FIRST COBALT CORP
(FORMERLY AURGENT RESOURCES CORP.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2017

GENERAL

This Management's Discussion and Analysis of First Cobalt Corp. (formerly Aurgent Resources Corp.) ("First Cobalt" or the "Corporation") ("MD&A") was prepared on July 31, 2017 and provides analysis of the Corporation's financial results for the year ended March 31, 2017, compared to the year ended March 31, 2016. The following information should be read in conjunction with the accompanying audited consolidated financial statements for the year ended March 31, 2017 and 2016 with accompanying notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures are expressed in Canadian dollars unless otherwise stated.

COMPANY OVERVIEW

First Cobalt Corp. (Formerly Aurgent Resource Corp.) (the "Corporation" or "First Cobalt") was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia (the "Act"). On September 22, 2016, the Corporation changed its name to First Cobalt Corp. The Corporation is in the business of acquisition and exploration of resource properties. The Corporation is focused on building a diversified global portfolio of assets that are highly leveraged to the cobalt market.

First Cobalt is a public company which is listed on the Toronto Venture Stock Exchange (TSX-V) (under the symbol FCC). The Corporation's head office is located at Suite 201 – 140 Yonge Street, Toronto, Ontario, M5C 1X6. The Corporation's registered and records office is 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

HIGHLIGHTS

Financing Activities

- On May 31, 2016, the Corporation closed a non-brokered private placement offering by issuing 1,550,000 units at a price of $0.05 per unit, for total gross proceeds of $77,500. Each unit consists of one common share and one share purchase warrant. Each full warrant is exercisable at $0.06 for period of 5 years from the date of closing.

- On September 13, 2016, the Corporation closed a non-brokered private placement offering by issuing 10,000,000 units at a price of $0.05 per unit, for total gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant. Each full warrant is exercisable at $0.10 for period of 5 years from the date of closing.

- On November 3, 2016, the Corporation closed a non-brokered private placement offering by issuing 6,000,000 common shares at a price of $0.15 per share, for total gross proceeds of $900,000. In connection with the financing, the Corporation paid cash finders fees of $ 23,817 and incurred legal and transaction fees recorded as share issuance costs of $47,878.

- On March 6, 2017, the Corporation closed a non-brokered private placement share offering issuing 12,000,000 common shares, at a price of $0.50 per share, for total gross proceeds of $6,000,000. In connection with the financing, the Corporation issued 1,200,000 common shares, at a deemed price of $0.50 per share, as finders' shares.

- On May 31, 2017, the Corporation closed a non-brokered private placement flow-through share offering issuing 2,050,000 flow-through common shares, at a price of $0.60 per share, for gross proceeds of $1,230,000. In connection with the financing, the Corporation paid cash finders' fees of $27,012.

Corporate Development Activities

- On December 12, 2016, the Corporation entered into an agreement to acquire all of the outstanding share capital of Cobalt Industries of Canada Inc. ("Cobalt Industries"), a privately-held Ontario-based mineral exploration company. Cobalt Industries holds the "South Lorraine Cobalt" claim group, which consists of 17 claim blocks covering an area of 1,950 hectares or 19.50 square km. The claim group is located in the southern portion of the historic Cobalt, Ontario mining camp, 400 km north of Toronto. The claim group is located adjacent to the former producing Keely Frontier Mine in South Lorrain Township, Ontario. In consideration for the acquisition, the Corporation issued 6,900,000 common shares for all outstanding share capital of Cobalt Industries at a deemed value of $0.25 per share.

- On April 10, 2017, the Corporation acquired all of the outstanding share capital of Cobalt Projects International Corp. ("Cobalt Project"), a privately held Ontario-based mineral exploration company. Cobalt Projects holds the rights to earn up to a 100% interest from Canadian Silver Hunter Inc. ("Canadian Silver Hunter") in the Keeley-Frontier mine ("Keeley-Frontier"), located southern portion of the historic Cobalt, Ontario mining camp and bordering on the Corporation's existing South Lorrain cobalt claim blocks. As consideration for the acquisition, the Corporation issued 4,450,000 common shares, at a deemed price of $0.57 per share, to existing shareholders of Cobalt Projects, which shall vest in 6 equal tranches over a 4 to 18-month period.

  Under the terms of the option agreement between Cobalt Projects and Canadian Silver Hunter, the Corporation may earn up to 100% interest in Keeley-Frontier as follows:

  - 50% interest upon payment of $850,000, of which $350,000 was paid subsequent to March 31, 2017, and incurring expenditures of $1,750,000 on the property over a period of three years.
  - 51% interest upon payment of $200,000 within 60 days of having exercised the first option and producing a technical report in compliance with NI 43-101 – Standards of Disclosure for Mineral Projects by the fourth anniversary.
  - 100% interest upon payment of $750,000 and incurring additional expenditures of $1,250,000 by the fifth anniversary.

  Upon earning a 100% interest, Canadian Silver Hunter shall be granted a 2% net smelter return royalty, subject to the Corporation having the right to purchase 1% for $1 million over the ensuing 10 years. The Corporation may elect to accelerate the earn-in.

- On May 1, 2017, the Corporation entered into an exclusive Letter of Intent ("LOI") with an associate of Madini Minerals ("Madini"), to form a strategic alliance and earn a controlling interest over seven prospective copper-cobalt ("Cu-Co") exploration properties covering 190 square km on the Central African Copperbelt in Katanga, Democratic Republic of Congo (the "DRC").

  Under the terms of the agreement:

  - Madini will act as the Corporation's operator on all seven properties.
  - The Corporation will have a right of first refusal over other Madini interest in the DRC.
  - As consideration for the options, the Corporation will pay JayBird Invest Ltd. ("JayBird", associate of Madini Minerals) $600,000 in cash and issue 4,530,000 common shares of the Corporation upon closing of the transaction.
  - An aggregate of USD $1,580,000 is payable to the property owners to acquire 70% interest over all seven properties.
  - There are no minimum annual spending requirements and the 30% partners have a free-carry until completion of a feasibility study.
  - At the closing of the transaction, JayBird shall be entitled to appoint a nominee to the Board of Directors of the Corporation.

  The agreement is non-binding and is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and other approvals including the approval of the TSX Venture Exchange. The transaction is expected to close within the next 60 days.

  The transaction represents a low-risk entry point into the world's leading cobalt jurisdiction. In aggregate, the land package covers 190 km^2 (19,000 hectares) on the Central African Copperbelt in Katanga, DRC, all with known surface mineralization.

  All seven properties are on prospective ground proximal to several major copper-cobalt operations and projects in the Central African Copperbelt. Five of the properties form a cluster and are grouped into the Luishi North, Luishi Central and Luishi South project areas. They are located approximately 50 km northeast of Lubumbashi, central to existing smelters and refineries. The Kipoi East property is also nearby; close to the former producing Luishia Cu-Co mine and the active Kinsevere Mine. The Nkala property is approximately 55 km east of the Tenke-Fungurume mines.

- On June 1, 2017, the Corporation entered into an option agreement with Cobalt One Limited ("Cobalt One") to enter into a 50-50 joint venture on the Yukon cobalt extraction refinery (the "Refinery") in Cobalt, Ontario. The Refinery is situated in close proximity to the Corporation's Keeley-Frontier mine.

  Under the terms of the agreement:

  - In consideration for the option payment to enter into a 50-50 joint venture, the Corporation will pay $750,000 in cash to Cobalt One.
  - The Corporation will have until December 31, 2017 to exercise the option
  - On exercise, the Corporation will be obligated to pay Cobalt One an additional $2,250,000 in cash and the equivalent of 50,000,000 shares of Cobalt One in cash or shares of the Corporation, at an approximate value of $5,500,000.

  The agreement is subject to certain conditions including, but not limited to, receipt of all necessary regulatory and other approvals including approval of the TSX Venture Exchange. It is anticipated that this agreement will be superseded by the transaction announced on June 26, 2017 (see below).

- On June 7, 2017, the Corporation acquired 22 mining claims totalling 848 hectares from Brixton Metals Corp. ("Brixton"). These mining claims include former producing Bellellen Mine and are located in the Cobalt, Ontario mining camp. The claims cover prospective ground in both the south end of the mining camp, near Silver Centre, as well as the north, near the town of Cobalt, Ontario. The Bellellen Mine is adjacent to the Keeley-Frontier Mine. In consideration for the acquisition of the mining claims, the Corporation made a cash payment of $325,000 to Brixton.

- On June 21, 2017, the Corporation entered into an exclusive letter of intent to acquire all of the issued and outstanding shares of CobaltTech Mining Inc. ("CobaltTech") by way of a court approved plan of arrangement. CobaltTech's prospective cobalt properties, all situated in Canada, include 11 past producing mines in the town of Cobalt, Ontario, the Werner Lake East Cobalt property near Kenora, Ontario and eight properties in the Province of Quebec. CobaltTech also owns a 100 tonne per day mill in the town of Cobalt.

- On June 26, 2017, the Corporation has entered into an exclusive letter of intent with Cobalt One for the Corporation to acquire 100% of the issued and outstanding common shares of Cobalt One by way of a court approved plan of arrangement. Under the terms of the transaction, the Corporation would acquire all of the outstanding common shares of Cobalt One which would result in the shareholders of Cobalt One holding approximately 60% of the equity in the merged entity and the shareholders of First Cobalt holding the remaining 40%. Under the terms of the Arrangement, the Corporation maintains its listing on the TSX-V and is expected to seek to obtain a secondary listing on the Australian Securities Exchange ("ASX") of CHESS Depository Interests. The merged entity would include certain members of the board of directors of Cobalt One in addition to existing directors of the Corporation. Cobalt One currently owns a 7,272 hectare land package in the Cobalt region of Ontario, Canada. Many of Cobalt One's holdings are adjacent to the Corporation's properties. The merged company creates a leading pure-play cobalt exploration company with a portfolio of high-quality exploration assets and only permitted cobalt extraction refinery in the Cobalt, Ontario mining camp.

- On July 18, 2017, the Corporation entered into an option agreement to acquire 100% rights on a prospective mining claim adjacent to the Keeley-Frontier project in the Cobalt, Ontario mining camp. First Cobalt acquired the 100% rights on the claim by making a $10,000 cash payment on signing, as well as committing to $75,000 in exploration expenditures and a total of $30,000 in additional cash payments over a three-year period. Upon earning a 100% interest, the Optionor shall be granted a 2% net smelter return royalty, subject to the Corporation having the right to purchase 1% for $500,000 and the remaining 1% for an additional $500,000. The Corporation may elect to accelerate the earn-in after the first anniversary.

MINERAL PROPERTIES

The Corporation is in the business of acquisition and exploration of resource properties. The Corporation is focused on building a diversified global portfolio of assets that are highly leveraged to the cobalt market.

	March 31, 2017 ($)	March 31, 2016 ($)
South Lorraine	1,810,000	-
Dickens Lake	375,058	328,274
Fond du Lac	-	-
Brown Lake	-	-
	2,185,058	328,274

South Lorraine

On December 12, 2016, the Corporation entered into an agreement to acquire all of the outstanding share capital of Cobalt Industries of Canada Inc. (“Cobalt Industries”), a privately-held Ontario-based mineral exploration company. Cobalt Industries holds the “South Lorraine Cobalt” claim group, which consists of 17 claim blocks covering an area of 1,950 hectares or 19.50 square kilometers (km^2). The claim group is located in the former mining camp of Silver Centre, Ontario, Canada, 25 km south of the historical Cobalt, Ontario silver camp and 400 km north of Toronto, Canada.

The claim group is located adjacent to the former producing Keely Frontier Mine in South Lorrain Township, Ontario and includes the following:

Claim Number	Township	Claim Size (Ha)
4282446	Lorrain	40
4282449	Lorrain	40
4282748	Lorrain	40
4282451	South Lorraine	141
4282445	South Lorraine	64
4282447	South Lorraine	256
4282448	South Lorraine	64
4283450	South Lorraine	192
4282747	South Lorraine	120
4282749	South Lorraine	192
4282750	South Lorraine	240
4278692	South Lorraine	30
4282704	South Lorraine	14
4280570	South Lorraine	10
4282406	South Lorraine	203
4282702	South Lorraine	145
4282703	South Lorraine	160

In consideration for the acquisition, the Corporation issued 6,900,000 common shares for all outstanding share capital of Cobalt Industries at a deemed value of $0.25 per share.

As of the acquisition date of Cobalt Industries, management of the Corporation concluded that the acquisition does not constitute a business combination as determined by IFRS 3 Business Combinations, the acquisition was accounted for as an asset acquisition.

Dickens Lake Property

On July 5, 2012, the Corporation entered into an arrangement agreement (the “Arrangement Agreement”), a property purchase agreement (the “Purchase Agreement”) and a Farm-out Agreement (the “Farm-out Agreement”) with Unity Energy Corp. (“Unity”), which resulted in a spinout of Unity’s interest in its Dickens Lake Property (the “Property”) to the Corporation. Pursuant to the Arrangement Agreement, the Corporation acquired a 100% interest in the Dickens Lake Property, located in Saskatchewan, Canada. As consideration, the Corporation issued 3,182,750 common shares to Unity, with a fair value of $1,466,749. The fair value of the common shares was equal to Unity’s carrying value of the Dickens Lake Property. The Corporation also received a cash payment of $200,000 from Unity, which has been recorded in reserves.

Pursuant to the Farm-out Agreement, the Corporation transferred a 10% interest in the Dickens Lake Property to Unity, and received a cash payment of $205,000 from Unity, to be expended on exploration and development work, which has been applied against the carrying value of the Dickens Lake Property.

The Dickens Lake Property is subject to a 2% net smelter royalty (“NSR”), which may be purchased by the Corporation for $1,500,000. During the year ended March 31, 2017 the Corporation re-purchased 1.5% of the 2% NSR for $164,963.

During the year ended March 31, 2017, the Corporation incurred $Nil (2016 - $18,000) in exploration expenditures on the Dickens Lake Property.

During the year ended March 31, 2017, the Corporation recorded $118,179 (2016 - $60,000) in impairment charges associated with the Dickens Lake Property. The impairment recorded is associated to the lapse of claims on the Dickens Lake property.

Fond du Lac Property

On January 21, 2014, the Corporation entered into an option agreement to earn a 100% interest in the Brown Lake Property, located in Saskatchewan, Canada, for consideration consisting of 400,000 common shares (issued, with a fair value of $32,000) and $1,500,000 completed in exploration expenditures on or before January 21, 2017.
During the year ended March 31, 2017, the Corporation incurred $Nil (2016 – $Nil) in exploration expenditures and wrote off the property as it does not plan on developing the claims.

Brown Lake Property

On February 12, 2014, the Corporation entered into an option agreement to earn a 100% interest in the Brown Lake Property, located in Saskatchewan, Canada for consideration consisting of 400,000 common shares (issued, with a fair value of $28,000) and $500,000 completed in exploration expenditures on or before February 12, 2017. During the year ended March 31, 2017, the Corporation incurred $Nil (2016 – $Nil) in exploration expenditures and wrote off the property as it does not plan on developing the claims.

SELECTED ANNUAL INFORMATION

	March 31, 2017 ($)	**March 31, 2016 ($)**
Current Assets	6,100,556	6,452
Current Liabilities	399,697	393,534
Exploration and Evaluation Assets	2,185,058	328,274
Total Assets	8,285,614	334,726
Total Operating Expenses	(2,240,951)	(87,945)
Net Loss	(2,250,565)	(147,945)
Loss per Share	(0.14)	(0.03)

RESULTS OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2017

The following are highlights from the Corporation's results of operations for the year ended March 31, 2017 and 2016:

- Consulting and management fees were $336,676 during the year ended March 31, 2017, compared to $33,600 during the year ended March 31, 2016. The increase in consulting and management fees are due to the increased corporate development activity in identifying and acquiring cobalt-related mineral properties.

- General and administrative fees were $122,381 during the year ended March 31, 2017, compared to $43,505 incurred during the year ended March 31, 2016. The increase in general and administration costs are primarily related to filing fees associated with the various financing and acquisition transactions during the year, travelling expenses, and general office administration.

- Professional fees were $106,834 during the year ended March 31, 2017, compared to $18,809 incurred during the year ended March 31, 2016. The increase in professional fees are primarily due to the increase in legal costs associated to the acquisition of Cobalt Industries and Cobalt Projects International.

- Investor relations fees were $629,207 during the year ended March 31, 2017, compared to $Nil incurred during the year ended March 31, 2016. The increase in investor relations expenses assisted in the successful recapitalization of the Corporation, including the completion of $6,000,000 private placement share offering in March 2017.

- Share-based payments were $1,013,473 during the year ended March 31, 2017, compared to $Nil incurred during the year ended March 31, 2016. The increase in share-based payments is the result of issuance of stock options to various the new directors, officers, employees and various consultants of the Corporation.

SUMMARY OF QUARTERLY RESULTS

Key financial information for the three months ended March 31, 2017 as well as the quarters spanning the most recently preceding fiscal years is summarized as follows, reported in Canadian dollars except for per share amounts:

	F2017-Q4 March 31, 2017 ($)	**F2017-Q3 December 31, 2016 ($)**	**F2017-Q2 September 30, 2016 ($)**	**F2017-Q1 June 30, 2016 ($)**
Current Assets	6,100,556	785,984	278,176	20,244
Current Liabilities	399,697	576,507	304,068	333,636
Total Assets	8,285,614	1,279,221	711,413	348,518
Total Operating Expenses	(1,499,106)	(705,907)	(24,128)	(11,810)
Net Loss	(1,508,720)	(705,907)	(24,128)	(11,810)
Loss per Share	(0.10)	(0.03)	(0.00)	(0.01)

	F2016-Q4 March 31, 2016 ($)	**F2016-Q3 December 31, 2015 ($)**	**F2016-Q2 September 30, 2015 ($)**	**F2016-Q1 June 30, 2015 ($)**
Current Assets	6,452	11,671	14,829	15,556
Current Liabilities	393,534	364,525	343,964	311,286
Total Assets	334,726	395,445	394,103	390,330
Total Operating Expenses	(87,945)	(17,829)	(28,004)	(20,593)
Net Loss	(147,945)	(17,829)	(28,004)	(20,593)
Loss per Share	(0.03)	(0.01)	(0.01)	(0.01)

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER OF FISCAL 2017

The following are highlights from the Corporation's results of operations for the three months ended March 31, 2017 and 2016:

- Consulting and management fees were $158,712 during the three months ended March 31, 2017, compared to $8,400 during the three months ended March 31, 2016. The increase in consulting and management fees are due to the increased business and corporate development activity identifying and acquiring cobalt assets.
- General and administrative fees were $79,498 during the three months ended March 31, 2017, compared to $3,378 incurred during the three months ended March 31, 2016. The increase in general and administration costs primarily related to filing fees associated with the financing and acquisition transactions during the quarter, travelling expenses, and general office.
- Professional fees were $73,710 during the three months ended March 31, 2017, compared to $15,419 incurred during the three months ended March 31, 2016. The increase in professional fees are primarily due to the increase in legal costs associated to the acquisition of Cobalt Industries and Cobalt Projects.
- Investor relations fees were $232,395 during the three months ended March 31, 2017, compared to $Nil incurred during the three months ended March 31, 2016. The corporation completed a $6,000,000 equity financing during the three months ended March 31, 2017, whereas no share issuances were made in the same period of the prior three months.
- Share-based payments were $927,120 during the three months ended March 31, 2017, compared to $Nil incurred during the three months ended March 31, 2016. The increase in share-based payments is the result of issuance of stock options to various the new directors, officers, employees and various consultants of the Corporation.

CAPITAL STRUCTURE

As of the date of this MD&A, the Corporation has 57,257,751 common shares issued and outstanding. In addition, there are outstanding share purchase warrants and stock options for a further 3,600,000 and 5,215,000 common shares, respectively.

The following warrants were outstanding at the date of this report:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
May 31, 2016	May 31, 2021	400,000	$0.06
September 13, 2016	September 13, 2021	3,200,000	$0.10
		3,600,000	$0.10

The following incentive stock options were outstanding at the date of this report:

Grant Date	Expiry Date	Number of stock options issued	Weighted Average Exercise Price
September 18, 2016	Sep 18, 2021	575,000	$0.25
January 8, 2017	January 8, 2022	200,000	$0.34
December 15, 2016	December 15, 2021	350,000	$0.35
December 22, 2016	December 22, 2021	550,000	$0.38
March 2, 2017	March 2, 2022	1,975,000	$0.66
June 1, 2017	June 1, 2022	1,565,000	$0.69
		5,215,000	$0.56

Subsequent to March 31, 2017, the Corporation granted 1,565,000 incentive stock options to certain directors, officers, employees, and consultants of the Corporation. The options may be exercisable within 5 years from the date of grant at a price of $0.69 per share and vest evenly over a two-year period.

CAPITAL RESOURCES

The Corporation defines capital as consisting of shareholder's equity and cash. The Corporation manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Corporation does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Corporation's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this, given the relative size of the Corporation, is appropriate.

As at March 31, 2017 and 2016, the Corporation is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Corporation's approach to capital management during the year ended March 31, 2017 and 2016.

LIQUIDITY

The Corporation's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements. The Corporation has historically financed its operations primarily through the sale of share capital by way of private placements.

At March 31, 2017, the Corporation had cash of $5,340,136 (2016 - $3,815) and working capital of $5,700,859 (2016 – $(387,082)).

To maintain liquidity, the Corporation issued common shares for cash proceeds during the year ended March 31, 2017 as follows:

- On May 31, 2016, the Corporation closed a non-brokered private placement offering by issuing 1,550,000 units at a price of $0.05 per unit, for total gross proceeds of $77,500. Each unit consists of one common share and one share purchase warrant. Each full warrant is exercisable at $0.06 for period of 5 years from the date of closing.

- On September 13, 2016, the Corporation closed a non-brokered private placement offering by issuing 10,000,000 units at a price of $0.05 per unit, for total gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant. Each full warrant is exercisable at $0.10 for period of 5 years from the date of closing.

- On November 3, 2016, the Corporation closed a non-brokered private placement offering by issuing 6,000,000 common shares at a price of $0.15 per share, for total gross proceeds of $900,000. In connection with the financing, the Corporation paid cash finders fees of $37,275.

- On March 6, 2017, the Corporation closed a non-brokered private placement share offering issuing 12,000,000 common shares, at a price of $0.50 per share, for total gross proceeds of $6,000,000. In connection with the financing, the Corporation issued 1,200,000 common shares, at a deemed price of $0.50 per share, as finders' shares.

- During the year ended March 31, 2017, the Corporation issued 1,710,000 common shares on exercise of warrants for total gross proceeds $145,000.

There were no share capital transactions during the year ended March 31, 2016.

Cash used in operating activities was $1,422,533 during the year ended March 31, 2017, compared to $27,738 from operating activities during the prior year. The change in working capital is attributed primarily to the loans receivable of $435,000, of which $300,000 loaned to Cobalt Projects International Inc., an unrelated third party company which was subsequently acquired by the Corporation (see note 20). The existence of the loan receivable is due to the timing of the acquisition of Cobalt Projects International Inc. by the Corporation, and the loan receivable was subsequently eliminated through the acquisition of the two entities and the amount is attributed to the mineral property.

Cash used in investing activities was $699,963 for the year ended March 31, 2017, compared to $18,000 for the prior year. During the year ended March 31, 2017 and 2016, cash used in investing activities was primarily related to 2% net smelter royalty payment made towards the Dickens Lake property.

Cash flows from financing activities was $7,458,816 during the year ended March 31, 2017, compared to the $Nil from financing activities during the prior year.

The development of the Corporation in the future will depend on the Corporation's ability to obtain additional financings. In the past, the Corporation has relied on the sale of equity securities to meet its cash requirements. Funding for potential future development obligations, in excess of funds on hand, will depend on the Corporation's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. There can be no assurances that the Corporation will be successful in obtaining any such financing or in joint venturing its property; failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Corporation's properties.

OUTLOOK

First Cobalt is focused on building a diversified global portfolio of assets that are highly leveraged to the cobalt market. More than 50% of global cobalt production is used in the manufacture of lithium-ion batteries. The Corporation is currently advancing its 2,100-hectare property in the historic Cobalt, Ontario mining camp located approximately 400 km north of Toronto, Ontario. The property includes the former producing Keeley-Frontier mine, a high-grade mine that produced over 3.3 million pounds of cobalt and 19.1 million ounces of silver from 301,000 tonnes of ore.

Three-way Merger

The Corporation is expecting to complete the mergers with Cobalt One and CobaltTech during the fourth quarter of calendar 2017

Management expects the three-way merger will:

- create a leading pure-play cobalt exploration company with a portfolio of high quality exploration assets and the only permitted cobalt extraction refinery in the Cobalt, Ontario mining camp (the "Cobalt Camp");
- consolidate approximately 45% of the Cobalt Camp under an experienced management team based in Toronto, with a proven track record of discovery, development, and finance;
- be the largest listed cobalt exploration company with a pro-forma market capitalization of approximately $150 million;
- be listed on the TSXV, the ASX and the OTCQB, subject to regulatory approval; and
- increase the scale of the combined company will enhance its capital markets profile, liquidity, provide greater access to capital across the exchanges and provides for strong re-rating potential.

Keeley-Frontier Project – Cobalt, Ontario, Canada

The Corporation acquired the Keeley-Frontier Mine in April 2017 and commenced an exploration program in May 2017 on the former producing Keeley-Frontier Mine, near Cobalt, Ontario, Canada. The $1 million program is being funded through a flow-through share offering closed on May 31, 2017. The objectives of the 2017 exploration program are as follows:

- To understand the present-day cobalt potential in a historic mining camp;
- Digitally compile of 50 years of historic mine data to generate a 3D geological model;
- Prepare detailed and property-scale structural mapping of mineralized veins and host rocks;
- Prepare bore-hole geophysics and televiewer imaging of drill holes from the 2012 drilling campaign targeting the Beaver Lake Fault west of the former mine;
- Prepare systematic surface sampling at known prospects and occurrences throughout the property for assay analyses;
- Prepare detailed magnetic survey of the property totaling 35 square km;
- Plan 5,000 metres of diamond drilling within the footprint of the Keeley-Frontier Mine testing targets from the 3D geological model; and
- Plan 2,000 metres of regional exploration drilling to identify new mineralized fault systems.

Upon completion of the three-way merger, management anticipated expanding its exploration program to include drilling of the former producing Silverfirelds and Duncan Kerr properties.

The neighbouring towns of Silver Centre and Cobalt, Ontario were historically the most prolific cobalt jurisdictions in Canada and the largest silver producers worldwide. It is estimated that these two mining camps produced 50 million pounds of cobalt and 600 million ounces of silver from 1904 to 1985 from 70 different mines. Nickel was also produced as a by-product. There has been minimal activity in both camps since 1993 other than some processing of ore from waste dumps and recovery of metals from tailings.

The Keeley and Frontier Mines were developed and operated as separate mines and later integrated in 1961. From 1908 to 1965, the Keeley-Frontier Mine produced a total of over 3.3 million pounds of cobalt at a recovered grade of 0.5% and 19.1 million ounces of silver at a recovered grade of 58 ounces per tonne. Most of the production occurred between 1922 and 1931 (Source: W.H. McIlwaine, 1970).

Exploration Properties – Katanga, DRC

As announced May 1, 2017, the Corporation has formed a strategic alliance for a 70% interest over seven prospective copper-cobalt exploration properties in the DRC. The Kipoi East property is the most advanced of the seven properties, with detailed mapping, airborne geophysics as well as bedrock and soil geochemical surveys conducted during 2014 and 2015. Access to the property is excellent; directly via a major highway. The property is approximately 20 km to the east of the active Kipoi Mine. Subject to completion of the transaction and execution a definitive joint venture agreement, planned exploration consists of a US$650,000 exploration program includes structural mapping, soil geochemistry, outcrop stripping and blasting; and

- Follow-up of over 1,500 metres of percussion and diamond drilling on geological, geochemical and geophysical targets.

RELATED PARTY TRANSACTIONS

The Corporation's related parties include key management personnel and companies related by way of directors or shareholders in common.

Key Management Personnel Compensation

During the years ended March 31, 2017 and 2016, the Corporation paid and/or accrued the following fees to key management personnel:

	Year ended March 31, 2017 ($)	Year ended March 31, 2016 ($)
Management	$ 58,849	$ 30,000
Directors	16,983	50,450
	$ 75,832	$ 80,450

At March 31, 2017, an amount of $Nil (2016 – $5,400) was owing to a former director of the Corporation and an amount of $Nil (2016 – $33,885) was owing to a company controlled by a former director. An amount of $Nil (2016 – $94,500) was owing to a company controlled by a former director. An amount of $Nil (2016 – $50,000) was owing to the former President of the Corporation. An amount of $Nil (2016 – $11,270) was loaned to the Corporation from the former President of the Corporation and was included in loan payable on the statement of financial position. The loan carried an interest rate of 10% per annum and was due on demand.

During the year ended March 31, 2017 the Company also had share based payments made to management and directors of $1,057,815 (2016 - $Nil).

As at March 31, 2017, the Corporation has accounts payable due to related parties in the amount of $36,064 (2016 – $133,785).

OFF BALANCE SHEET ARRANGEMENTS

The Corporation currently has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels.

The hierarchy is as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from inputs that are unobservable inputs for the asset or liability.

The fair value of cash approximates their carrying value due to the short-term maturity. The Corporation considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

As at March 31, 2017 and 2016, the Corporation does not any have level 2 and 3 financial assets or liabilities.

Financial Risk Factors

The Corporation's risk exposure and the impact on the Corporation's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Corporation if the counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Corporation limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations with cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Corporation is exposed to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has no interest-bearing debt. The Corporation's sensitivity to interest rates is minimal.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Corporation's functional currency, Canadian Dollars. The Corporation is exposed to foreign currency risk on fluctuations related to cash, receivables, prepayments, and accrued liabilities that are denominated in US Dollars. The Corporation has not used derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

BUSINESS RISKS AND UNCERTAINTIES

There are many risk factors facing companies involved in the mineral exploration industry. Risk Management is an ongoing exercise upon which the Corporation spends a substantial amount of time. While it is not possible to eliminate all the risks inherent to the industry, the Corporation strives to manage these risks, to the greatest extent possible. The following risks are most applicable to the Corporation.

Industry and Mineral Exploration Risk

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that the Corporation's exploration efforts will be successful. At present, the Corporation's projects do not contain any proven or probable reserves. Success in establishing reserves is a result of a number of factors, including the quality of the project itself. Substantial expenditures are required to establish reserves or resources through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Because of these uncertainties, no assurance can be given that planned exploration programs will result in the establishment of mineral resources or reserves. The Corporation may be subject to risks, which could not reasonably be predicted in advance. Events such as labour disputes, natural disasters or estimation errors are prime examples of industry related risks. The Corporation attempts to balance this risk through insurance programs where required and ongoing risk assessments conducted by its technical team.

Commodity Prices

The Corporation is in the business of mineral exploration and as such, its prospects are largely dependent on movements in the price of various minerals. Prices fluctuate on a daily basis and are affected by a number of factors well beyond the control of the Corporation. The mineral exploration industry in general is a competitive market and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist. Due to the current grassroots nature of its operations, the Corporation has not entered into any price hedging programs.

Environmental

Exploration projects or operations are subject to the environmental laws and applicable regulations of the jurisdiction in which the Corporation operates. Environmental standards continue to evolve and the trend is to a longer, more complete and rigid process. The Corporation reviews environmental matters on an ongoing basis. If and when appropriate, the Corporation will make appropriate provisions in its financial statements for any potential environmental liability.

Title of Assets

Although the Corporation conducts title reviews in accordance with industry practice prior to any purchase of resource assets, such reviews do not guarantee that an unforeseen defect in the chain on title will not arise and defeat our title to the purchased assets. If such a defect were to occur, our entitlement to the production from such purchased assets could be jeopardized.

Competition

The Corporation engages in the highly competitive resource exploration industry. The Corporation competes directly and indirectly with major and independent resource companies in its exploration for and development of desirable resource properties. Many companies and individuals are engaged in this business, and the industry is not dominated by any single competitor or a small number of competitors. Many of such competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater historical market acceptance than does the Corporation. The Corporation will compete with numerous industry participants for the acquisition of land and rights to prospects, and for the equipment and labor required to operate and develop such prospects. Competition could materially and adversely affect the Corporation's business, operating results and financial condition. Such competitive disadvantages could adversely affect the Corporation's ability to participate in projects with favorable rates of return.

Financing

Historically, the Corporation has raised funds through equity financing to fund its operations. The market price of natural resources is highly speculative and volatile. Instability in prices may affect the interest in resource properties and the development of and production from such properties. This may adversely affect the Corporation's ability to raise capital to acquire and explore resource properties.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Areas requiring a significant degree of judgment relate to the recoverability and measurement of deferred tax assets and liabilities, the ability to continue as a going concern and the capitalization of development costs. Actual results may differ from those estimates and judgments. Areas requiring a significant degree of estimation include allowances for doubtful accounts.

Areas requiring a significant degree of judgement that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows:

- *Exploration and Evaluation Assets*

  The net carrying value of each mineral property is reviewed regularly for conditions that suggest potential indications impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*

  The assessment of the Corporation's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Corporation's ability to generate adequate financing. Significant judgements are used in the Corporation's assessment of its ability to continue as a going concern.

- *Income taxes*

  Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

  The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is probable that the Corporation will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- *Acquisition Accounting*

  The Corporation has accounted for the acquisition of Cobalt Industries as an asset acquisition. Significant judgment was required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that Cobalt Industries did not meet the definition of a business under IFRS 3: Business combinations. In addition, the basis for the calculation of the fair value of the asset acquired included significant estimates of the fair value of the consideration transferred.

- *Valuation of Share-Based Payments*

  The Corporation uses the Black-Scholes Option Pricing Model for valuation of share-based payments and the warrant liability. Option pricing models require the input of subjective assumptions including the share price, expected share price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Corporation's net loss and equity reserves.

SIGNIFICANT ACCOUNTING POLICIES

The Corporation's significant accounting policies are summarized in Note 2 to the audited consolidated financial statements for the years ended March 31, 2017 and 2016.

FUTURE CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") has issued or amended a number of new standards that were not be effective at March 31, 2017. These standards have not been early adopted in these consolidated financial statements.

IFRS 7, Financial Instruments Disclosures (effective January 1, 2018) requires new disclosures resulting from the amendments to IFRS 9.

IFRS 9, Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and liabilities.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRS Interpretations Committee ("IFRIC") 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Asset from Customers, and SIC 31 Revenue Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

IFRS 16, Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Corporation is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

On June 30, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Corporation intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Management does not expect any other IFRS or IFRIC pronouncements that are not yet effective to have a material impact on the Corporation.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There was no change in the Corporation's internal controls over financial reporting that occurred during the year ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Corporation is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Corporation's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures that as of March 31, 2017, the Corporation's disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Corporation are appropriately designed.

Limitations of Controls and Procedures

The Corporation's management, including the President and Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may be deemed "forward-looking statements", including statements regarding developments in the Corporation's operations in future periods, adequacy of financial resources and future plans and objectives of Corporation. All statements in this document, other than statements of historical fact, which address events or developments that the Corporation expects to occur, are forward looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, liquidity and effects of accounting policy changes.

Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Readers are cautioned not to place undue reliance on this forward-looking information.

Forward-looking statements are based on the beliefs, estimates and opinions of the Corporation's management on the date the statements are made. The Corporation undertakes no obligation to update these forward-looking statements in the event that Management's beliefs, estimates, opinions or other factors should change except as required by law.

These statements are based on a number of assumptions including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Corporation and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for the Corporation's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.