needed before these opportunities could be included in the project economics.

There are risks associated with the FS. The most significant potential internal risks associated with the ICP are uncontrolled dilution, lower metal recoveries than those projected, operating and capital cost escalation, unforeseen schedule delays, the potential reduction of mineable reserves after removing inferred material from the model and the ability to raise financing. The reported mineral resources are not mineral reserves and do not have demonstrated economic viability. These risks are common to most mining projects, many of which can be mitigated with adequate engineering, planning and pro-active management.

Share Price Performance

The Company's share price performance has exhibited a similar pattern of change to that of other comparable cobalt companies since the beginning of this fiscal year. The Company's share price has decreased by 80% compared to an average decrease of 81% amongst its peer group during the period. This stock performance is similar across comparable cobalt related companies due to a 15% reduction in cobalt metal price during the period. The Company believes that long term fundamentals of a robust demand for cobalt remain unchanged.



1.3 Results of Operations

Financial Results of Operations for the Three Months Ended March 31, 2019 and 2018

Comprehensive loss for the Company's three months ended March 31, 2019 was $1,342,929 or $0.01 per share (March 31, 2018 - $1,378,373 or $0.01 per share). As at March 31, 2019, the Company had working capital of $2,174,111 (December 31, 2018 - $4,637,856). Changes to net loss in the three months ended March 31, 2019 compared to the three months ended March 31, 2018 were mainly the result of changes to the following items:

(a) Depreciation expense, a non-cash adjustment, for the three months ended March 31, 2019 was $124,876 (2018 - $35,287). The increase is due to more depreciable assets being in use during the period compared to the same period in the prior year.

(b) Foreign exchange gain, a non-cash adjustment, for the three months ended March 31, 2019 was $211,003 (2018 - $29,476). The US dollar depreciated against the Canadian dollar during this period from $1.3642 on December 31, 2018 (December 31, 2017 - $1.2545) to $1.3363 on March 31, 2019 (March 31, 2018 - $1.2894). The foreign exchange gain is mainly due to US dollar denominated accounts payable and accrued liabilities outstanding at period end. The Company's provision for site reclamation and closure costs is also originated in US dollars, which contributed to the gain. The Company keeps a portion of its cash and its reclamation bond in US dollars, which offset a portion of the foreign exchange gain. The Company reports foreign exchange gains or losses as a result of changes in valuation from foreign exchange rates at the end of the period.

(c) Legal and advisory fees for the three months ended March 31, 2019 was $18,976 (2018 - $79,518). Lower legal and advisory fees compared to the same period last year was the result of legal activities being focused on the Arrangement Agreement announced on April 1, 2019 as well as interim financing. These legal fees have been recorded as deferred financing costs as they are directly attributed to the Arrangement Agreement and the April 17, 2019 direct offering. Legal activities related general corporate affairs were reduced during the current period.

(d) Office expense for the three months ended March 31, 2019 was $109,706 (2018 - $169,266). Lower office expense compared to the same period last year was a result of cost control measures being put into effect in February 2019. Marketing report subscriptions and general overhead costs were reduced during the period.

(e) Salary and wages for the three months ended March 31, 2019 was $422,947 (2018 - $349,103). Higher salaries during the period were due to the addition of a new chief executive officer and corporate secretary in comparison to the same period in the prior year. Senior management and employee salaries are consistent with the compensation policy adopted by the Board of Directors based on an independent compensation review that benchmarked the Company's compensation policies against its peer group.

(f) Shareholder relations for the three months ended March 31, 2019 was $102,486 (2018 - $298,489). Lower shareholder relations fees during the current period was a result of cutting back on investor relations and marketing activities related to the FS, off-take, project financing and enhancing shareholder awareness of the ICP. These activities include administrative costs, travelling, conferences and marketing roadshow fees, which were all reduced during management's plan to conserve cash.

(g) Share-based payments, a non-cash expense, for the three months ended March 31, 2019 was $483,067 (2018 - $384,137). During the three months ended March 31, 2019, there were no stock options granted to directors, officers, employees and consultants of the Company (2018 – Nil). The increase in share-based payments is due to the fair value of stock options vested during the period and is calculated using the Black-Scholes option pricing model.

(h) Interest income for the three months ended March 31, 2019 was $41,134 (2018 - $84,697). Lower interest income during the period was due to the lower cash and cash equivalents balance compared to the same period last year.

1.3.1 Summary of Quarterly Results

Financial Information in thousands (except per share information)

	Three Months ended March 31, 2019	Three Months ended December 31, 2018	Three Months ended September 30, 2018	Three Months ended June 30, 2018	Three Months ended March 31, 2018	One Month ended December 31, 2017	Three Months ended November 30, 2017	Three Months ended August 31, 2017
	$	$	$	$	$	$	$	$
Net loss from continued operations	(1,343)	(20,625)	(1,342)	(2,169)	(1,378)	(525)	(996)	(1,322)
Basic and diluted loss per share	(0.01)	(0.13)	(0.01)	(0.01)	(0.01)	(0.004)	(0.01)	(0.01)

Net loss from operations for the three months ended March 31, 2019 was $1,342,929 compared to a net loss of $1,378,373 for the three months ended March 31, 2018. The main differences were due to the items discussed in section 1.3 above.

1.4 Liquidity

March 31, 2019

(a) **Cash and cash equivalents** as at March 31, 2019 were $3,091,495 (December 31, 2018 - $7,693,536).

(b) **Working capital** as at March 31, 2019 was $2,174,111 (December 31, 2018 - $4,637,856).

(c) **Mineral property expenditures** of $776,074 were incurred during the three months ended March 31, 2019 (2018 - $473,660). Accruals of $481,780 (2018 - $792,879) and a non-cash adjustment of $140,218 (2018 - $(851,648)) for site reclamation and closure cost were also made, resulting in a total addition of $1,398,072 (2018 - $414,891) for the period.

(d) **Property, Plant and Equipment expenditures** for the three months ended March 31, 2019 was $111,158 (2018 - $2,595,785). Accruals of $998,161 (2018 - $714,738) were also made, resulting in a total addition of $1,109,319 (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.

The Company's cash equivalents are held in Canadian dollars and are invested in short term GICs that are redeemable in 30 days from the date of purchase and earn interest rates of up to 1.70%. All cash and cash equivalents are maintained by the parent company with cash distribution to fund the Company's subsidiaries' operations on an as needed basis. There are no uncertainties in liquidity but cash flow is cyclical as more cash outflows happen during the spring, summer and fall months due to development activities at the ICP.

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 financed total gross proceeds of $21,676,560 during the year ended February 28, 2017 including a private placement on June 1, 2016 and a bought deal financing on February 28, 2017 and additional gross proceeds of $29,900,000 through a bought deal financing on February 23, 2018. The Company also completed a direct offering under the Shelf Prospectus on April 17, 2019 for gross proceeds of $2,000,000. Proceeds from financing are used for general working capital to expand the Company's operations for project development and to strengthen the Company's financial position for project financing. The Company also continues to market the ICP and pursue product off-take arrangements to facilitate financing of capital costs for project development. Raising further capital sufficient to establish profitable operations is a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. The Company has sufficient working capital to sustain overhead, administrative, and property maintenance expenses over the next twelve months after the completion of the bought deal financing. The Company also has the ability to implement cost control measures by reducing overhead costs at its discretion in order to continue its operations for at least the next 12 months if additional financing is not obtained in that timeframe.

Contractual 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 totaling $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.

1.5 Capital Resources

The Company's working capital as at March 31, 2019 was $2,174,111 (December 31, 2018 - $4,637,856). On February 23, 2018, the Company completed a bought deal financing for gross proceeds of $29,900,000 by issuing 23,000,000 units at $1.30 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. 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. 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. The Company also continues to market the ICP, pursue product off-take arrangements to facilitate financing of capital costs for project development and seek further equity and debt funding in the capital markets. The Company continues to look at opportunities to reduce capital and operating costs at the CPF and improve construction timelines by pursuing a cobalt concentrate product, which is a more desirable product to potential off-take partners, and a by-product of copper/gold concentrate. This change to a more upstream product has the potential to result in a significant improvement in economics for the ICP.

1.6 Off-Balance Sheet Arrangements

None.

1.7 Transactions with Related Parties

(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 months 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.

Salaries and short-term employee benefits including bonuses were paid to directors and officers as follows:

		For the period ended March 31, 2019				For the period ended March 31, 2018			
		Non cash share based compensation	**Salary, Bonus and Benefits**	**Directors Fees**	**Total Compensation**	Non cash share based compensation	Salary, Bonus and benefits	Directors Fees	Total Compensation
		$	**$**	**$**	**$**	$	$	$	$
Mike Callahan	President & CEO	**86,320**	**138,936**	**-**	**225,256**	-	-	-	-
David Christie	Director	**15,259**	**-**	**7,000**	**22,259**	8,896	-	7,000	15,896
Paul Farquharson	President & CEO	**-**	**-**	**-**	**-**	35,582	62,500	-	98,082
Gregory Hahn	Director	**15,259**	**-**	**7,000**	**22,259**	8,896	-	8,000	16,896
Scott Hean	Director	**18,311**	**-**	**10,000**	**28,311**	10,675	-	12,000	22,675
Rick Honsinger	Vice President	**-**	**-**	**-**	**-**	17,791	37,500	-	55,291
Robert Metka	Director	**15,259**	**-**	**7,000**	**22,259**	8,896	-	6,000	14,896
Monique Rabideau	Director	**26,588**	**-**	**7,000**	**33,588**	-	-	-	-
David Smith	Director	**15,259**	**-**	**7,000**	**22,259**	8,896	-	6,000	14,896
Marc Tran	CFO	**34,953**	**49,500**	**-**	**84,452**	17,791	47,500	-	65,291
Floyd Varley	COO	**39,124**	**76,429**	**-**	**115,552**	26,687	62,375	-	89,062
		266,329	**264,864**	**45,000**	**576,194**	144,109	209,875	39,000	392,984

1.8 Proposed Transactions

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.

1.9 Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Actual results could differ materially from those estimates and would impact future results of operations and cash flows. Significant judgments and estimates were used in the preparation of these consolidated financial statements. These include but are not limited to the following:

Judgments

(i) Annually, the Company assesses whether indicators of impairment exist with respect to the mineral properties, and property, plant and equipment. If indicators of impairment are identified, then the Company assesses whether its asset carrying values are greater than their recoverable values. The recoverable value is the higher of an asset’s fair value, less costs to sell, and its value in use. The determination of the recoverable amount of mineral properties and property, plant and equipment includes critical judgments by management of items including: discount rates, future commodity prices, production levels, operating and capital expenditures, taxes, length of mine life, proven and probable mineral reserves and resources, and other assumptions used within the Company’s mine model for assessing possible impairment. Should those judgments prove to be inaccurate, the assessed recoverable amounts could differ materially from their actual amounts.

With respect to impairment of property, plant and equipment recognized in 2018, management judgement was used to determine whether or not those assets will be used in future development of the ICP and the estimated net realizable value of those assets.

(ii) The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management’s strategic planning. Should those judgments prove to be inaccurate, management’s continued use of the going concern assumption could be inappropriate.

(iii) Judgments by management with respect to the useful lives of property, plant and equipment, and related rates of depreciation, could result in carrying values of the underlying assets being over or understated, should those judgments be determined to be incorrect.

(iv) The functional and presentation currencies of the Company are the Canadian dollar. The functional currencies of the Company’s subsidiaries are also the Canadian dollar. Activities of the subsidiaries are integrated with the operations of the parent company. Should management’s judgment about the nature of a subsidiary differ from its actual nature, a material difference in the cumulative translation adjustment and/or foreign exchange gain (loss) could result.

Estimates

(i) The carrying value of mineral properties, exploration expenditures incurred, and property, plant and equipment, and the likelihood of future economic recoverability of these carrying values is subject to significant management estimates. The application of the Company’s accounting policy for and determination of recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures is unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

(ii) The provision for site reclamation and closure costs requires the Company to examine its site reclamation and closure cost obligations annually. Significant estimates and assumptions are made to determine provision for site reclamation and closure cost due to various factors that will affect the ultimate liability. These factors include estimates of extent and cost of reclamation activities, technological and regulatory changes, cost increases and changes in discount rates. Uncertainty of these factors may result in future actual reclamation expenditures being materially different from current estimates.

(iii) The provision for income and mining taxes including expected recovery and periods of reversals of timing differences and composition of deferred income taxes and liabilities requires significant estimates about the future profitability, ability to utilize deferred tax assets and future income tax rates, among others. Should the Company's performance differ from management's estimates, or should future tax rates change, the Company's estimate of income and mining taxes could differ materially from current estimates.

(iv) The fair value of stock options and warrants are subject to measurement by the Black-Scholes option pricing model, which requires market data and estimates made by the Company as inputs to the calculation. These inputs are subjective assumptions and changes in these inputs could materially affect the fair value estimated.

1.10 Financial Instruments and Other 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.

1.11 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 bonds.

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.

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 financial instruments and their maturity that are held to manage liquidity risk:

	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 - $5,042,085) 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.

Foreign exchange rate risk

The Company reports its consolidated financial statements in Canadian dollars; however, the Company has extensive operations in the US as well as limited operations. 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).

1.12 Other MD&A Requirements

(a) Disclosure of Outstanding Share Data

As at May 9, 2019, there were 166,372,386 outstanding common shares, 10,661,500 outstanding stock options with a weighted average exercise price of $0.85 and weighted average life of 3.50 years. The Company has 17,750,000 share purchase warrants outstanding with a weighted average price of $1.40 and average life of 0.46 years.

(b) Internal Controls over Financial Reporting and Disclosure Controls

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. The certifying officers reviewed and evaluated such disclosure controls and procedures and concluded that the disclosure controls and procedures were operating effectively as of March 31, 2019.

Internal Controls over Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. The Company evaluated the design and operational effectiveness of its internal controls over financial reporting as defined under NI 52-109 for the three months ended March 31, 2019.

The Company's controls include policies and procedures that:

(i) Relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and

(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the design and operational effectiveness of the Company's internal control over financial reporting using the framework and criteria established in *Internal Control – Integrated Framework* (the "Framework"), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. The Company confirms that the design and operation effectiveness of the Company's internal control over financial reporting is effective.

Limitation of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(c) **Additional Information**

More information can be found on the Company's website at www.eCobalt.com. Additional information is provided in the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019. Information Circulars and Annual Information Forms of the Company are also available at www.sedar.com.