



FIRST COBALT CORP

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED DECEMBER 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 April 2, 2018 and provides analysis of the Corporation's financial results for the nine months ended December 31, 2017, compared to the year ended March 31, 2017. The following information should be read in conjunction with the accompanying audited consolidated financial statements for the nine months ended December 31, 2017 and for the year ended March 31, 2017 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. was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia. On September 22, 2016, the Corporation changed its name from Aurgent Resources Corp. 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 portfolio of assets that are highly leveraged to the cobalt market and primarily focused in North America.

First Cobalt is a public company which is listed on the Toronto Venture Stock Exchange (TSX-V) and Australian Stock Exchange (ASX) (in both instances 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.

2017 HIGHLIGHTS AND RECENT EVENTS

(i) *Financing Activities*

Completion of \$30 Million Bought Deal Financing

On December 21, 2017, the Corporation issued on a bought deal basis (i) 4,700,000 units of the Corporation ("Flow-Through Units") at \$1.51 per unit and 20,950,000 units (the "Units") at \$1.10 per unit for gross proceeds of \$30,142,000 (the "Offering"). The syndicate of Underwriters for the Offering was led by Canaccord Genuity Corp., together with TD Securities Inc., GMP Securities L.P., Eight Capital and Red Cloud Klondike Strike Inc.

Each Unit consists of one common share of the Corporation and one-half of one common share purchase warrant (each whole common share purchase warrant (a "Warrant") of the Corporation. Each Flow-Through Unit consists of one 'flow-through share' (a "Flow-Through Share") of the Corporation and one-half of one Warrant. Each full warrant is exercisable at \$1.50 per share for a period of 24 months following the date of issue of Warrants.

The issuance of the Warrants was subject to the approval of the Australian Stock Exchange ("ASX") and approval of the shareholders of the Corporation. Pursuant to ASX listing requirements, the Corporation called a special meeting of shareholders to seek approval for the issuance of the Warrants. On March 9, 2018, the shareholders of the Corporation have approved the issuance of all common share purchase warrants under the Offering. Accordingly, an aggregate of 13,017,682 common share purchase warrants which formed part of the Corporation's December 2017 bought deal private placement and non-brokered private placement were issued.

Warrant and Stock Option Exercise Proceeds

During the nine months ended December 31, 2017, the Corporation issued 9,840,728 common shares on exercise of warrants and 1,175,000 common shares on exercise of stock options for total gross proceeds of \$2,223,732.

(ii) Corporate Development Activities

Acquisition of US Cobalt Inc.

On March 14, 2018, the Corporation and US Cobalt Inc. ("US Cobalt") are pleased to announce they entered into a definitive agreement (the "Arrangement Agreement") whereby the Corporation will acquire all of the issued and outstanding shares of US Cobalt pursuant to a plan of arrangement (the "Transaction"), further enhancing the Corporation's position as a pure-play North American cobalt company. The Transaction will be completed pursuant to a plan of arrangement. The Transaction will require approval by two thirds of the votes cast at a special meeting of US Cobalt shareholders expected to be held in May 2018 with the Transaction expected to close by the end of May 2018.

Under the terms of the Arrangement Agreement, all of the US Cobalt issued and outstanding common shares will be exchanged on the basis of 1.5 common shares of the Corporation for each US Cobalt common share issued and outstanding (the "Exchange Ratio"). The Exchange Ratio represents a 61.8% premium to US Cobalt's closing price and a 58.5% premium based on both companies' 5-day volume-weighted average trading prices, both as at March 13, 2018. As part of the Transaction, it is expected that (a) all US Cobalt stock options outstanding will be replaced with stock options of the Corporation and be exercisable for shares of the Corporation based on the Exchange Ratio for the remainder of their original term, and (b) all US Cobalt warrants outstanding will participate in the Transaction on a comparable basis to holders of US Cobalt common shares based on the in-the-money portion of those securities. This implies a total equity value of approximately \$149.9 million on a fully-diluted in-the-money basis.

The directors and senior officers of US Cobalt, representing approximately 6.7% of the outstanding US Cobalt common shares, have entered into voting support agreements, pursuant to which they will vote their common shares held in favour of the Transaction. Upon completion of the Transaction, existing shareholders of the Corporation and US Cobalt shareholders will own approximately 62.5% and 37.5% of the combined company respectively, on a fully-diluted in-the-money basis, assuming all US Cobalt options and warrants are exercised prior to completion of the Transaction. The Corporation has agreed to appoint a US Cobalt nominee to its Board of Directors effective at the closing of the Transaction.

The Transaction will be completed pursuant to a plan of arrangement. The Transaction will require approval by two thirds of the votes cast at a special meeting of US Cobalt shareholders expected to be held in May 2018 with the Transaction expected to close by the end of May 2018. The directors and senior officers of US Cobalt, representing approximately 6.7% of the outstanding US Cobalt common shares, have entered into voting support agreements, pursuant to which they will vote their common shares held in favour of the Transaction.

In addition to security holder and court approvals, the Transaction is subject to applicable regulatory approvals, including acceptance by the TSX-V, and the satisfaction of certain other closing conditions customary for a transaction of this nature. The Arrangement Agreement includes customary deal protections, including non-solicitation covenants, including a \$5.5 million termination fee payable by either party under certain customary circumstances.

The Corporation has agreed to appoint a US Cobalt nominee to its Board of Directors effective at the closing of the Transaction.

Completion of Three-Way Merger

On December 1, 2017, the Corporation, Cobalt One Limited ("Cobalt One"), and CobaltTech Mining Inc. ("CobaltTech") completed three-way merger whereby the Corporation acquired 100% of the issued and outstanding capital stock of the Cobalt One and CobaltTech by issuing 107,948,909 and 24,422,438 common shares, respectively. As a result of these transactions, First Cobalt's land position in the Canadian Cobalt Camp now represents approximately 45% of the prospective land package in this historic mining district.

Cobalt One's asset base included the former producing Silverfields and Ophir mines as well as various other mineral properties on its 7,272-hectare land package in the Cobalt North, Cobalt Central and Cobalt South areas of the Cobalt Camp. Several of Cobalt One's properties are adjacent to First Cobalt's properties in Cobalt South. Cobalt One also had a 50% interest in a cobalt extraction refining facility located in Cobalt North. The refinery, formerly known as the Yukon Refinery and since renamed the First Cobalt Refinery, is believed to be only permitted cobalt refinery in North America capable of producing battery materials.

CobaltTech's asset base consisted of a 100 tonne per day mill near the town of Cobalt as well as a properties in Cobalt North located in the heart of what was the most active part of the historic mining activity. The 11 past producing mines owned by CobaltTech include the Kerr, Drummond, Conisil and Silver Banner mines. CobaltTech also contributed the Werner Lake East Cobalt property near Kenora, Ontario and eight properties in the Province of Quebec.

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.

The Corporation has accounted for the acquisitions of Cobalt One and CobaltTech as asset acquisitions. 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 CobaltTech, did not meet the definition of a business under IFRS 3: Business combinations. The acquisition of Cobalt One Limited was considered an asset acquisition due to the fact that management and the board of directors remained under the control of the Corporation. 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.

OUTLOOK

First Cobalt is focused on building a diversified portfolio of assets that are highly leveraged to the cobalt market and primarily focused in North America. More than 50% of global cobalt production is used in the manufacture of lithium-ion batteries. First Cobalt is the largest land owner in the Cobalt Camp in Ontario, Canada. With the addition of Cobalt One and CobaltTech, the Corporation now controls over 10,000 hectares of prospective land and 50 historic mines as well as a mill and the only permitted cobalt refinery in North America capable of producing battery materials.

First Cobalt began drilling the Cobalt Camp in 2017 and seeks to build shareholder value through new discovery and growth opportunities. In 2018, the Corporation will be focused on the following strategic objectives (i) achieving continued exploration success in the Cobalt Camp, (ii) identifying growth opportunities through M&A, and (iii) identify early cash flow opportunities from processing of materials left on the surface of historic mining operations.

(i) 2018 Exploration Program

The Corporation launched a \$7 million exploration program for 2018, which includes over 26,000 meters of drilling on 13 different targets. The 2018 program is being financed from the flow-through proceeds from the recent bought deal. The 2018 program is a significant expansion over 2017 exploration activities and will test the mineralized areas through the Cobalt Camp proximal to more than ten past-producing mines known to contain cobalt in addition to new targets within three regional areas.

The objectives of the 2018 program are as follows:

- 26,500 meters of drilling planned at 13 targets across the Cobalt Camp, testing different geological settings;
- Geophysical testing techniques including downhole and ground geophysical surveys, televiwer surveys, soil geochemistry will be applied in some areas to refine targets in this program;
- Regional mapping and prospecting will be conducted throughout the Camp with emphasis on the highly under-explored Central Cobalt area; and
- Digitization and 3D modelling of 100 years of data are ongoing to facilitate new structural interpretations for drilling target follow-up in 2018.

The 26,500-metre drilling program has been designed to test mineralized areas throughout the Cobalt Camp with known historical production of cobalt and silver. These areas include the Kerr, Drummond, Juno, Ophir, Hamilton, Silver Banner and Silverfields mines in Cobalt North, the Caswell mine in Cobalt Central, and the Bellellen, Keeley and Frontier mines in Cobalt South (Figure 1).



- **Clean Cobalt:** Strategically positions First Cobalt as a leading non-DRC cobalt company with North American projects located in close proximity to infrastructure as well as electric vehicle and technology hubs such as Michigan and California
- **Vertically Integrated:** Pure-play North American cobalt company with three significant North American assets
 1. Ontario: 50 historic mines across 100 km² in the Canadian Cobalt Camp
 2. Idaho: Iron Creek Cobalt Project in the U.S. with a historic mineral resource estimate (non-compliant with NI 43-101) of 1.3M tons grading 0.59% cobalt
 3. Refinery: The only permitted cobalt refinery in North America capable of producing battery materials
- **Revaluation Opportunity:** Combined entity will have an enhanced capital markets profile with a global institutional shareholder base, a strong balance sheet and a proven management team

First Cobalt expects a shortage of cobalt over the next five years while few companies doing significant work to identify new sources of supply. This transaction creates a larger platform to discover and develop cobalt projects for the growing electric vehicle market by combining high quality North American assets in two of the best cobalt jurisdictions outside the DRC. US Cobalt's Idaho project complements First Cobalt's Canadian Cobalt Camp properties, offering upside potential for shareholders of both companies. The Corporation views the First Cobalt Refinery as a strategic asset as it is the only permitted cobalt refinery in North America capable of producing battery materials.

- Acquisition of a high-quality asset in the Idaho Cobalt Belt with excellent near-term resource potential;
- Strengthens and de-risks portfolio of assets with the addition of an advanced exploration project with a historic non-compliant resource estimate;
- Opportunity to leverage the First Cobalt refinery through exposure to prospective cobalt projects in two jurisdictions; and
- Aligns with First Cobalt's strategy of growing its presence in North America.

Benefits to US Cobalt Shareholders:

- Significant premium based on the prior day closing price and the 5-day VWAPs of both companies;
- US Cobalt shareholders will maintain a meaningful position in First Cobalt, allowing for upside participation as First Cobalt progresses with exploration and development projects;
- US Cobalt shareholders will benefit from the increased size and liquidity of the combined company;
- Combined company has significant revaluation potential as a vertically integrated pure-play cobalt company with assets outside the DRC; and
- US Cobalt exploration team joins a First Cobalt senior management team with significant experience in exploration, development and operations across various jurisdictions with a history of creating shareholder value.

(iii) Materials Processing

In addition to advancing exploration strategies, another strategic objective is to identify opportunities to generate early cash flow from materials from the historic mining operations in the Cobalt Camp in Ontario.

First Cobalt completed the first phase of a muckpile sampling program. The program will provide a better understanding of representative grade characteristics of muckpiles and processing methods for early cash flow. Successful assay results could lead to a district-wide muckpile sampling project and initiation of metallurgical beneficiation test work for cobalt, silver, nickel, and copper.

Most recently, the Corporation initiated metallurgical testing on high grade inventory of refinery residue and crush waste rock materials located near the First Cobalt mill facility in the Canadian Cobalt Camp. A successful testing program could have broader implications for the ongoing assessment of processing options for historical mine material throughout the Cobalt Camp using First Cobalt's mill and refinery.

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. With the completion of the mergers with Cobalt One and CobaltTech, the Corporation now controls over 10,000 hectares of prospective land and 50 historic mining operations in the Cobalt Camp in Ontario, Canada as well as a mill and what is believed to be the only permitted cobalt refinery in North America designed to produce battery materials.

	Balance March 31, 2017	Acquisition Costs	Write-Down	Balance December 31, 2017
Cobalt North, Ontario				
Kerr Lake area	\$ -	\$ 13,026,368	\$ -	\$ 13,026,368
Cobalt North Properties	-	56,018,275	-	56,018,275
Cobalt Central, Ontario	-			
Cobalt Central Properties		31,050,209	-	31,050,209
Cobalt South, Ontario				
South Lorraine	1,810,000	10,000	-	1,820,000
Keeley-Frontier	-	3,156,876	-	3,156,876
Bellellen	-	325,000	-	325,000
Werner Lake East Cobalt	-	296,300	-	296,300
Dickens Lake	375,058	-	(375,058)	-
Quebec Cobalt Properties	-	165,000	-	165,000
	\$ 2,185,058	\$ 104,048,028	(375,058)	\$ 105,858,028

(a) Acquisition of Cobalt One

On June 23, 2017, the Corporation entered into a letter of intent ("LOI") with Cobalt One to acquire 100% of the issued and outstanding common shares of Cobalt One. Under the terms of the agreement, Cobalt One shareholders will receive 0.145 of a common share of the Corporation for each Cobalt One ordinary share (a "CO1 Share"), based on a share exchange ratio using the last trading price (\$0.76) of the Corporation's shares on June 23, 2017.

In November 2017, the Corporation completed the acquisition of all the issued and outstanding shares of Cobalt One through the issuance of 107,948,909 common shares. The fair value of the shares is measured by the last trading price (\$0.73) of the date of shareholder approval, November 20, 2017.

This acquisition has been recorded as an asset purchase of exploration and evaluation assets with the costs of the acquisition allocated as follows:

Purchase price:

Common shares issued (107,948,909 shares at \$0.73 per share)	\$ 78,802,704
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Net assets acquired:

Current assets	\$ 1,127,637
Current liabilities	(854,463)
Plant and equipment	4,476,528
Asset retirement obligations	(800,000)
Exploration and evaluation asset	74,853,002
	<u>\$ 78,802,704</u>

The exploration and evaluation asset acquired from Cobalt One has been allocated to Cobalt North, Ontario (comprised primarily the Kerr Lake area and other Cobalt North Properties) and Cobalt Central, Ontario.

In relation to the acquisition of Cobalt One and CobalTech, the Corporation capitalized acquisition costs of \$1,143,861 to be paid in the form of 1,566,934 common shares measured at a fair value of \$0.73 per share. The Corporation has attributed \$875,301 of the acquisition cost to the exploration assets of Cobalt One based on the value of the net assets acquired. As at the nine months ended December 31, 2017, the common shares are recorded as common shares to be issued.

(b) Acquisition of CobalTech

On August 18, 2017, the Corporation entered into an arrangement agreement with CobalTech to acquire 100% of the issued and outstanding common shares of CobalTech. Under the terms of the agreement, CobalTech shareholders will receive 0.2632 of a common share of the Corporation for each CobalTech ordinary share (a "CSK Share"), based on the share exchange ratio using last trading price (\$0.76) of the Corporation's shares on June 23, 2017.

In November 2017, the Corporation completed the acquisition of all the issued and outstanding shares of CobalTech through the issuance of 24,422,438 common shares. The fair value of the shares is measured by the last trading price (\$0.99) of the date of shareholder approval, November 22, 2017.

This acquisition has been recorded as an asset purchase of exploration and evaluation assets with the costs of the acquisition allocated as follows:

Purchase price:

Common shares issued (24,422,438 shares at \$0.99 per share)	\$ 24,178,214
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Net assets acquired:

Current assets	\$ 1,122,415
Current liabilities	(211,789)
Exploration and evaluation asset	23,267,588
	<u>\$ 24,178,214</u>

The exploration and evaluation asset acquired from CobalTech has been allocated to Other Cobalt North Properties (comprising of Kerr, Drummond, Conisil, and Silver Banner.), Werner Lake East Cobalt and Quebec Properties.

In relation to the acquisition of Cobalt One and CobalTech, the Corporation capitalized acquisition costs of \$1,143,861 to be paid in the form of 1,566,934 common shares measured at a fair value of \$0.73 per share. The Corporation has attributed \$268,660 of the acquisition cost to the exploration assets of CobalTech based on the value of the net assets acquired. As at the nine months ended December 31, 2017, the common shares are recorded as common shares to be issued.

(c) Acquisition of Cobalt Projects International Corp. (Keeley-Frontier)

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 Project 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 within the historic Silver Centre 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, with a fair value of \$2,430,000, to existing shareholders of Cobalt Projects, which shall vest in 6 equal tranches over a 4 to 18-month period. Additionally, promissory notes totaling \$435,000 were forgiven. The fair value were estimated to be \$2,430,000 using the Black-Scholes Option Pricing Model, assuming a risk free rate of 0.76%, an expected life of 0.67 years, an expected volatility of 88% and a an exercise price of \$0.70 per share.

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 \$550,000 has been paid) 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.

(d) Acquisition of Cobalt Industries of Canada Inc. (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. The claim group is located adjacent to the Keeley-Frontier property in the former mining camp of Silver Centre, Ontario, Canada, approximately 30 kilometers south of the town of Cobalt, Ontario.

In consideration for the acquisition, the Corporation issued 6,900,000 common shares for all outstanding share capital of Cobalt Industries with a fair 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.

During the period ended December 31, 2017, the Corporation paid a \$10,000 option payment for the South Lorraine property.

(e) Bellellen

On June 7, 2017, the Corporation acquired 22 mining claims totalling 848 hectares from Brixton Metals Corp. ("Brixton"). These mining claims include the former producing Bellellen Mine and are located immediately to the northeast of the Keeley-Frontier property. 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 during the nine months ended December 31, 2017.

(f) Dickens Lake Property

On July 5, 2012, the Corporation acquired a 90% interest in the Dickens Lake Property, located in Saskatchewan, Canada from Unity Energy Corp. ("Unity") in exchange for 3,182,750 common shares of the Corporation 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 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. All of the claims will lapse in June 2018 and the Corporation does not plan to continue exploration work on the property, therefore total carrying value of \$375,058 relating to Dickens Lake property will be written down to \$nil as at December 31, 2017.

(g) Gold Rush Cariboo

On December 7, 2011, the Corporation entered into an agreement to acquire mineral claims from Gold Rush Cariboo Inc. in exchange for 224,000 common shares at a fair value of \$1.33 per share for a total carrying value of \$297,920. As at the nine months ended December 31, 2017, the Corporation has recorded the 224,000 common shares as common shares to be issued (Note 19). These claims are included within Cobalt Central Properties.

SELECTED ANNUAL INFORMATION

	Nine months ended December 31, 2017 (\$)	Year ended March 31, 2017 (\$)
Current Assets	31,244,103	6,100,556
Current Liabilities	3,480,981	399,697
Exploration and Evaluation Assets	105,858,028	2,185,058
Total Assets	141,807,907	8,285,614
Total Operating Expenses	(8,258,727)	(2,240,951)
Net Loss	(8,608,914)	(2,250,565)
Loss per Share	(0.12)	(0.14)

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2017

The Corporation changed its fiscal year end from March 31 to December 31 for calendar year budgeting and planning purposes and to better align with its peers group. Accordingly, the current fiscal period is a shortened nine months period from April 1, 2017 to December 31, 2017.

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

- Consulting and management fees were \$519,316 for the nine months ended December 31, 2017, compared to \$319,203 for the year ended March 31, 2017. The increases in consulting and management expenditures are due to the increased in overall activity of the Corporation in the year. Additional consultants and management were hired to oversee operations and perform corporate development activities.
- Employee salary and benefit expense were \$2,128,686 during the nine months ended December 31, 2017 compared to \$ 17,473 during the year ended March 31, 2017. The Corporation hired a number of employees during the nine months ended December 31, 2017, including senior management, which resulted in the significant increase in employee salaries. The Corporation paid bonuses to senior management for a total of \$416,000. In addition, a change of control fee of \$305,000 was paid to a director during the nine months ended December 31, 2017. During the year ended March 31, 2017, the Corporation only had one employee, who was hired late in the fiscal year.
- General and administrative expenses were \$480,565 for the nine months ended December 31, 2017 compared to \$122,381. The primary causes to the increase in general administrative expenditures were due to the overall increase of activity and expansion of the Corporation in the year. The key area of increases are filing fees, rent, and office expenses.
- Professional fees of \$1,122,522 were incurred during the nine months ended December 31, 2017, compared to \$106,834 incurred during the year ended March 31, 2017. The primary increase is from fees associated to the acquisition of Cobalt Projects, Cobalt One and CobalTech during the nine months ended December 31, 2017.
- Investor relations were \$938,173 during the nine months ended December 31, 2017 compared to \$629,208 during the year ended March 31, 2017. Investor relations activities started late in the year ended March 31, 2017 and continued through the full nine months ended December 31, 2017. The Corporation had an increase in overall activity during the nine months ended December 31, 2017, increased fees on investor relations campaigns.
- Travel and meals expenses was \$306,211 during the nine months ended December 31, 2017, compared to \$19,679 for the year ended March 31, 2017. The primary cause of the increase in travel and meals expenses is the result of transportation, accommodations and meals expenses incurred for investor relations, corporate development and exploration related activities. during the nine months ended December 31, 2017

SUMMARY OF QUARTERLY RESULTS

Key financial information for the three months ended December 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:

	December 31, 2017 (\$)	September 30, 2017 (\$)	June 30, 2017 (\$)	March 31, 2017 (\$)
Current Assets	31,244,103	3,291,061	4,918,144	6,100,556
Current Liabilities	3,800,781	714,945	420,617	399,697
Total Assets	141,807,907	9,532,620	11,209,702	8,285,614
Total Operating Expenses	(4,494,469)	(2,142,268)	(1,621,990)	(1,499,106)
Net Loss	(4,847,592)	(2,094,449)	(1,666,873)	(1,508,720)
Loss per Share	(0.05)	(0.04)	(0.03)	(0.10)
	December 31, 2016 (\$)	September 30, 2016 (\$)	June 30, 2016 (\$)	March 31, 2016 (\$)
Current Assets	785,984	278,176	20,244	6,452
Current Liabilities	576,507	304,068	333,636	393,534
Total Assets	1,279,221	711,413	348,518	334,726
Total Operating Expenses	(705,907)	(24,128)	(11,810)	(87,945)
Net Loss	(705,907)	(24,128)	(11,810)	(147,945)
Loss per Share	(0.03)	(0.00)	(0.01)	(0.03)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

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

- Consulting and management fees were \$215,560 for the three months ended December 31, 2017, compared to \$163,188 for the three months ended December 31, 2016. The increases in consulting and management expenditures are due to the increased in overall activity of the Corporation in the three months ended December 31, 2016. Additional consultants and management were hired to oversee operations and perform corporate development activities.
- Employee salary and benefit expense were \$813,174 during the three months ended December 31, 2017 compared to \$ nil during the three months ended December 31, 2016. The Corporation hired a number of employees during the three months ended December 31, 2017, including senior management, which resulted in the significant increase in employee salaries. The Corporation paid bonuses to senior management for a total of \$416,000. In addition, a change of control fee of \$305,000 was paid to a director during the three months ended December 31, 2017. During the three months ended December 31, 2016, the Corporation had no employees.
- General and administrative expenses were \$290,830 for the three months ended December 31, 2017 compared to \$19,801. The primary causes to the increase in general administrative expenditures were due to the overall increase of activity and expansion of the Corporation in the three months ended December 31. The key areas of increases are filing fees, rent, and office expenses. The corporation has reclassified employee salaries from general and administrative expenses to salaries and employee benefits.
- Professional fees of \$680,811 were incurred during the three months ended December 31, 2017, compared to \$34,135 incurred during the three months ended December 31, 2016. The primary increase is from fees associated to the acquisition of Cobalt Projects, Cobalt One and CobaltTech during the three months ended December 31, 2017.

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- Investor relations were \$99,365 during the three months ended December 31, 2017 compared to \$396,812 during the three months ended December 31, 2016. The changes in investor relation expense is due primarily due to timing of the expenditures.
- Travel and meals expenses was \$186,888 during the three months ended December 31, 2017, compared to \$nil for the three months ended December 31, 2016. The primary cause of the increase in travel and meals expense is the travel costs and expenses of employees, management, and geological consultants incurred during the three months ended December 31, 2017.

CAPITAL STRUCTURE

As of the date of this MD&A, the Corporation has 222,426,797 common shares issued and outstanding. In addition, there are outstanding share purchase warrants and stock options for a further 13,217,682 and 6,123,482 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	200,000	\$0.06
March 9, 2018	March 9, 2020	13,017,682	\$1.50
		13,217,682	\$1.48

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

Grant Date	Expiry Date	Number of shares issuable on exercise	Weighted Average Exercise Price
September 18, 2016	Sep 18, 2021	250,000	\$0.25
December 15, 2016	December 15, 2021	350,000	\$0.35
December 22, 2016	December 22, 2021	300,000	\$0.38
March 2, 2017	March 2, 2022	1,975,000	\$0.66
June 1, 2017	June 1, 2022	1,565,000	\$0.69
December 7, 2017	December 7, 2022	1,683,482	\$1.43
		6,123,482	\$0.83

During the nine-months ended December 31, 2017, the Corporation issued 898,964 Deferred Share Units ("DSUs") to non-executive directors of the Corporation and 581,682 Performance Share Units ("PSUs") to the chairman and officers of the Corporation. DSUs vest immediately and may not be exercised until a director ceases to serve on the board. PSUs may vest in two tranches over a 12-month period contingent on achieving strategic corporate objectives.

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 December 31, 2017 and March 31, 2017, 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 nine months ended December 31, 2017 and for the year ended March 31, 2017.

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 December 31, 2017, the Corporation had cash of \$29,817,031 (March 31, 2017 - \$5,340,136) and working capital of \$27,763,122 (March 31, 2017 - \$5,700,859)

To maintain liquidity, the Corporation issued common shares for cash proceeds during the nine months ended December 31, 2017 as follows:

- The Corporation issued 9,840,728 common shares on exercise of warrants for total gross proceeds of \$1,875,482, of which \$42,008 is recorded as a subscription receivable. The Corporation received funds of \$710,652 for the exercise of 595,674 warrants. The amount is recorded as common shares to be issued.
- The Corporation issued 1,175,000 common shares on exercise of stock options for total gross proceeds of \$359,250.
- On May 31, 2017, the Corporation issued 2,050,001 flow-through shares at \$0.60 per share for total gross proceeds of \$1,230,001. In connection with the flow-through share offering, the Corporation paid cash finders' fee of \$37,029.
- On December 21, 2017, the Corporation issued on a bought deal basis (i) 4,700,000 units of the Corporation ("Flow-Through Units") at \$1.51 per unit and 20,950,000 units (the "Units") at \$1.10 per unit for gross proceeds of \$30,142,000 (the "Offering").

Cash used in operating activities was \$7,622,285 during the nine months ended December 31, 2017, compared to \$1,422,533 from operating activities during the year ended March 31, 2017. The change in working capital is primarily due to the increase in cash from the proceeds of the issuance of shares of the brokered and non-brokered bought deal financing completed in the month of December 2017.

Cash flows from investing activities was \$382,167 during the nine months ended December 31, 2017, compared to \$699,963 used in for the prior year. During the nine months ended December 31, 2017 the Corporation had spent \$1,393,501 in the acquisition of exploration and evaluation assets, which was offset by the cash received through the acquisition of Cobalt One and CobalTech totalling \$1,775,668

Cash flows from financing activities was \$31,723,476 during the nine months ended December 31, 2017, compared to the \$7,458,817 from financing activities during the year ended March 31, 2017.

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 issuance 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 and 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.

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 nine months ended December 31, 2017 and the year ended March 31, 2017, the Corporation paid and/or accrued the following fees to management personnel and directors:

	December 31, 2017	March 31, 2017
Management	\$ 896,396	\$ 58,849
Directors	305,000	16,983
	\$ 1,201,396	\$ 75,832

During the nine months ended December 31, 2017 the Corporation also had share-based payments made to management and directors of \$690,763 (March 31, 2017 - \$1,013,473). As at the nine months ended December 31, 2017, the Corporation had \$219,764 payable to management (March 31, 2017 - \$36,064)

OFF BALANCE SHEET ARRANGEMENTS

The Corporation currently has no off-balance sheet arrangements.

SUBSEQUENT EVENTS

Subsequent to December 31, 2017:

- (a) On January 16, 2018, as part of the Offering, the Corporation completed a non-brokered private placement by issuing 151,364 Units at \$1.10 per unit for gross proceeds of \$166,500. Each Unit consists of one common share of the Corporation and one-half of one common share purchase warrant (each whole common share purchase warrant (a "Warrant")) of the Corporation. Each full warrant is exercisable at \$1.50 per share for a period of 24 months following the date of issue of Warrants.
- (b) On January 16, 2018, in connection with the three-way merger transaction of Cobalt One and CobalTech, the Corporation issued 1,566,934 common shares at a deemed price of \$0.64 per share as a success fee to an arms' length third party.
- (c) On January 18, 2018, the Corporation issued 224,000 common shares at a deemed price of \$1.07 per share to acquire mineral claims from Gold Rush Cariboo Inc.
- (d) On March 9, 2018, the shareholders of the Corporation have approved all the issuance of Common Share Purchase Warrants under the Offering (Note 10). Accordingly, an aggregate of 13,017,682 common share purchase warrants which formed part of the Corporation's December 2017 bought deal private placement and non-brokered private placement were issued.
- (e) On March 14, 2018, the Corporation and US Cobalt Inc. ("US Cobalt") are pleased to announce they entered into a definitive agreement (the "Arrangement Agreement") whereby the Corporation will acquire all of the issued and outstanding shares of US Cobalt pursuant to a plan of arrangement (the "Transaction"), further enhancing the Corporation's position as a pure-play North American cobalt company.

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 December 31, 2017 and March 31, 2017, 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 Corporation is expected to be able to satisfy obligations in the near term with its cash balances.

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.

Additional information on risks and uncertainties relating to First Cobalt's business is provided in First Cobalt's Annual Information Form dated April 2, 2018 under the heading "Risk Factors".

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 acquisitions of Cobalt One Limited, CobalTech Inc., Cobalt Projects International Corp., and Cobalt Industries of Canada Inc. as an asset acquisitions. 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 CobalTech Inc., Cobalt Projects International Corp. and Cobalt Industries of Canada Inc. did not meet the definition of a business under IFRS 3: Business combinations.. The acquisition of Cobalt One Limited was considered an asset acquisition due to the fact that management and the board of directors remained under the control of the Corporation. 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. The Corporation has measured the fair value of the consideration transferred based on the last trading price of the date of shareholder approval for the acquisition.

- *Environmental rehabilitation*

Management's determination of the Corporation's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required, the additional contingent mitigation measures it identifies as potentially being required and its assessment of the likelihood of such contingent measures being required, and its estimate of the probable costs and timing of such activities and measures. Significant judgements must be made when determining such reclamation and closure activities and measures required and potentially required.

- *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 nine months ended December 31, 2017 and for the year ended March 31, 2017.

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 December 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. The Corporation does not expect the adoption of IFRS 9 to have an impact on its consolidated financial statements.

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 does not expect the adoption of IFRS 15 to have an impact 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 does not expect the adoption of IFRS 16 to have an impact 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 Corporation does not expect the adoption of IFRS 2 to have an impact on its consolidated financial statements.

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 nine months ended December 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 December 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.

FIRST COBALT CORP.FOR THE NINE MONTHS ENDED DECEMBER 31, 2017

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.