

First Cobalt Corp. (TSXV:FCC)

This Isn't Small Potatoes; Cobalt Resource Upgraded by 49%

Exploration Update

January 16, 2020

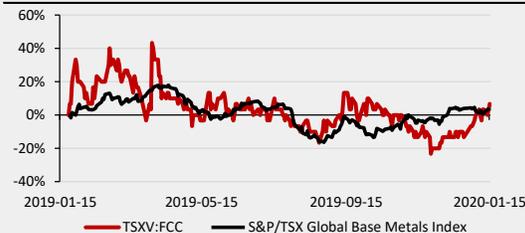
(Currency is CAD\$ unless noted otherwise)

Closing Price (\$/sh)	\$0.16	
Fair Value Estimate (\$/sh)	N/A	
52 Week Low / High	\$0.12 / \$0.25	
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	372.2	409.6
Market Capitalization (\$MM)	\$57.7	
Enterprise Value (\$MM)	\$57.6	
Cash and Cash Equivalents (\$MM)	\$6.4	
Total Debt (\$MM)	\$6.2	

STOCK CHART



RELATIVE PERFORMANCE



MAJOR SHAREHOLDERS

Management (1.54%), Tribeca Investment Partners Pty Ltd (4.34%)

DISCLOSURE CODE: 1,2,3,4

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, Capital IQ

Company Description

First Cobalt is a North American pure-play cobalt company whose flagship asset is the First Cobalt Refinery. The company's main strategy is to explore, develop and refine ethically sourced cobalt within North America for sale back into the American battery market. The company has the only permitted cobalt refinery in North America (located in Ontario, Canada) capable of producing battery materials. First Cobalt owns the Iron Creek Cobalt project located in Lemhi County, Idaho, USA, along the Idaho Cobalt Belt and has an extensive property package over 10,000 hectares in Ontario where the company aims to carry out exploration to re-evaluate the silver-cobalt mineralized system at the Greater Cobalt project in the Canadian Cobalt Camp.

Impact: Mildly Positive

First Cobalt announced an updated resource estimate for its Iron Creek project in Idaho, USA. The company was able to convert 49% of its 2018 inferred resources to the indicated category with 2018-19 drilling and it still has the opportunity to expand the resource along strike and down dip. **We believe First Cobalt's shares are undervalued as its ownership of the only fully permitted cobalt refinery in North America is a competitive advantage. In addition, we believe its Iron Creek project should continue to grow.**

Highlights:

- **Upgraded resource at Iron Creek.** The company upgraded 49% of its September 2018 maiden resource (entirely comprised of inferred resources) to the indicated category (Figure 1). The update is based on an additional 43 surface and underground holes totaling 13,434m. Iron Creek now has indicated resources of 12.3 Mlbs Co at 0.26% and 29.1 Mlbs Cu at 0.61%, as well as inferred resources of 12.7 Mlbs Co at 0.22% and 39.9 Mlbs Cu at 0.68%. Together, this translates into ~318 Mlbs of CuEq with a grade of ~3%.
- **Opportunities for resource growth.** The 2018-2019 drilling demonstrated that mineralization was present as a single continuous horizon along strike and down-dip. The deepest drill hole from that program showed that mineralization extended beyond 600m down dip, thereby providing targets for future drilling. Additional work is planned to test extensions of the Iron Creek Co-Cu mineralization, particularly towards the Ruby prospect where surface mineralization was identified (1.5km from Iron Creek). First Cobalt currently trades at a slight premium to peers on an EV/CuEq basis at US\$0.13/lb versus peers at US\$0.10/lb. This implies a valuation for the resource of US\$34.5M and based on the company's current market cap means its refinery is effectively valued at ~US\$8.7M – a bargain considering the company is planning to recommission it in 2020.
- **Refinery advancing towards recommissioning in Q4/20.** First Cobalt's strategic focus in 2020 is to recommission its 100%-owned cobalt refinery. The company is on track to complete a prefeasibility study and definitive feasibility study for 12 tpd restart and 55 tpd expansion scenarios, respectively (expected end Q1/20).

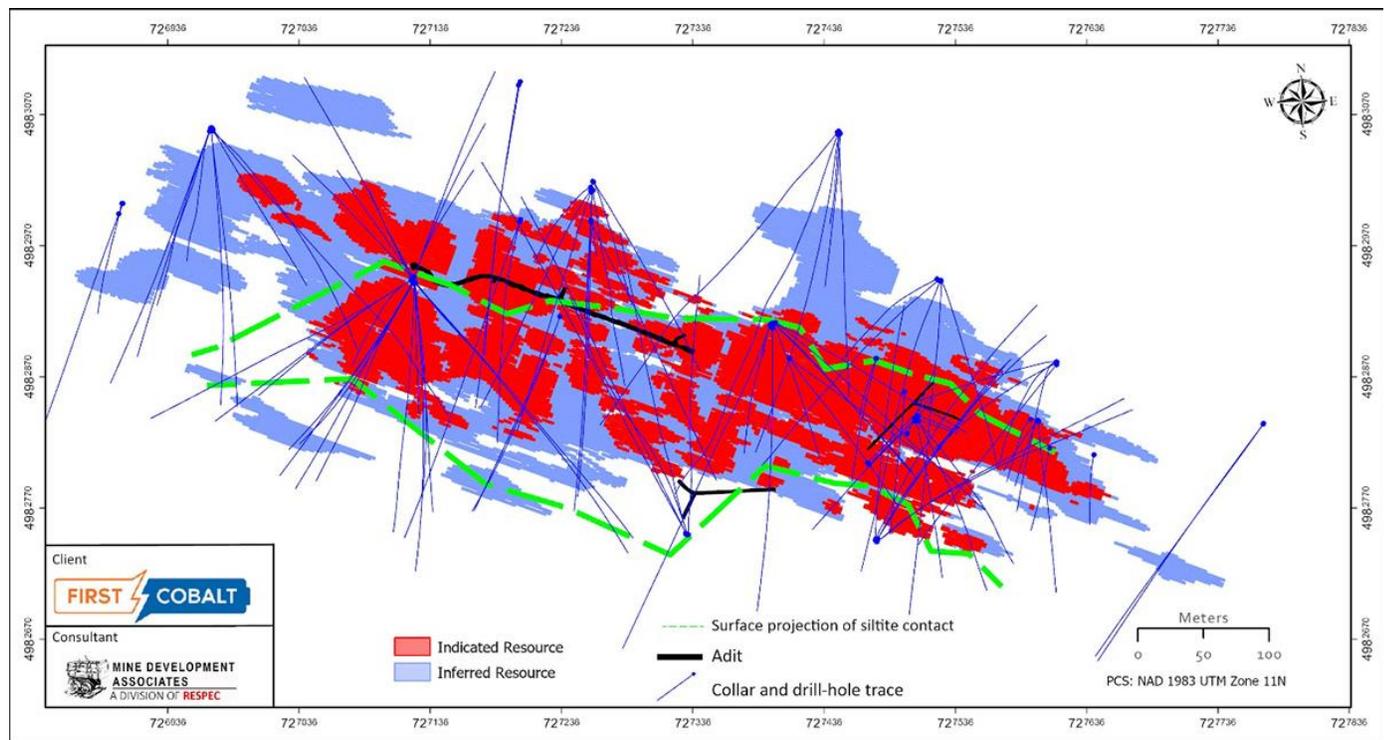
Valuation:

Iron Creek backstops First Cobalt's valuation with room to grow. We note that the company currently trades at a slight premium to peers on an EV/CuEq basis at US\$0.13/lb versus peers at US\$0.10/lb. However, we view the premium as warranted given: 1) the company's growing resource at Iron Creek, 2) its dominant land position in the Cobalt Camp and 3) its ownership of the only permitted cobalt refinery in North America. **Upcoming Catalysts include:** 1) Two feasibility studies for the refinery (end Q1/20) and 2) Refinery recommissioning (~Q4/20).

Geology:

The Iron Creek project is located at the southeast end of the Idaho cobalt belt and is comprised of northwest-southeast striking, moderately to steeply north-northeast-dipping metasedimentary rocks that form a graben bounded by normal faults that displace overlying volcanic units in the central and western portion of the property. The property contains a sediment-hosted, syn-depositional, zoned copper and cobalt deposit that may have undergone some remobilization of metals during metamorphism. Some of the higher-grade mineralization preferentially occurs in strongly, ductily sheared rock, while the majority is disseminated to massive and parallel to bedding. At Iron Creek, four zones of stratiform cobalt and copper mineralization are mainly associated with the occurrence of quartzite layers interbedded with siltstone. The mineralization occurs as lenses and pods of pyrite, the dominant phase hosting cobalt. Chalcopyrite is the only copper mineral phase and is both disseminated and occurs as stringers that cut pyrite mineralization. Along with pyrite and chalcopyrite, pyrrhotite and magnetite are the other constituents of the dominant mineral assemblage at Iron Creek with much lesser quantities of native copper and arsenopyrite locally. Higher-grade cobalt-copper mineralization occurs within an east-west trending zone along two horizons, the No Name and Waite zones, both of which remain open at depth and along strike.

Figure 1: Updated Resource Estimate for Iron Creek in Plan View



Source: Company Reports



Derek Macpherson | VP Research, dmacpherson@redcloudsecurities.com
Jacob Willoughby | VP Research, jwilloughby@redcloudsecurities.com
Zachary Kotowych | Research Associate, zkotowych@redcloudsecurities.com
Taylor Combaluzier | Research Associate, tcombaluzier@redcloudsecurities.com

Red Cloud Securities

105 King Street East, 2nd Floor
Toronto ON, M5C 1G6
research@redcloudsecurities.com
www.redcloudfs.com/research-home

Disclaimer

Red Cloud Klondike Strike Inc. (doing business as Red Cloud Securities) is registered as an Exempt Market Dealer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland & Labrador, and the Yukon. Part of Red Cloud Securities' business is to connect mining companies with suitable investors that qualify under available regulatory exemptions. Red Cloud Securities, its affiliates and their respective officers, directors, representatives, researchers and members of their families may hold positions in the companies mentioned in this document and may buy and/or sell their securities. Additionally, Red Cloud Securities may have provided in the past, and may provide in the future, certain advisory or corporate finance services and receive financial and other incentives from issuers as consideration for the provision of such services.

Red Cloud Securities has prepared this document for general information purposes only. This document should not be considered a solicitation to purchase or sell securities or a recommendation to buy or sell securities. The information provided has been derived from sources believed to be accurate but cannot be guaranteed. This document does not take into account the particular investment objectives, financial situations, or needs of individual recipients and other issues (e.g. prohibitions to investments due to law, jurisdiction issues, etc.) which may exist for certain persons. Recipients should rely on their own investigations and take their own professional advice before investment. Red Cloud Securities will not treat recipients of this document as clients by virtue of having viewed this document.

Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
First Cobalt Corp.	TSXV: FCC	1,2,3,4

1. A member of Red Cloud Securities team has visited/viewed material operations of the issuer.
2. In the last 12 months, Red Cloud Securities has been retained under a service or advisory agreement by the subject issuer.
3. In the last 12 months, Red Cloud Securities has received compensation for investment banking services.
4. Red Cloud KS or a member of the Red Cloud Securities team or household, has a long position in the shares and/or the options of the subject issuer.
5. Red Cloud KS or a member of the Red Cloud Securities team or household, has a short position in the shares and/or the options of the subject issuer.
6. Red Cloud KS or a member of the Red Cloud Securities team own more than 1% of any class of common equity of the subject issuer.

A member of Red Cloud Securities team or a member's household serves as a Director or Off Advisory Board Member of the subject issuer.