

**FIRST COBALT CORP. (formerly Aurgent Resource Corp.)**

Management's Discussion and Analysis

Six Month Period Ended September 30, 2016

November 29, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six month period ended September 30, 2016

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First Cobalt Corp. (formerly Aurgent Resource Corp.) ("First Cobalt" or the "Company") was incorporated in British Columbia under the *Business Corporations Act* (British Columbia) and is engaged in the acquisition, exploration and development of resource properties. The Company's common shares are listed for trading on Tier 2 of the TSX Venture Exchange (the "Exchange") under the symbol "FCC".

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the six month period ended September 30, 2016 and is prepared as of November 29, 2016. The MD&A should be read in conjunction with the Company's unaudited interim financial statements for the six months ended September 30, 2016 and the audited consolidated financial statements for the year ended March 31, 2016 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

### **Cautionary Note Regarding Forward-Looking Information**

This document may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its planned exploration activities, the adequacy of its financial resources and statements with respect to the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual consolidated financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **Description of Business**

First Cobalt Corp. is an exploration stage company engaged in the acquisition, exploration and development of resource properties. As at September 30, 2016, the Company has interests in the following resource properties:

#### **1. Dickens Lake Property**

Pursuant to the Arrangement Agreement (Note 1), the Company acquired a 100% interest in the Dickens Lake Property, located in Saskatchewan, Canada. As consideration, the Company issued 3,182,750 common shares

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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 Company also received a cash payment of \$200,000 from Unity, which has been recorded in reserves.

Pursuant to the Farm-out Agreement, the Company 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 Company for \$1,500,000.

On June 2, 2015, the Company allowed the reduction of the following claims for the Company's Dickens Lake Property for cash conservation purposes and a lack indicated resources:

Old Claim Number	Old Claim Size (Ha)	New Claim Number	New Claim Size (Ha)
S-111354	1,181	S-113940	274
S-112212	2,164	S-113941	56
S-112210	1,464	S-113942	699
S-112211	1,250	S-113943	440

None of these claims will have any effect on the existing property purchase agreement for the Dickens Lake Property with Unity Energy Corp.

During the year ended March 31, 2016, the Company recorded \$Nil (2015 - \$969,475) in impairment changes associated with the Dickens Lake Property. The 2015 impairment changes were recognized as a result of the June 2, 2015 claim reductions.

During the six month period ended September 30, 2016, the Company incurred \$Nil (2015 - \$4,500) in exploration expenditures on the Dickens Lake Property.

**2. Brabant Lake Property**

The Company terminated this option agreement in fiscal 2014 and all costs associated with the Property were written off.

**3. McLennan Lake Property**

The Company terminated this option agreement in fiscal 2014 and all costs associated with the Property were written off.

**4. Eisler Lake Property**

The Company terminated this option agreement in fiscal 2014 and all costs associated with the Property were written off.

**5. Fond du Lac Property**

On January 21, 2014, as approved by the TSX-V on February 5, 2014, the Company entered into an option agreement to earn a 100% interest in the Brown Lake Property, located in Saskatchewan, Canada, for the following consideration:

- Issuance of 400,000 common shares within 5 days of TSX-V approval (issued, with a fair value of \$32,000) within 5 days of TSX-V approval;
- \$1,500,000 completed in exploration expenditures on or before January 21, 2017.

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During the year ended March 31, 2016, the Company wrote off the property as it does not plan on developing the claims.

### 6. Brown Lake Property

On February 12, 2014, as approved by the TSX-V on February 20, 2014, the Company entered into an option agreement to earn a 100% interest in the Brown Lake Property, located in Saskatchewan, Canada, for the following consideration:

- Issuance of 400,000 common shares within 5 days of TSX-V approval (issued, with a fair value of \$28,000) within 5 days of TSX-V approval;
- \$500,000 completed in exploration expenditures on or before February 12, 2017.

### Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Mineral property exploration is a speculative business and involves a high degree of risk. There is a probability that the expenditures made by the Company in exploring its properties will not result in discoveries of commercial quantities of minerals. A high level of ongoing expenditures is required to locate and estimate ore reserves, which are the basis to further the development of a property. Capital expenditures to support the commercial production state are also very substantial.

*Matters related to the principal risks faced by the Company have been disclosed in previous MD&A's filed on SEDAR and continue to apply to the activity and business of the Company.*

### Selected Annual Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited financial statements of the Company for the years ended March 31, 2016, 2015 and 2014 prepared in accordance with IFRS. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

The following selected financial information is extracted from the audited annual consolidated financial statements of the Company prepared in accordance with IFRS.

	31Mar16	31Mar15	31Mar14	31Mar13
<b>Net Loss for the year</b>	\$(147,945)	\$(1,409,514)	\$(240,271)	\$(104,327)
<b>Loss per Share</b>	\$(0.03)	\$(0.03)	\$(0.06)	\$(0.06)
<b>Total Assets</b>	\$334,726	\$381,125	\$1,783,641	\$1,651,322
<b>Working Capital</b>	\$(389,082)	\$(270,637)	\$(45,027)	\$280,673

The referenced audited annual financial statements of the Company above have been prepared in accordance with IFRS. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates.

### Results of Operations

At September 30, 2016 total assets were \$711,413 compared to \$334,726 as at March 31, 2016. This increase in assets is the result of an increase in cash due to the completion of a private placement in the quarter.

The Company has no operating revenues.

During the six months ended September 30, 2016, the Company had a net loss of \$36,847 compared to a net loss of \$49,498 for the same period in the prior year. Expenses decreased as a result of reductions in general,

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administrative and professional fees. Activity pertaining to the exploration and advancement of the Company's properties and the acquisition of additional assets has been limited due to financial restrictions of the Company.

**Summary of Quarterly Results**

	<b>30Sept16</b>	<b>30Jun16</b>	<b>31Mar16</b>	<b>31Dec15</b>	<b>30Sept15</b>	<b>30Jun15</b>	<b>31Mar15</b>	<b>31Dec14</b>
<b>Revenue</b>	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL	\$NIL
<b>Net Income (Loss)</b>	\$(36,847)	\$(11,810)	\$(80,618)	\$(17,829)	\$(28,905)	\$(20,593)	\$(1,341,230)	\$(13,711)
<b>Basic/Diluted Loss per Share</b>	\$(0.00)	\$(0.01)	\$(0.03)	\$(0.01)	\$(0.01)	\$(0.001)	\$(0.03)	\$(0.01)

The following discussion outlines the reasons for some of the variations in the quarterly numbers but, as with most junior mineral exploration companies, the results of operations (including interest income and net losses) are not the main factors in establishing the financial health of the Company. Of far greater significance are the resource properties in which the Company has, or may earn an interest, its working capital and how many shares it has outstanding. The variation seen over such quarters is primarily dependent upon the success of the Company's ongoing property evaluation program and the timing and results of the Company's exploration activities on its then current properties, none of which are possible to predict with any accuracy.

There are no general trends regarding the Company's quarterly results and the Company's business of resource exploration is not seasonal, as it can work on its property on a year-round basis (funding permitting). Quarterly results may vary significantly depending mainly on whether the Company has abandoned any properties and these factors which may account for material variations in the Company's quarterly net income (losses) are not predictable. The major factor which may cause a material variation in net loss on a quarterly basis is the unwinding of a private placement which occurred in the March 31, 2015 quarter where the Company refunded subscribers, and in the September 30, 2016 and June 30, 2016 quarters, where the Company had completed private placements. General and administrative costs tend to be quite similar from period to period, except in certain cases when there is an increase in corporate activities as may be seen in the quarters ended March 31, 2015 and March 31, 2016 due to significant write-down's in property assets, during the Company's annual audit and unwinding of the private placement. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

**Liquidity and Capital Resources**

The Company has no revenue generating operations from which it can internally generate funds and therefore has been incurring losses since inception. The Company has financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placements and the subsequent exercise of share purchase warrants issued in connection with such private placements and the exercise of stock options. The Company also has raised funds through the sale of interests in its mineral properties. When acquiring interests in resource properties through purchase or option, the Company issues common shares or a combination of cash and shares to the vendors of the property as consideration for the property in order to conserve its cash. The Company expects that it will continue to operate at a loss for the foreseeable future and will require additional financing to fund the exploration of its existing properties and the acquisition of potential resource properties.

At September 30, 2016, the Company had cash of \$278,176, compared to cash of \$12,773 as at September 30, 2015. The Company has no off-balance sheet financing. The Company has no long-term debt. The Company's cash flow has increased due to a private placement that was completed in the quarter. Share capital has also increased due to the issuance of shares in the Company's private placement.

At this time, the Company has no operating revenues, and does not anticipate any operating revenues until the Company is able to find, acquire, place in production, and operate a resource property. Historically, the Company has raised funds through equity financing to fund its operations.

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The Company will need to raise additional cash for working capital or other expenses. In addition, as a result of the Company's activities, unanticipated problems or expenses could result and require additional capital requirements, subject to TSX Venture Exchange policies and approvals.

The Company has no assets other than cash deposits and has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants. Management believes the Company does not have sufficient working capital at this time to meet its current financial obligations.

**Related Party Transactions**

During the six months ended September 30, 2016, the Company entered into the following transactions with related parties:

Name and Relationship to Company	Transaction	Six months ended September 30, 2016	Six months ended September 30, 2015
		\$	\$
Richard Ko, Director and CFO	Consulting Fees	1,800	1,800
1727856 Ontario Ltd., a Company controlled by a current director	Consulting Fees	Nil	9,000
Anita Algie, President & CEO	Management Services	12,976	15,000
Clarus Management Group Ltd.	Office Services	720	17,500

**Critical Accounting Estimates**

In the application of the Company's accounting policies, which are described in note 2 to the unaudited financial statements for the period ended September 30, 2016, management is required to make judgments, apart from those requiring estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- the determination of the element of costs recorded as exploration and evaluation assets and determination of reclamation obligations;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

**Recently adopted accounting standards and accounting standards issued but not yet effective:**

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### ***IAS 24 Related Party Disclosures***

Amendments to IAS 24 Related Party Disclosures expand the definition of a related party to include a management entity and related disclosures of transactions with a management entity. The amendments are effective annual periods beginning on or after July 1, 2014. The adoption of these amendments had no impact on the amounts recorded in the financial statements for the period ended September 30, 2016.

The Company has reviewed amendments to accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

### ***IFRS 9 Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. IFRS 9 is effective for annual period beginning on or after January 1, 2018.

### ***IFRS 11 Joint Arrangements***

Amendments to IFRS 11 Joint Arrangements clarify the accounting for acquisitions of interests in joint operations. The amendments are effective for annual period beginning on or after January 1, 2016.

### ***IFRS 15 Revenue from Contracts with Customers***

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 Revenue from Contracts with Customers, which specifies how and when an entity will recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 is effective for annual period beginning on or after January 1, 2018.

### ***IFRS 16 - Leases***

This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted.

### ***IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets***

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets clarify acceptable methods of depreciation and amortization. The amendments are effective for annual periods beginning on or after January 1, 2016.

The Company is currently assessing the impact these standards and amendments may have on its financial statements.

## **Fair Value of Financial Instruments**

### **1. Fair value of financial instruments**

The carrying values of cash and cash equivalents, amounts receivable and trade payables and accrued liabilities approximate their fair values as of September 30, 2016.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

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Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data.

There were no financial assets at fair value as at September 30, 2016:

During the six months ended September 30, 2016, a market-to-market loss of \$Nil (2015 – \$Nil) for marketable securities designated as available-for-sale has been recognized in other comprehensive loss.

There were no financial liabilities at fair value as at September 30, 2016, and November 29, 2016.

### 2. Financial instrument risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

#### (i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of advances made to related parties. The Company manages liquidity risk through the management of its capital structure and financial leverage. Management does not believe that there is significant credit risk arising from these advances. The maximum exposure to loss arising from these advances is equal to their total carrying amounts.

#### (ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial papers. Foreign exchange risk The Company's functional currency is the Canadian dollar. Therefore, the Company is not exposed to foreign exchange risk.

#### (iii) Market risk

##### (a) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Financial assets and financial liabilities are not exposed to interest rate risk because they are non-interest bearing.

##### (c) Commodity price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of palladium, nickel, and gold. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

During the six months ended September 30, 2016, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

### **Capital Management**

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funds to support the acquisition, exploration and development of exploration and evaluation assets such that it can continue to provide returns to shareholders and benefits for other stakeholders.

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The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or sell assets to settle liabilities. The Company has no long-term debt and is not subject to externally imposed capital requirements.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities, loans, advances from related parties and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's management of capital during the year ended September 30, 2016.

### **Outstanding Share Data**

#### (1) Authorized and Issued Capital Stock

a) Authorized - Unlimited common shares without par value.

b) Issued

As at November 29, 2016, the Company has 22,307,747 common shares issued and outstanding.

On May 3, 2016, the Company entered into a non-brokered private placement for 1,550,000 units for a total of \$77,500 in gross proceeds at a price of \$0.05 per unit. Each unit consists of one (1) common shares and one (1) share purchase warrant. Each warrant will be exercisable at a price of \$0.06 for five years.

On September 13, 2016, the Company entered into a non-brokered private placement for 10,000,000 units for a total of \$500,000 in gross proceeds at a price of \$0.05 per unit. Each unit consists of one (1) common shares and one (1) share purchase warrant. Each warrant will be exercisable at a price of \$0.10 for five years.

On November 22, 2016, the Company completed a non-brokered private placement for 6,000,000 common shares at a price of \$0.15 per common share, for a total of \$900,000 in gross proceeds.

#### (2) Options and Warrants Outstanding

a) Stock options outstanding are as follows:

The Company has a Rolling Stock Option Plan (the "Plan"), which follows the policies of the Exchange regarding stock option awards granted to employees, directors, and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan.

During the six months ended September 30, 2016, the Company granted 825,000 stock options. As at November 29, 2016, there were 825,000 options outstanding.

On September 22, 2016, the Company granted a total of 825,000 stock options to various consultants of the Company. The options are exercisable at a price of \$0.25 for two (2) years from the date of issuance.

b) Warrants outstanding are as follows:

During the six months ended September 30, 2016, the Company issued 11,550,000 warrants. As at November 29, 2016, there were 11,550,000 warrants issued and outstanding.

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On May 31, 2016, the Company issued 1,550,000 warrants in respect of a private placement that occurred in the period.

On September 16, 2016, the Company issued 10,000,000 warrants in respect of a private placement that occurred in the period.

**Subsequent Events**

There are no subsequent events to report.

**Additional Information**

Additional information about the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).