



eCobalt Solutions Inc.
(Formerly Formation Metals Inc.)

***Condensed Interim Consolidated Financial Statements
(Unaudited)***

For the Three Months Ended

May 31, 2017

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

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

May 31, 2017

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eCobalt Solutions Inc.
(Formerly Formation Metals Inc.)

Condensed Interim Consolidated Statements of Financial Position

(Stated in Canadian dollars)

(Unaudited)

	Note	May 31, 2017	February 28, 2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		17,712,545	19,221,353
Trade and other receivables		47,055	58,883
Prepaid expenses and deposits		102,521	97,864
Total current assets		17,862,121	19,378,100
Reclamation bond	3	3,022,470	2,973,439
Mineral properties	4	24,887,495	21,881,931
Property, plant and equipment	5	40,653,856	40,658,469
Total assets		86,425,942	84,891,939
Liabilities			
Current liabilities			
Accounts payable		428,111	945,254
Accrued liabilities		57,677	289,992
Total current liabilities		485,788	1,235,246
Provision for site reclamation and closure costs	6	6,744,576	4,671,199
Deferred tax liabilities		25,924	25,924
Total liabilities		7,256,288	5,932,369
Shareholders' Equity			
Common shares	7	179,811,797	178,430,193
Share purchase warrants reserve		11,214,761	11,504,324
Share-based payments reserve		9,464,005	9,532,117
Foreign currency translation reserve		523,951	552,769
Deficit		(121,844,860)	(121,059,833)
Total shareholders' equity		79,169,654	78,959,570
Total liabilities and shareholders' equity		86,425,942	84,891,939

Nature of business and going concern (Note 1)

Commitments (Note 13)

Subsequent events (Note 14)

"Scott B. Hean"

Director

"J. Paul Farquharson"

Director

eCobalt Solutions Inc.
(Formerly Formation Metals Inc.)

Condensed Interim Consolidated Statement of Operations and Comprehensive Loss

(Stated in Canadian dollars)

(Unaudited)

	Note	Three months ending	
		May 31, 2017	May 31, 2016
		\$	\$
Expenses			
Accounting and audit		17,265	18,000
Accretion expense on site reclamation and closure	6	37,384	-
Bank charges and interest expense		1,081	630
Depreciation	5	12,308	12,500
Directors' fees and expenses	8(b)	20,453	27,875
Foreign exchange (gain) loss		(4,277)	39,506
Legal fees		39,626	16,776
Listing and filing fees		27,064	25,700
Office		90,578	79,121
Salary and wages	8(b)	440,259	99,901
Shareholder relations		149,281	28,067
Loss from operating activities		(831,022)	(348,076)
Interest income		45,995	958
Loss before taxes from continued operations		(785,027)	(347,118)
Other comprehensive income (loss):			
Currency translation adjustment		(28,818)	86,976
Total comprehensive loss for the period		(813,845)	(260,142)
Basic and diluted loss per share	7(d)	(0.01)	(0.00)
Weighted average number of shares outstanding			
Basic		129,687,706	90,893,616
Diluted		132,542,164	90,893,616

eCobalt Solutions Inc.
(Formerly Formation Metals Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Stated in Canadian dollars)

(Unaudited)

	Note	Common shares without par value	Share Purchase Warrants	Share-based payments reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity	
		Shares	Amount					
			\$	\$	\$	\$	\$	
Balance, February 29, 2016		90,887,205	160,945,419	7,343,318	9,031,102	552,769	(118,850,133)	59,022,475
Issuance of common shares on exercise of stock options		60,000	18,456	-	(6,456)	-	-	12,000
Subscription advances			812,720	-	-	-	-	812,720
Net loss and comprehensive loss		-	-	-	-	86,976	(347,118)	(260,142)
Balance, May 31, 2016		90,947,205	161,776,595	7,343,318	9,024,646	639,745	(119,197,251)	59,587,053
Issuance of common shares on exercise of stock options		2,478,500	904,654	-	(304,654)	-	-	600,000
Issuance of common shares and warrants for cash, net of share issue costs		14,755,200	2,229,052	1,068,706	-	-	-	3,297,758
Issuance of common shares on exercise of share purchase warrants		1,879,051	1,014,005	(274,026)	-	-	-	739,979
Issuance of common shares and warrants for cash, net of share issue costs		17,250,000	12,505,887	3,366,326	-	-	-	15,872,213
Stock-based compensation		-	-	-	812,125	-	-	812,125
Net loss and comprehensive loss		-	-	-	-	(86,976)	(1,862,582)	(1,949,558)
Balance, February 28, 2017		127,309,956	178,430,193	11,504,324	9,532,117	552,769	(121,059,833)	78,959,570
Issuance of common shares on exercise of stock options	7(a)(ii)	250,000	183,362	-	(68,112)	-	-	115,249
Issuance of common shares on exercise of share purchase warrants	7(a)(i)	2,271,700	1,198,243	(289,563)	-	-	-	908,680
Net loss and comprehensive loss		-	-	-	-	(28,818)	(785,027)	(813,845)
Balance, May 31, 2017		129,831,656	179,811,797	11,214,761	9,464,005	523,951	(121,844,860)	79,169,654

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Condensed Interim Consolidated Statements of Cash Flow

(Stated in Canadian dollars)

(Unaudited)

	Note	Three months ending May 31, 2017 \$	May 31, 2016 \$
Operating activities			
Net loss for the period		(785,027)	(347,118)
Items not involving cash			
Accretion expense on site reclamation and closure	6	37,384	-
Depreciation		12,308	12,500
Unrealized foreign exchange (gain) loss		(764)	7,512
Change in working capital items	9	(990,645)	(13,215)
Net cash provided (used) by operating activities		(1,726,744)	(340,321)
Investing activities			
Mineral property expenditures	4	(794,294)	(131,111)
Purchase of property, plant and equipment, net of deposits		(7,695)	(5,000)
Net cash provided (used) by investing activities		(801,989)	(136,111)
Financing activities			
Subscription received in advance, net of cost		-	812,720
Share purchase warrant	7(a)(i)	908,680	-
Exercise of stock option	7(b)(ii)	115,250	18,456
Net cash provided (used) by financing activities		1,023,930	831,176
Effects of exchange rate changes on the balance of cash held in foreign currencies		(4,005)	(9,906)
Net cash inflows (outflows) during the period		(1,508,808)	344,838
Cash and cash equivalents, beginning of period		19,221,353	1,095,357
Cash and cash equivalents, end of period		17,712,545	1,440,195
Financial position as at		May 31, 2017	May 31, 2016
Cash and cash equivalents are comprised of:			
Cash		15,126,845	743,645
Short-term investments		2,585,700	696,550
		17,712,545	1,440,195

Supplemental cash flow information (Note 9)

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended May 31, 2017 and 2016

Expressed in Canadian Dollars unless otherwise noted

1. Nature of business and going concern

eCobalt Solutions Inc. (“the Company”) 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 and copper.

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 the mine and mill located in Lemhi County outside of the town of Salmon, Idaho. A feasibility level study was completed on the ICP in 2007 to produce a high purity cobalt metal suitable for critical applications in the aerospace sector. 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. As of May 2013, the ICP was placed on care and maintenance due to market conditions.

A National Instrument 43-101 compliant Technical Report on the Preliminary Economic Assessment (“PEA”) on the ICP to produce cobalt sulfate crystals from the ICP suitable for the rechargeable batteries and electric vehicles market was filed on SEDAR on May 8, 2015. The Company announced successful metallurgical test work results on bench test production of cobalt sulfate crystals on March 3, 2016. Following these successful results, the Company completed a private placement on June 1, 2016 and commissioned a Feasibility Study (“FS”) on the ICP on June 21, 2016.

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

Going concern

At May 31, 2017, the Company had working capital of \$17,376,333 (February 28, 2017 - \$18,142,854). For the three month period ended May 31, 2017, the Company reported a comprehensive loss of \$813,845 (2016 – loss of \$260,142) and accumulated deficit of \$121,844,860 (February 28, 2017 - \$121,059,833).

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 recently filed a short form base shelf prospectus (the “Shelf Prospectus”) on January 12, 2017 and this will, subject to securities regulatory requirements, allow 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.

Raising capital sufficient to complete planned development costs is based upon favourable FS results and this is a material uncertainty. Raising further capital sufficient to establishing 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.

However, with cash on hand at May 31, 2017, the Company has sufficient financial resources to continue its operations for at least the next 12 months.

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

eCobalt Solutions Inc.

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Notes to the condensed interim consolidated financial statements (Unaudited)

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2. Basis of preparation

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 financial statements for the year ended February 28, 2017. These condensed interim consolidated financial statements should be read in conjunction with the Company's February 28, 2017 audited consolidated financial statements. The Board of Directors authorized these condensed interim consolidated financial statements for issue on July 11, 2017.

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\$6,379,617. There has been no change in the Reclamation Performance Bond since February 29, 2012. Earthworks and Tailing Waste Storage construction on the ICP was partially completed, and subsequent disturbances to date has been minimal. 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 Idaho Cobalt Project.

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\$2,232,000 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.

		May 31,	February 28,
	\$	2017	2017
		\$	\$
Reclamation Performance			
Bond Requirement	US\$	6,379,617	6,379,617
Insured	US\$	6,379,617	6,379,617
In Trust:			
U.S. Treasury Securities	US\$	2,239,196	2,239,196
		2,239,196	2,239,196
Reclamation bond	CDN\$	3,022,470	2,973,439

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4. Mineral properties

Mineral properties at May 31, 2017 consist of:

	May 31, 2017	Additions	February 28, 2017
	\$	\$	\$
Idaho Cobalt Belt			
Idaho Cobalt Project	23,418,425	2,999,286	20,419,139
Other Projects			
Kernaghan	489,888	1,288	488,600
Virgin River	946,406	4,990	941,416
Other	32,776	-	32,776
	1,469,070	6,278	1,462,792
	24,887,495	3,005,564	21,881,931

During the three month period ended May 31, 2017, the Company capitalized \$1,046,655 but accrued \$252,361 of the capitalized amount, resulting in a net expenditure of \$794,294 (2016- \$131,111) on mineral properties. A non cash adjustment of \$1,958,909 (2016 - \$674,864) for site reclamation and closure cost was also made (note 6) resulting a net addition of \$3,005,564 (2016 - \$805,975).

Idaho Cobalt Project

The Company owns a 100% interest in the Idaho Cobalt Project (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 Company commissioned the FS on the ICP on June 21, 2016.

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5. Property, plant and equipment

	Land	Buildings	Equipment	Furniture and fixtures	Project Construction and maintenance	Total
	\$	\$	\$	\$	\$	\$
Cost						
As at February 29, 2016	181,545	525,905	494,489	401,304	39,851,910	41,455,153
Additions for the year	19,390	-	1,827	7,320	292,863	321,400
As at February 28, 2017	200,935	525,905	496,316	408,624	40,144,773	41,776,553
Additions for the year	6,739	-	-	956	-	7,695
As at May 31, 2017	207,674	525,905	496,316	409,580	40,144,773	41,784,248
Accumulated Depreciation						
As at February 29, 2016	-	(224,050)	(471,206)	(371,706)	-	(1,066,962)
Additions for the year	-	(21,516)	(20,541)	(9,065)	-	(51,122)
As at February 28, 2017	-	(245,566)	(491,747)	(380,771)	-	(1,118,084)
Additions for the year	-	(5,579)	(4,569)	(2,160)	-	(12,308)
As at May 31, 2017	-	(251,145)	(496,316)	(382,931)	-	(1,130,392)
Carrying Value						
As at February 28, 2017	200,935	280,339	4,569	27,853	40,144,773	40,658,469
As at May 31, 2017	207,674	274,760	-	26,649	40,144,773	40,653,856

The Company capitalizes the cost associated with construction of its mill and Cobalt Processing Facility and will depreciate those assets when they are put into use.

eCobalt Solutions Inc.

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Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended May 31, 2017 and 2016

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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 May 31, 2017 were \$5,150,290 or US\$3,815,030 (February 28, 2017 - \$5,066,741 or US\$3,815,030). The discount rate used to determine the present value of the obligation was based on US Treasury Bond rate of 2.80% and rate of inflation of 3.70% (February 28, 2017 - US Treasury Bond rate of 2.25% and rate of inflation of 1.00%) resulting in a combined rate of -1.273% (February 28, 2017 - 0.83%), discounted by 15 years. The Company assumes that reclamation and decommissioning will take place over a three year period, commencing after the 12 year Mine Life.

	\$
Reclamation and closure cost- February 29, 2016	5,972,114
Additions	-
Accretion expense	105,149
Change in discount rate	(1,314,283)
Foreign exchange	(91,781)
Reclamation and closure cost- February 28, 2017	4,671,199
Additions	-
Accretion expense	37,384
Change in discount rate	1,955,861
Foreign exchange	80,132
Reclamation and closure cost - May 31, 2017	6,744,576

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 May 31, 2017, the Company had no preferred shares outstanding and 129,831,656 (February 28, 2017 - 127,309,956) common shares issued and outstanding.

- (i) During the period ended May 31, 2017, 2,271,700 warrants were exercised with an exercise price of \$0.40 for total proceeds of \$908,680. Upon exercise, the Company transferred \$289,563 to common shares.
- (ii) During the period ended May 31, 2017, 250,000 stock options were exercised and these include 25,000 options with an exercise price of \$0.20, 25,000 options with an exercise price of \$0.21, 50,000 options with an exercise price of \$0.30, and 150,000 options with an exercise price of \$0.60 for total proceeds of \$115,250. Upon exercise, the Company transferred \$68,112 from share based payment reserve to common share.

eCobalt Solutions Inc.

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Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended May 31, 2017 and 2016

Expressed in Canadian Dollars unless otherwise noted

7. Share capital

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.

All options are subject to vesting restrictions based on the Plan and at the discretion of the Board of Directors. 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 May 31, 2017 was 12,983,166 (2016 - 9,088,720). 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 May 31, 2017 the outstanding and exercisable stock options were as follows:

Options outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
	\$		
240,000	0.30	0.68 years	February 1, 2018
490,000	0.21	2.07 years	June 24, 2019
1,844,500	0.20	2.90 years	April 27, 2020
218,182	0.52	4.10 years	July 8, 2021
1,860,000	0.60	4.25 years	September 1, 2021
4,652,682	0.38		

As at February 28, 2017 the outstanding and exercisable stock options were as follows:

Options outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
	\$		
290,000	0.30	0.93 years	February 1, 2018
515,000	0.21	2.32 years	June 24, 2019
1,869,500	0.20	3.15 years	April 27, 2020
218,182	0.52	4.35 years	July 8, 2021
2,010,000	0.60	4.50 years	September 6, 2021
4,902,682	0.38		

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Notes to the condensed interim consolidated financial statements (Unaudited)

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Expressed in Canadian Dollars unless otherwise noted

7. Share capital (continued)

b) Stock Options (continued)

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

	May 31, 2017	Weighted avg exercise price	February 28, 2017	Weighted avg exercise price
		\$		\$
Balance outstanding, beginning of period	4,902,682	0.39	6,863,000	0.38
Activity during the period				
Options granted	-	-	2,228,182	0.59
Options exercised	(250,000)	0.50	(2,538,500)	0.24
Options expired	-	-	(1,390,000)	1.00
Options cancelled	-	-	(260,000)	0.26
Balance outstanding end of period	4,652,682	0.38	4,902,682	0.39

c) Warrants

(i) As at May 31, 2017 the outstanding and exercisable share purchase warrants were as follows:

Warrants outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
	\$		
204,902	0.37	1.25 years	June 1, 2018
3,614,900	0.40	1.25 years	June 1, 2018
948,750	1.35	1.75 years	February 28, 2019
8,625,000	1.50	1.75 years	February 28, 2019
13,393,552	1.18		

As at February 28, 2017 the outstanding and exercisable share purchase warrants were as follows:

Warrants outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
	\$		
204,902	0.37	1.50 years	June 1, 2018
5,886,600	0.40	1.50 years	June 1, 2018
948,750	1.35	2.00 years	February 28, 2019
8,625,000	1.50	2.00 years	February 28, 2019
15,665,252	1.06		

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7. Share capital (continued)

c) Warrants (continued)

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

	Weighted avg May 31, 2017	exercise price	February 28, 2017	Weighted avg exercise price
		\$		\$
Balance outstanding, beginning of period	15,665,252	1.06	-	-
Activity during the period				
Warrants issued	-	-	17,544,303	0.99
Warrants exercised	(2,271,700)	0.40	(1,879,051)	0.39
Warrants cancelled	-	-	-	-
Balance outstanding end of period	13,393,552	1.18	15,665,252	1.06

d) Loss per share

	Three months ending	
	May 31, 2017	May 31, 2016
Net loss	\$ (785,027)	\$ (347,118)
Weighted ave. number of common shares outstanding	129,687,706	90,947,205
Weighted ave. number of diluted common shares	132,542,164	90,947,205
Loss per share - basic	\$ (0.01)	\$ (0.00)
Loss per share - diluted	\$ (0.01)	\$ (0.00)

The following potential common shares, are anti-dilutive and are therefore excluded from the weighted average number of common shares for the purposes of diluted

Stock options	4,652,682	6,663,000
Warrants	13,393,552	-

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8. Related party transactions

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.

a) Subsidiaries

	Ownership interest	
	May 31, 2017	February 28, 2017
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%
Minera Terranova S.A. de C.V.	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 May 31, 2017 and 2016 were as follows:

	May 31, 2017	May 31, 2016
	\$	\$
Salaries and short-term employee benefits including bonuses (i)	412,590	97,344
Share-based compensation (ii)	-	-
Directors' fees (iii)	18,750	27,875
	431,340	125,219

Outstanding balances owed to directors and officers at May 31, 2017 were \$18,750 (2016 - \$85,625).

- (i) Higher salaries and short term benefits in the current period were due to bonuses granted to executive management and employees of the Company. In addition, executive management and employees took salary reductions during the first two quarters of 2016, resulting in lower salaries and short term employee benefits during that period.
- (ii) Share-based payments (non-cash expense) are based on fair value of stock options granted to directors and officers of the Company. During the period ended May 31, 2016, no stock options were granted to directors and officers who are considered key management of the Company.

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8. Related party transactions (continued)

- (iii) The Company paid or accrued directors fees of \$18,750 (2016 - \$27,875). The Company also reimbursed directors for business related expenses in the amount of \$1,703 (2016 - \$nil).

Some executive officers are entitled to termination and change of control benefits. These executive officers are entitled to lump sum compensation ranging from 6 to 36 months of base compensation in the event of termination without sufficient advance notice. These executive officers are also entitled to lump sum compensation ranging from 6 to 36 months of base compensation in the event of change of control. Pursuant to employment agreements, the Company may be obligated to pay up to \$744,000 in the event that executive officers are terminated without cause or upon a change of control.

9. Supplementary cash flow information

Changes in working capital and mineral properties for the three month periods ended:

	Note	May 31, 2017	May 31, 2016
		\$	\$
Accounts receivable		11,828	(4,421)
Prepaid expenses and deposits		(4,658)	18,708
Accounts payable and accrued liabilities, relating to operating items		(997,815)	(27,502)
Change in working capital for the periods ended		(990,645)	(13,215)
Mineral property expenditures		252,361	-
Site reclamation and closure cost adjustment	6	1,958,909	674,864
Net addition to mineral properties for the periods ended	4	2,211,270	674,864

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10. Segmented information

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

	May 31, 2017		
	Canada	United States	Total
	\$	\$	\$
Non-current Assets			
Mineral properties	1,436,294	23,451,201	24,887,495
Property, plant & equipment	27,125	40,626,731	40,653,856
Reclamation bonds	-	3,022,470	3,022,470
Total non-current assets	1,463,419	67,100,402	68,563,821

	February 28, 2017		
	Canada	United States	Total
	\$	\$	\$
Non-current Assets			
Mineral properties	1,430,016	20,451,915	21,881,931
Property, plant & equipment	28,369	40,630,100	40,658,469
Reclamation bonds	-	2,973,439	2,973,439
Total non-current assets	1,458,385	64,055,454	65,513,839

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10. Segmented information (continued)

	For the three month period ended May 31, 2017		
	Exploration and development	Corporate	Total
	\$	\$	\$
Expenses			
Accretion & interest expense	(37,887)	(578)	(38,465)
Depreciation	(10,109)	(2,199)	(12,308)
Foreign exchange gain	-	4,277	4,277
General and administrative	(13,311)	(771,215)	(784,526)
Other gain	-	45,995	45,995
Loss before income taxes	(61,307)	(723,720)	(785,027)
Net loss for the period	(61,307)	(723,720)	(785,027)
Total Assets	68,555,617	17,870,325	86,425,942
Total Liabilities	6,812,540	443,748	7,256,288

	For the three month period ended May 31, 2016		
	Exploration and Exploration	Corporate	Total
	\$	\$	\$
Expenses			
Accretion and interest expense	(322)	(308)	(630)
Depreciation	(9,750)	(2,750)	(12,500)
Foreign exchange gain	-	(39,506)	(39,506)
General and administrative	(7,314)	(288,126)	(295,440)
Other gain	-	958	958
Loss before income taxes	(17,386)	(329,732)	(347,118)
Net loss for the period	(17,386)	(329,732)	(347,118)
Total Assets	64,753,550	1,516,758	66,270,308
Total Liabilities	6,500,353	182,902	6,683,255

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 loans and receivables consisting of the reclamation bond. The fair value of these instruments approximate their carrying value because of the short term nature of these instruments except for the reclamation bond whereby its fair value will not be realized until the bond is released from the trustee (Note 3). The reclamation bond's fair value is calculated in accordance with level 1 of the fair value hierarchy

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

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12. Fair values and 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:

	May 31, 2017	February 28, 2017
	\$	\$
Cash and cash equivalents	17,712,545	19,221,353
Reclamation bond	3,022,470	2,973,439
Total	20,735,015	22,194,792

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 assets and their maturity that are held to manage liquidity risk:

	May 31, 2017			February 28, 2017	
	Within	Over		Total	Total
	1 year	2-5 years	5 years	Total	Total
	\$	\$	\$	\$	\$
Cash	15,126,845	-	-	15,126,845	16,644,849
Short term investment	2,585,700	-	-	2,585,700	2,576,504
	17,712,545	-	-	17,712,545	19,221,353
Accounts payable	428,111			428,111	945,254
Accrued liabilities	57,677			57,677	289,992
	485,788	-	-	485,788	1,235,246

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12. Fair values and financial risk management (continued)

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 May 31, 2017, the Company's Canadian savings account of \$2,585,700 (February 28, 2017- \$2,576,504) earns an interest rate of up to 1.10%. The Company has interests in equity instruments of other corporations which are not material.

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.

A 10% strengthening (weakening) of the Canadian dollar against the US\$ dollar would have increased (decreased) the Company's net loss before taxes of approximately \$353,400 (2016 - \$362,900).

13. Commitments

The following is a schedule of the Company's commitments as at May 31, 2017:

	Note	2017	2018	2019
		\$	\$	\$
Mineral property expenditure	(a)	20,750	-	-
General liability insurance	(b)	25,457	-	-
Office operating leases	(c)	75,920	100,811	92,319
Professional fees - Feasibility Study	(d)	173,798	-	-
		295,925	100,811	92,319

(a) As per the February 28, 1999 Virgin River joint venture exploration agreement whereby the Company has 2% interest, the Company's commitment to the 2017 exploration program budget is \$10,000. The Company is also committed to spend \$11,000 for Kernaghan project representing 20% of its budget.

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13. Commitments (continued)

- (b) The Company has a total liability of \$25,457 on premiums for its commercial general and umbrella liability insurance policies payable monthly until October 12, 2017.
- (c) The Company has an office lease commitment totalling \$269,050 ending January 31, 2020.
- (d) The Company has a total remaining commitment of \$173,798 as a result of commissioning a Feasibility Study on the ICP with Micon Engineering Ltd., metallurgical testing program with SGS.
- (e) Pursuant to employment agreements, the Company may be obligated to pay up to \$744,000 in the event that certain senior management is terminated without cause or due to a change in control as defined in the agreements.

14. Subsequent events

- (a) On June 21, 2017, the Company replaced its Reclamation Performance Bond ("Bond"). The new Bond was brokered by Aon Risks Solutions and was placed with Trisura Guarantee Insurance Company. Collateral on the Bond was reduced from US\$2,232,000 to US\$1,913,885. The Company also saved 7% in annual premiums to put the Bond in place;
- (b) The Company held its Annual and Special Meeting on June 28, 2017 and all resolutions were passed including election of Directors, appointment of Smythe LLP, Chartered Accountants, as the Company's auditor, and ratification and approval of all unallocated options, rights or other entitlements under the Company's Stock Option Plan;
- (c) The Company granted 2,055,000 and 375,000 stock options on June 28 and July 7, 2017 respectively with an exercise price of \$1.17 and a term of five years to directors, employees and consultants of the Company. All newly granted options are subject to vesting provisions and will be fully vested on their second anniversary; and
- (d) On July 11, 2017, the Company announced the appointment of Floyd D. Varley, B.Sc. as COO and Robert L. (Llee) Chapman, CPA, B.A. as VP Administration of US operations effective immediately.