



COBALT 27 CAPITAL CORP.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018
AND THREE AND NINE MONTHS ENDED OCTOBER 31, 2017**

**(EXPRESSED IN UNITED STATES DOLLARS)
(UNAUDITED)**

COBALT 27 CAPITAL CORP.**Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars, unless otherwise indicated)
(Unaudited)**

	As at September 30, 2018	As at December 31, 2017 Restated (Note 3)
Assets		
Current Assets		
Cash and cash equivalents	\$ 42,948,062	\$ 40,742,214
Amounts receivable and other assets (Note 5)	8,260,898	385,730
	51,208,960	41,127,944
Non-Current Assets		
Investments (Note 4)	12,026,484	188,915
Investments in cobalt (Note 5)	217,846,469	206,224,037
Royalty contracts (Note 6)	23,151,703	647,225
Streaming interests (Note 7)	303,892,638	-
	\$ 608,126,254	\$ 248,188,121
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 927,522	\$ 1,718,535
Other liabilities	357,303	-
	1,284,825	1,718,535
Non-Current Liabilities		
Deferred tax liabilities	5,296,396	7,698,532
	6,581,221	9,417,067
Shareholders' Equity		
Share capital (Note 8)	592,825,186	223,549,467
Reserves	4,589,092	4,906,108
Accumulated other comprehensive income	601,612	-
Retained earnings	3,529,143	10,315,479
	601,545,033	238,771,054
Total Liabilities and Shareholders' Equity	\$ 608,126,254	\$ 248,188,121

Subsequent Events (Note 14)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

COBALT 27 CAPITAL CORP.**Condensed Interim Consolidated Statements of Net and Comprehensive Income (Loss)****(Expressed in United States Dollars, unless otherwise indicated)****(Unaudited)**

	Three Months Ended September 30, 2018	Three Months Ended October 31, 2017 Restated (Note 3)	Nine Months Ended September 30, 2018	Nine Months Ended October 31, 2017 Restated (Note 3)
(Decrease) Increase in Market Value of Investments				
Mark to market component of unrealized (loss) gain on investments in cobalt (Note 5)	\$ (40,786,342)	\$ 4,893,145	\$ (16,062,755)	\$ 8,228,673
Foreign exchange component of unrealized gain (loss) on investments in cobalt	-	4,182,775	11,206,006	(4,175,705)
	(40,786,342)	9,075,920	(4,856,749)	4,052,968
Operating Expenses				
Consulting fees and salaries (Note 10)	382,790	113,964	592,185	405,786
Directors fees (Note 10)	38,253	42,837	126,438	86,985
General and administrative	109,539	36,336	386,119	122,832
Marketing and promotion	335,992	86,585	578,765	183,152
Professional fees	563,578	84,741	1,385,021	113,975
Project evaluation costs	199,645	-	801,444	-
Regulatory fees	71,691	23,241	158,153	63,937
Share based compensation (Notes 8(e)(f))	(1,032,092)	2,672,019	1,874,864	3,073,778
Transport and storage	58,751	82,168	402,770	115,091
Impairment of exploration and evaluation assets	-	-	-	4,596
	728,147	3,141,891	6,305,759	4,170,132
Operating (Loss) Income	(41,514,489)	5,934,029	(11,162,508)	(117,164)
Net gain on insurance proceeds (Note 5)	212,920	-	212,920	-
Financing costs	(237,517)	-	(866,501)	-
Foreign exchange gain (loss)	129,004	4,619	2,984,919	(87,040)
(Loss) Income before taxes	(41,410,082)	5,938,648	(8,831,170)	(204,204)
Deferred tax recovery (expense)	12,010,242	(1,066,017)	2,402,137	(1,066,017)
Current tax (expense)	(357,303)	-	(357,303)	-
Net (Loss) Income for the period	(29,757,143)	4,872,631	(6,786,336)	(1,270,221)
Other Comprehensive (Loss) Income				
Items that will not be reclassified subsequently:				
Unrealized (loss) gain on equity investment	(1,894,416)	-	601,612	-
Comprehensive (Loss) Income for the period	\$ (31,651,559)	\$ 4,872,631	\$ (6,184,724)	\$ (1,270,221)
Basic (Loss) Income Per Share (Note 9)	\$ (0.35)	\$ 0.20	\$ (0.11)	\$ (0.10)
Diluted (Loss) Income Per Share (Note 9)	\$ (0.35)	\$ 0.20	\$ (0.11)	\$ (0.10)
Weighted Average Number of Common Shares				
Outstanding - Basic (Note 9)	84,242,047	24,816,280	59,014,798	12,369,000
Weighted Average Number of Common Shares				
Outstanding - Diluted (Note 9)	84,242,047	24,903,098	59,014,798	12,369,000

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

COBALT 27 CAPITAL CORP.**Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars, unless otherwise indicated)
(Unaudited)**

	Nine Months Ended September 30, 2018	Nine Months Ended October 31, 2017 Restated (Note 3)
Operating Activities		
Net loss for the period	\$ (6,786,336)	\$ (1,270,221)
Adjustments for:		
Mark to market component of unrealized loss (gain) on investments in cobalt	16,062,755	(8,228,673)
Foreign exchange component of unrealized (gain) loss on investments in cobalt	(11,206,006)	4,175,705
Net gain on insurance proceeds	(212,920)	-
Foreign exchange (gain) loss	(2,984,919)	87,040
Share based compensation	1,874,864	3,073,778
Impairment of exploration and evaluation assets	-	4,596
Deferred tax (recovery) expense	(2,402,137)	1,066,017
Current tax expense	357,303	-
Non-cash working capital items:		
Amounts receivable and other assets	(1,055,767)	(185,208)
Accounts payable and accrued liabilities	(1,147,613)	(121,320)
Net cash used in Operating Activities	(7,500,776)	(1,398,286)
Investing Activities		
Purchase of investments in cobalt	(23,085,663)	(59,890,405)
Purchase of royalty contract	(10,844,671)	-
Purchase of investments	(11,235,957)	(188,915)
Purchase of streaming interests (Note 7)	(303,892,638)	-
Evaluation and exploration expenditures	-	(75)
Net cash used in Investing Activities	(349,058,929)	(60,079,395)
Financing Activities		
Common shares issued for cash (Note 8(b)(vii)(viii))	377,230,518	80,156,704
Share issuance costs	(21,806,486)	(8,853,776)
Common shares issued on exercise of warrants	-	1,181,177
Common shares issued on exercise of stock options	-	16,871
Deferred financing costs	-	(103,492)
Loans repaid	-	(55,302)
Net cash provided by Financing Activities	355,424,032	72,342,182
Net (decrease) increase in Cash and Cash Equivalents	(1,135,673)	10,864,501
Impact of foreign exchange on Cash and Cash Equivalents	3,341,521	(87,996)
Cash and Cash Equivalents, Beginning of period	40,742,214	2,402
Cash and Cash Equivalents, End of period	\$ 42,948,062	\$ 10,778,907
Supplemental Information		
Common shares issued for Royalty Contracts	\$ 11,659,807	\$ -
Issuance of units for finder's fees	\$ -	\$ 31,981
Interest paid	\$ 337,808	\$ -

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

COBALT 27 CAPITAL CORP.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****(Expressed in United States Dollars, unless otherwise indicated)****(Unaudited)**

Restated (Note 3)	Share Capital		Reserves	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total
	Number	Amount				
Balance, January 31, 2017	183,014	\$ 1,360,780	\$ 549,600	\$ -	\$ (2,274,695)	\$ (364,315)
Issuance of common shares for cash (Note 8(b)(i)(ii))	11,620,870	75,359,629	-	-	-	75,359,629
Issuance of common shares for investments in cobalt (Note 8(b)(ii))	11,297,805	77,423,471	-	-	-	77,423,471
Issuance of common shares for finder fees (Note 8(b)(i))	45,000	31,981	-	-	-	31,981
Issuance of common shares on exercise of over-allotment (Note 8(b)(iii))	700,000	4,797,076	-	-	-	4,797,076
Issuance of common shares for Royalty Contracts (Notes 6 and 8(b)(iv))	127,778	875,657	-	-	-	875,657
Share issue costs	-	(8,989,348)	-	-	-	(8,989,348)
Cancelled shares (Note 6)	(33,333)	(228,432)	-	-	-	(228,432)
Issuance of common shares on exercise of warrants (Note 8(b)(v))	837,381	1,180,318	-	-	-	1,180,318
Issuance of common shares on exercise of options (Note 8(b)(vi))	5,117	29,812	(12,941)	-	-	16,871
Share-based payments (Notes 8(e)(i)(ii) and 8(f))	-	-	3,073,778	-	-	3,073,778
Net loss for the period	-	-	-	-	(1,270,221)	(1,270,221)
Balance, October 31, 2017	24,783,632	\$ 151,840,944	\$ 3,610,437	\$ -	\$ (3,544,916)	\$ 151,906,465
Balance, December 31, 2017	34,314,017	\$ 223,549,467	\$ 4,906,108	\$ -	\$ 10,315,479	\$ 238,771,054
Issuance of common shares for cash (Note 8(b)(vii)(viii))	48,356,828	377,230,518	-	-	-	377,230,518
Share issue costs	-	(21,806,486)	-	-	-	(21,806,486)
Issuance of common shares for Royalty Contracts (Notes 6 and 8(b)(ix)(x))	1,662,057	11,659,807	-	-	-	11,659,807
Restricted Share Units converted to common shares (Note 8(b)(xi))	465,058	2,191,880	(2,191,880)	-	-	-
Share-based payments (Notes 8(e)(iii) and 8(f))	-	-	1,874,864	-	-	1,874,864
Unrealized gain on equity investments	-	-	-	601,612	-	601,612
Net loss for the period	-	-	-	-	(6,786,336)	(6,786,336)
Balance, September 30, 2018	84,797,960	\$ 592,825,186	\$ 4,589,092	\$ 601,612	\$ 3,529,143	\$ 601,545,033

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

COBALT 27 CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017
(Expressed in United States Dollars, unless otherwise indicated)
(Unaudited)

1. Nature of Operations

Cobalt 27 Capital Corp. (the "Company" or "Cobalt 27") was incorporated in British Columbia on May 9, 2006. Its shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "KBLT". For the period from incorporation in 2006 to February 2017, the Company was a mineral exploration company but in March 2017, the Company redirected its efforts to be a company focused on the acquisition of cobalt by physical possession, entering into streaming contracts and cobalt net smelter return royalty ("Co NSR") agreements and/or participation in producing cobalt mines or early stage exploration and development of mineral properties containing cobalt.

During the eight months ended December 31, 2017, the Company changed its year-end from April 30th to December 31st to better align its financial reporting with that of comparable companies within the mining and commodities sector. The comparative period for these condensed interim consolidated financial statements is the three and nine months ended October 31, 2017.

The head office is located at Suite 401, 4 King Street West, Toronto, Ontario, Canada. The registered office is located at Suite 1700 – 666 Burrard Street, Vancouver, British Columbia, Canada.

2. Significant Accounting Policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the eight months ended December 31, 2017.

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the eight months ended December 31, 2017 except as noted below.

Change in functional and presentation currency

On June 28, 2018 the Company closed the Voisey's Bay Cobalt Stream (described in note 7) and made an upfront payment of US\$300 million to Vale. The Company will generate United States dollar ("USD") denominated revenue from the cobalt they purchase under the Voisey's Bay Cobalt Stream commencing January 1, 2021. Considering the significance of the Voisey's Bay Cobalt Stream to the Company's operations and that sales prices of cobalt are mainly influenced by the USD, the Company determined that the currency of the primary economic environment in which the Company operates changed from the Canadian dollar ("CAD") to the USD on June 28, 2018.

The Company operates in a mixture of currencies and therefore the determination of functional currency involves certain judgments to determine the primary economic environment in which the Company operates. The Company also reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment.

Concurrent with the change in functional currency, the Company also changed its presentation currency from CAD to USD.

The change in functional currency from CAD to USD is accounted for prospectively from June 28, 2018. The exchange rate used to translate the statement of financial position to reflect the change in functional currency on adoption is USD \$1 equals to CAD \$1.3133, the exchange rate on June 28, 2018. Prior period comparable information is restated to reflect the change in presentation currency. The Company elected to translate all prior period comparable information prospectively using the exchange rate on June 28, 2018.

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017****(Expressed in United States Dollars, unless otherwise indicated)****(Unaudited)**

2. Significant Accounting Policies (Continued)*Change in functional and presentation currency (continued)*

Foreign currency transactions are translated into the functional currency using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at FVTPL. Gains and losses arising from foreign exchange are included in the statement of net and comprehensive income (loss).

*Changes in accounting policies**(i) IFRS 9, Financial Instruments*

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact on the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Amounts receivable	Loans and receivables (amortized cost)	Amortized cost
Investment	Available-for-sale	FVTOCI
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

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Notes to Condensed Interim Consolidated Financial Statements

**Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017
(Expressed in United States Dollars, unless otherwise indicated)
(Unaudited)**

2. Significant Accounting Policies (Continued)

Changes in accounting policies (continued)

(i) IFRS 9, Financial Instruments (continued)

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's cash, cash equivalents and receivables are classified as financial assets and measured at amortized cost.

- Financial assets recorded at FVTOCI

Financial assets previously classified as available-for-sale satisfied the conditions for classification as financial assets at FVTOCI and the Company elected to irrevocably designate them at FVTOCI. This cost exemption is not available under IFRS 9. At the date of adoption, the Company held one equity investment at cost, which had a fair value of \$188,915 as at January 1, 2018.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified at FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified at amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

When an instrument at FVTOCI is sold, the accumulated gains or losses are reclassified from accumulated other comprehensive income (loss) directly to deficit.

COBALT 27 CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in United States Dollars, unless otherwise indicated)

(Unaudited)

2. Significant Accounting Policies (Continued)

Changes in accounting policies (continued)

(i) *IFRS 9, Financial Instruments (continued)*

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(ii) *Revenue from Contracts with Customers ("IFRS 15")*

Effective January 1, 2018, the Company has adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). This new standard was applied using a modified retrospective approach whereby the effects of the change in accounting policies for revenue as at January 1, 2018 are presented together as a single adjustment to the opening balance of deficit. As such, upon adoption, this requirement under IFRS 15 resulted in no impact to the consolidated financial statements as currently no sales have taken place and revenue has not been recognized to date.

The Company may generate revenue from contracts with customers under each of its royalty and stream interests. The Company has determined that each unit of a commodity that is delivered to a customer under a royalty or stream interest arrangement is a performance obligation for the delivery of a good that is separate from each other unit of the commodity to be delivered under the same arrangement.

- **Royalty and Streaming Arrangements**

The Company has several exploration stage royalty arrangements and development stage streaming arrangements.

Revenue will generally be recorded when the commodities received under such arrangements are sold and control over those commodities transfers to the ultimate customer. Control will generally transfer on the date the commodity under the agreement is credited to the customer account. Revenue from Royalty and Streaming arrangements will be measured at the transaction price agreed with the ultimate customer.

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Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in United States Dollars, unless otherwise indicated)

(Unaudited)

2. Significant Accounting Policies (Continued)

Adoption of accounting policies

(i) Streaming interests

The classification of streaming interests under IFRS is complex and subject to significant judgement due to the lack of specific guidance and the number of factors that must be considered. Streaming interests may be accounted for by the investor in a number of ways based on an analysis of all of the relevant facts and circumstances as well as the substance of the agreement. The Company generally classifies streaming interests as either: i) a financial asset where the Company has a right to enforce the receipt of cash; or ii) as a tangible asset when the agreement is settled by the receipt of the underlying commodity.

Tangible streaming interests are initially recorded at their cost based on consideration paid to acquire the asset. These tangible assets have finite lives and are amortized and depleted over their useful economic lives on a units of production basis. The amortization and depletion expense will be included in the consolidated statement of net and comprehensive income and loss. The Company does not have any streams classified as financial assets.

All tangible assets are reviewed for impairment indicators at each reporting period. If an impairment exists then the Company must determine its recoverable amount. The recoverable amount is the higher of fair value less cost of disposal and value in use, which is the present value of future cash flows expected to be derived from the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the amortization charge for the period.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future accounting periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following recent accounting pronouncement has not yet been adopted.

Leases ("IFRS 16")

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

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(Expressed in United States Dollars, unless otherwise indicated)
(Unaudited)

3. Restatement

Prior period comparable information is restated to reflect the change in presentation currency. The Company elected to apply the exchange rate at June 28, 2018 of 1.3133 to translate all prior period comparable information to reflect the change in presentation currency as at December 31, 2017 and for the periods ended October 31, 2017.

4. Investments

In September 2017, the Company purchased 200,000 common shares of Minerva Intelligence Inc. ("Minerva"), a privately-held company, for \$1.00 per common share for a total cost of \$200,000. The Company's investment in Minerva was initially recorded at cost, being the fair value at the time of acquisition, which was determined from a recently completed equity financing by Minerva. As at September 30, 2018, with the change in the functional currency, the Company's investment was valued at \$188,915 (December 31, 2017 - \$188,915).

In June 2018, the Company purchased 142,530,500 common shares of Highlands Pacific Limited for AUD\$0.105 per common share for a total cost of \$11,235,957 (AUD\$14,965,703). As at September 30, 2018, the Company's investment in Highlands Pacific Limited was valued at \$11,837,569 (AUD \$16,390,985) based on the applicable closing share price. During the three and nine months ended September 30, 2018, the Company recorded unrealized (loss) gain on equity investment in Highlands Pacific Limited of \$(1,894,416) and \$601,612, respectively which was recorded in accumulated other comprehensive income.

5. Investments in cobalt

As of September 30, 2018, details of cobalt holdings are as follows:

Category of cobalt	Quantity of cobalt metric tonne (mt)	Cost	Fair value ⁽¹⁾
Premium grade	2,193.1	\$ 152,404,154	\$ 164,627,350
Standard grade	712.6	43,723,739	53,219,119
	2,905.7	\$ 196,127,893	\$ 217,846,469

Location	Facility	Quantity of cobalt (mt)	Cost	Fair value ⁽¹⁾
Antwerp	Steinweg	142.0	8,574,719	10,604,677
Baltimore	Steinweg	180.0	\$ 13,827,305	\$ 13,511,993
Rotterdam	Steinweg	2,559.7	171,498,519	191,928,200
Rotterdam	Vollers	24.0	2,227,350	1,801,599
		2,905.7	\$ 196,127,893	\$ 217,846,469

⁽¹⁾ Based on the Metal Bulletin average high grade price of \$34.05 per pound and the Metal Bulletin average low grade price of \$33.88 per pound as of September 30, 2018.

During the three and nine months ended September 30, 2018, the Company recorded unrealized loss on investments in cobalt of \$(40,786,342) and \$(4,856,749), respectively. For the three month period, the loss was attributable to the decrease in the price of cobalt. For the nine month period, the loss was attributable to the decrease in the price of cobalt, but was also impacted by fluctuations in the value of the Canadian dollar relative to the United States dollar.

During the nine months ended September 30, 2018, 76 mt of cobalt valued at \$6,606,481 was stolen from the Vollers Rotterdam warehouse facility. All cobalt was fully insured for fair market value at the time of theft. As at September 30, 2018, the Company recorded a receivable of \$6,819,401 for net insurance proceeds resulting in a gain of \$212,920 recorded in the condensed interim consolidated statements of net and comprehensive income (loss). Subsequent to September 30, 2018, the Company received net insurance proceeds of \$6,819,401 for full and final settlement of its claim and moved its remaining inventory from Vollers to Steinweg, Rotterdam.

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Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017
(Expressed in United States Dollars, unless otherwise indicated)
(Unaudited)

6. Royalty Contracts

In June 2017, the Company entered into eight agreements to acquire royalties on exploration-stage mineral properties containing cobalt (the "Royalty Contracts") in consideration for a total of 127,778 common shares at a market price of \$6.85 valued at \$875,657. On July 4, 2017, the Company completed seven of the eight agreements. During the nine months ended September 30, 2018, the Company and the Vendor of one of the Royalty Contracts mutually agreed to terminate the Royalty Contract and the 33,333 shares (valued at \$228,432) were returned to treasury and cancelled. The royalties relate to cobalt as a by-product associated with polymetallic and base metals exploration properties.

On March 29, 2018, the Company completed the acquisition of a 1.75% Net Smelter Return ("NSR") royalty on all future production over all metals from the Dumont Nickel-Cobalt Project (the "Dumont Project"). The Company paid \$9,819,843 cash and issued 537,057 common shares (valued at \$5,418,415, using the market value of the shares on March 29, 2018, the closing date of the transaction) as consideration for the 1.75% NSR. The 1.75% NSR royalty contains a \$15 million buyback right to the Dumont joint venture to repurchase 0.375% of the 1.75% NSR ("Repurchase Option"), which if exercised would result in a 1.375% remaining NSR. The one-time Repurchase Option is only exercisable on the third, fourth or fifth anniversary of the original royalty agreement dated July 8, 2015.

On July 27, 2018, the Company completed the acquisition of a 2.0% NSR royalty over Giga Metals Corporation's Turnagain project for \$1 million in cash and 1,125,000 common shares (valued at \$6,241,392, using the market value of the shares on July 27, 2018, the closing date of the transaction). Under the terms of the royalty agreement, Giga Metals Corporation has a one-time repurchase option to repurchase 0.5% of the 2.0% royalty (resulting in a 1.5% remaining royalty) by paying the Company \$20 million in cash and by providing notice to the Company at least 30 days prior to the fifth (5th) anniversary.

As of September 30, 2018, the Company's Royalty Contracts consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Carrying value	
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	27,778 shares valued at	\$190,362
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	27,778 shares valued at	\$190,362
Professor & Waldman Properties ⁽¹⁾	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	27,777 shares valued at	\$190,357
North Canol Properties ⁽¹⁾	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR	5,556 shares valued at	\$38,072
Sunset Mineral Corp.	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR	5,556 shares valued at	\$38,072
						94,445 shares valued at	\$647,225
Dumont Project	8248567 Canada Limited	Québec	Development	Ni-Co	1.75% NSR		\$15,263,086
Turnagain Project	Giga Metals Corporation	British Columbia	Exploration	Ni-Co	2% NSR		\$7,241,392
Total Royalty Contracts							\$23,151,703

(1) Two separate mineral properties to which a Co NSR applies.

COBALT 27 CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017

(Expressed in United States Dollars, unless otherwise indicated)

(Unaudited)

7. Streaming Interests

Voisey's Bay Cobalt Stream

On June 28, 2018, the Company closed the acquisition from a subsidiary of Vale S.A. ("Vale") of a cobalt stream, being an amount of finished cobalt equal to 32.6% of the cobalt production from Vale's Voisey's Bay Mine, including from the proposed Voisey's Bay Mine Expansion (the "VBME", and collectively, "Voisey's Bay"), commencing January 1, 2021, (the "Cobalt Stream"). Once the Company has purchased 23.8 million pounds of cobalt from Voisey's Bay, the Cobalt Stream will be reduced to 16.3% of the cobalt production from Voisey's Bay. The Company paid to Vale total upfront cash consideration of \$300 million, which represents a prepayment of a portion of the purchase price for the sale of cobalt to Cobalt 27 (the "Advance Amount"). Cobalt 27 will also make ongoing payments (the "Ongoing Payments") equal to 18% of the Cobalt Reference Price for each pound of cobalt delivered under the Cobalt Stream, until Cobalt 27 has recovered the full value of the Advance Amount through Vale's deliveries of finished cobalt under the Cobalt Stream. After this time, the Ongoing Payments will increase to 22% of the Cobalt Reference Price.

Ramu Cobalt Nickel Stream

On May 22, 2018, the Company's wholly-owned subsidiary Electric Metals Streaming Corp. ("Electric Metals Streaming") entered into a Metal Purchase and Sale Agreement ("MPA") with Ramu Nickel Limited ("RNL"), a wholly owned subsidiary of Highlands Pacific Limited ("Highlands"), for a cobalt-nickel stream on its attributable interest in the producing Ramu mine, located in Papua New Guinea ("PNG") (the "Ramu Cobalt Nickel Stream") and operated by MCC Ramu NiCo Limited. As at September 30, 2018, the Ramu Cobalt Nickel Stream has not been completed as there were certain approvals outstanding on the agreement. The Company has not recorded any costs related to the Ramu Cobalt Nickel Stream in streaming interests on the condensed interim consolidated statements of financial position.

The Ramu Cobalt Nickel Stream is governed by the MPA, pursuant to which Cobalt 27 has agreed to acquire the right to purchase 55.0% of RNL's attributable share of the payable cobalt metal and 27.5% of RNL's attributable share of the payable nickel metal produced at Ramu, for the life of mine, in exchange for consideration including a \$113 million upfront cash deposit payable to Highlands. Cobalt 27 will also make ongoing payments equal to \$4.00 for each pound of cobalt delivered and \$1.00 for each pound of nickel delivered under the Ramu Cobalt Nickel Stream, each subject to inflation beginning July 1, 2023.

In connection with the Ramu Cobalt Nickel Stream, Cobalt 27 acquired a strategic equity investment in Highlands which resulted in Cobalt 27 owning an approximate 13.0% interest in Highlands (the "Equity Investment")(Note 4). Cobalt 27 has been provided with anti-dilution rights with respect to the Equity Investment. In connection with the Equity Investment, Cobalt 27 earned the right to appoint a member to Highlands' board of directors, and accordingly, concurrent with the close of the Equity Investment, Anthony Milewski, Chairman and CEO of Cobalt 27, was appointed to the board of directors of Highlands.

8. Share Capital

a) Authorized: Unlimited number of common shares without par value.

b) Common shares issued:

- (i) On March 21, 2017, the Company completed a private placement of 696,450 units at CAD\$0.9333 per unit for gross proceeds of \$494,952 (CAD\$650,020). Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase an additional common share at CAD\$1.20 until expiry March 21, 2022. In connection with the private placement, the Company issued 45,000 finder's units with a fair value of \$31,981. Each finder's unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional common share at CAD\$1.20 for a period of one year expiring March 21, 2018. In addition, the Company incurred share issue costs of \$22,731.

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(Expressed in United States Dollars, unless otherwise indicated)

(Unaudited)

8. Share Capital (Continued)

b) Common shares issued: (continued)

- (ii) On June 23, 2017, the Company closed an offering (the "Offering") for 22,222,225 common shares at a price (the "Offering Price") of CAD\$9.00 per share for a value of \$152,288,148 (CAD\$200,000,025). The Offering was completed as follows: (a) 10,924,420 common shares for aggregate gross cash proceeds of \$74,864,677 (the "Cash Offering") and (b) 11,297,805 common shares for cobalt contracts (the "Cobalt Contract Shares") for aggregate value of \$77,423,471 (the "Cobalt Shares Offering"). The cobalt contracts were subsequently converted to physical cobalt. The number of Cobalt Contract Shares issued was equal to the agreed fair market value for the cobalt purchased pursuant to the terms of the cobalt contracts divided by the Offering Price of the common shares. The Company granted the underwriters an option (the "Over-Allotment Option"), exercisable in whole or in part at any time until 30 days following the closing of the Offering, to purchase from the Company at the Offering Price up to an additional 15% of the number of common shares distributed under the Offering.

Pursuant to the terms and conditions of an underwriting agreement, the Company agreed to pay a fee to the underwriters in an amount calculated as 6.0% of the gross proceeds realized from the sale of common shares distributed under the Cash Offering and 6.0% of the value of the common shares distributed under the Cobalt Shares Offering, provided that the first \$53.3 million of Cobalt Contract Shares under the Offering and the sale of 2,270,000 Shares to Pala Investments was subject to a 1.0% fee (the "Commissions"). These Commissions totaled \$5,694,435. The Company reimbursed the Underwriters' legal fees and other expenses incurred with respect to the Offering which totalled \$266,504. In addition, the Company paid \$2,284,322 for financial advisory fees and \$401,452 in legal and professional fees.

- (iii) On June 29, 2017, a portion of the over-allotment option granted by the Company to the underwriters in connection with the Offering was exercised. A total of 700,000 common shares were issued at a price of CAD\$9.00 per share, for additional gross proceeds of \$4,797,076 (CAD\$6,300,000). The Company paid a 6% cash commission of \$287,825.
- (iv) The Company issued 127,778 common shares in consideration for Royalty Contracts (see Note 6). 33,333 shares were returned to treasury and cancelled.
- (v) During the nine months ended October 31, 2017, 786,674 warrants and 50,707 agent warrants were exercised to purchase an aggregate of 837,381 common shares for gross proceeds of \$1,180,318.
- (vi) During the nine months ended October 31, 2017, 5,117 stock options were exercised to purchase an aggregate of 5,117 common shares for gross proceeds of \$16,871. The grant date fair value of \$12,941 was transferred from reserves to share capital.
- (vii) On March 9, 2018, the Company closed a private placement for 17,556,828 common shares at a price of CAD\$11.40 per common share for aggregate gross proceeds of \$152,400,700 (CAD\$200,147,839). Pursuant to the terms and conditions of an agency agreement, the Company paid a commission to the agents in an amount equal to 5.0% of the gross proceeds, \$7,620,035. In addition, the Company paid \$1,522,881 for financial advisory fees and \$131,825 in legal and professional fees.
- (viii) On June 27, 2018, the Company closed a bought deal offering for 30,800,000 common shares at a price of CAD\$9.75 per common share for aggregate gross proceeds of \$224,829,818 (CAD\$300,300,000).

Pursuant to the terms and conditions of an underwriting agreement, the Company paid a commission to the underwriters in an amount equal to 4.0% of the gross proceeds, \$9,146,425. In addition, the Company paid \$3,000,000 for financial advisory fees and \$385,320 in legal and professional fees.

Cobalt 27 granted the underwriters an over-allotment option, exercisable in whole or in part at any time up to 30 days following June 27, 2018, to purchase up to an additional 4,620,000 Common Shares at the issue price. This over-allotment option expired unexercised.

COBALT 27 CAPITAL CORP.

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8. Share Capital (Continued)

b) Common shares issued: (continued)

- (ix) The Company issued 537,057 common shares in consideration for the Dumont Project royalty contract (see Note 6).
- (x) The Company issued 1,125,000 common shares as consideration for the Turnagain royalty contract (see Note 6).
- (xi) During the nine months ended September 30, 2018, 465,058 RSUs were converted into common shares. The grant date fair value of \$2,191,880 was transferred from reserves to share capital.

c) Warrants

The following table reflects the continuity of warrants for the nine month periods ended September 30, 2018 and October 31, 2017:

	Number of warrants	Weighted average exercise price (CAD\$)
Balance, January 31, 2017	94,950	6.67
Granted (Note 8(b)(i))	696,450	1.20
Exercised (Note 8(b)(v))	(786,674)	1.86
Expired	(976)	6.67
Balance, October 31, 2017	3,750	1.20
Balance, December 31, 2017 and September 30, 2018	3,750	1.20

The following table reflects the warrants issued and outstanding as of September 30, 2018:

Number of warrants outstanding	Exercise price (CAD\$)	Expiry date
3,750	1.20	March 21, 2022

d) Agent's Warrants

The following table reflects the continuity of agent's warrants for the nine month periods ended September 30, 2018 and October 31, 2017:

	Number of warrants	Weighted average exercise price (CAD\$)
Balance, January 31, 2017	5,707	6.67
Issued (Note 8(b)(i))	45,000	1.20
Exercised (Note 8(b)(v))	(50,707)	1.82
Balance, October 31, 2017	-	-

As at September 30, 2018 and December 31, 2017, there were no agent's warrants outstanding.

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017****(Expressed in United States Dollars, unless otherwise indicated)****(Unaudited)**

8. Share Capital (Continued)

e) Stock options

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, employees, directors, advisors and consultants. The exercise price is determined by the Board of Directors provided the minimum exercise price is set at the Company's closing share price on the day before the grant date. The options can be granted for a maximum term of ten years and vesting terms are determined by the Board of Directors at the date of grant.

The following table reflects the continuity of stock options for the nine month periods ended September 30, 2018 and October 31, 2017:

	Number of stock options	Weighted average exercise price (CAD\$)
Balance, January 31, 2017	16,500	10.00
Granted (i)(ii)	668,867	7.89
Exercised (Note 8(b)(vi))	(5,117)	4.33
Expired/Forfeited	(16,500)	(10.00)
Balance, October 31, 2017	663,750	7.92
Balance, December 31, 2017	663,750	7.92
Granted (iii)	485,000	11.80
Balance, September 30, 2018	1,148,750	9.56

(i) On March 31, 2017, the Company granted a total of 158,867 stock options to certain directors, officers and consultants of the Company pursuant to the Company's stock option plan. The stock options are exercisable at a price of CAD\$4.33 per share, expire on March 31, 2022 and vested immediately. The fair value of the stock options was estimated to be \$401,759 using the Black-Scholes option pricing model on the following assumptions: exercise price of CAD\$4.33, risk free interest rate of 0.87%, an expected life of 3 years inclusive of an assumed forfeiture rate and an expected volatility of 133%. During the three and nine months ended October 31, 2017, share based compensation of \$nil and \$401,759, respectively, was recorded in the condensed interim consolidated statements of net and comprehensive income (loss).

(ii) On August 7, 2017, the Company granted a total of 510,000 stock options to certain directors, officers, advisors and consultants of the Company pursuant to the Company's stock option plan. The stock options are exercisable at a price of CAD\$9.00 per share, expire on August 7, 2022 and vested immediately. The fair value of the stock options was estimated to be \$1,086,949 using the Black-Scholes option pricing model on the following assumptions: exercise price of \$9.00, risk free interest rate of 1.53%, an expected life of 2.5 years inclusive of an assumed forfeiture rate and an expected volatility of 50%. During the three and nine months ended October 31, 2017, share based compensation of \$1,086,949 was recorded in the condensed interim consolidated statements of comprehensive income (loss).

(iii) On January 10, 2018, the Company granted a total of 485,000 stock options to certain directors, officers, advisors and consultants of the Company pursuant to the Company's stock option plan. The stock options are exercisable at a price of CAD\$11.80 per share, expire on January 10, 2023 and vested immediately. The fair value of the stock options was estimated to be \$1,413,306 using the Black-Scholes option pricing model on the following assumptions: exercise price of CAD\$11.80, risk free interest rate of 1.95%, an expected life of 2.5 years inclusive of an assumed forfeiture rate and an expected volatility of 50%. During the three and nine months ended September 30, 2018, share based compensation of \$nil and \$1,413,306, respectively was recorded in the condensed interim consolidated statements of net and comprehensive income (loss).

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8. Share Capital (Continued)

e) Stock options (continued)

The following table reflects the Company's stock options outstanding and exercisable as at September 30, 2018:

Options outstanding and exercisable	Grant date fair value (\$)	Weighted average exercise price (CAD\$)	Weighted average remaining contractual life (years)	Expiry date
153,750	388,818	4.33	3.50	March 31, 2022
510,000	1,086,949	9.00	3.85	August 7, 2022
485,000	1,413,306	11.80	4.28	January 10, 2023
1,148,750	2,889,073	9.56	3.99	

(f) Restricted share units ("RSU")

On August 6, 2017, the Company adopted a Restricted Share Unit Plan (the "RSU Plan"), subject to TSX-V and disinterested shareholder approval. The maximum aggregate number of shares reserved for issuance under the RSU Plan, together with the Company's existing Stock Option Plan (as approved by its shareholders on May 18, 2017), shall not exceed a combined total of 10% of the Company's issued and outstanding shares. In addition, the RSU Plan sets out certain other restrictions in respect of grants to certain participants under the RSU Plan in accordance with the rules of the TSX-V. No Shares shall be issued until the Company has received TSX-V and disinterested shareholder approval of the RSU Plan. As a result, the Company revalues the RSUs at each period end reporting date using the market value of common shares. Once the date of grant under IFRS has been established, the Company will revise the earlier estimate so that the amounts recognized for services received in respect of the grant are based on the grant date fair value of the RSUs. On August 14, 2018, the RSU Plan received shareholders' and TSX-V approval.

The grant date fair value of the RSUs equals the fair market value of the corresponding shares at the grant date. The fair value of these equity-settled awards is recognized as compensation expense over the period that related services are rendered with a corresponding increase in equity. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied.

During the nine months ended September 30, 2018, the Company granted 175,000 RSUs to certain officers and a director, which vest immediately. On August 7, 2017, the Company granted 700,000 RSUs to certain officers which vest over three years on a monthly basis from the date of issuance. These RSUs were valued using the August 14, 2018 market value of common shares of CAD\$6.20. For the three and nine months ended September 30, 2018, the Company recorded compensation expense (recovery) of \$(1,032,092) and \$461,558, respectively (three and nine months ended October 31, 2017- \$1,585,070).

During the nine months ended September 30, 2018, 465,058 RSUs were converted into common shares. As at September 30, 2018, there were 409,942 RSUs outstanding. The weighted average fair value of RSU's granted during the nine months ended September 30, 2018 was CAD\$6.20 per share.

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017****(Expressed in United States Dollars, unless otherwise indicated)****(Unaudited)**

9. Net (Loss) Income per Common Share

Basic and diluted (loss) income per share is as follows for the periods presented:

	Three Months Ended September 30, 2018	Three Months Ended October 31, 2017 Restated (Note 3)	Nine Months Ended September 30, 2018	Nine Months Ended October 31, 2017 Restated (Note 3)
Numerator:				
Net (loss) income	\$ (29,757,143)	\$ 4,872,631	\$ (6,786,336)	\$ (1,270,221)
Denominator				
Weighted average number of common shares - basic	84,242,047	24,816,280	59,014,798	12,369,000
Effect of dilutive securities	-	86,818	-	-
Weighted average number of common shares - diluted	84,242,047	24,903,098	59,014,798	12,369,000
Net (loss) income per share - basic	\$ (0.35)	\$ 0.20	\$ (0.11)	\$ (0.10)
Net (loss) income per share - diluted	\$ (0.35)	\$ 0.20	\$ (0.11)	\$ (0.10)

The determination of the weighted average number of common shares outstanding for the calculation of diluted earnings per share for the three and nine months ended September 30, 2018 does not include the following effect of warrants, stock options and RSUs.

	Three Months Ended September 30, 2018	Three Months Ended October 31, 2017	Nine Months Ended September 30, 2018	Nine Months Ended October 31, 2017
Warrants	3,097	-	3,313	3,284
Stock options	57,129	-	153,547	119,789
RSUs	260,620	-	310,066	33,469
Anti-dilutive instruments	320,846	-	466,926	156,542

10. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

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Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017

(Expressed in United States Dollars, unless otherwise indicated)

(Unaudited)

10. Related Party Transactions (Continued)

Remuneration of key management personnel of the Company was as follows:

	Three Months Ended September 30, 2018	Three Months Ended October 31, 2017 Restated (Note 3)	Nine Months Ended September 30, 2018	Nine Months Ended October 31, 2017 Restated (Note 3)
Consulting fees and salaries ⁽¹⁾⁽²⁾	\$ 105,359	\$ 102,032	\$ 314,754	\$ 275,079
Directors fees ⁽²⁾	38,253	42,837	126,438	86,985
Share based compensation	(1,032,092)	2,341,671	1,496,040	2,538,589
	\$ (888,480)	\$ 2,486,540	\$ 1,937,232	\$ 2,900,653

(1) Consulting fees and salaries paid to the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for their services.

(2) Included in accounts payable and accrued liabilities are fees owing to officers and directors of \$3,343 as at September 30, 2018 (December 31, 2017 - \$1,220,570).

(3) Included in amounts receivable and other assets is an amount of \$246,000 owed by an officer as at September 30, 2018 (December 31, 2017 - \$nil).

11. Financial Instruments and Cobalt Investments

Fair value of financial instruments and cobalt investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date;

Level 2: Valuations based on directly or indirectly observable inputs for the asset or liability, other than quoted Level 1 prices, such as quoted interest rates or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not observable, such as discounted cash flow methodologies based on internal cash flow forecasts.

As of September 30, 2018, the Company's financial instruments consist of cash and cash equivalents, amounts receivable, investments and accounts payable and accrued liabilities. Cash and cash equivalents are stated at fair value and classified within Level 1. Investments are stated at fair value and classified within Level 1 to 3. The fair values of amounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short term nature of these instruments.

Investments in cobalt are categorized in Level 2. Investments in cobalt are measured at fair value at each reporting period based on the most recent month end spot prices for cobalt published by Metal Bulletin. The Company may also adjust the fair value of the investments in cobalt based on its assessment of the valuation impact of risks associated with the third party storage facilities at which the Company's cobalt is held.

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Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017
(Expressed in United States Dollars, unless otherwise indicated)

(Unaudited)

12. Financial Risks

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss due to a counter-party's inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Company. The Company's credit risk exposure includes the carrying amounts of cash, cash equivalents and investments in cobalt. To limit the credit risk exposure on its cash and cash equivalents, the Company holds all of its cash and cash equivalents in credit worthy financial institutions, while investments in cobalt are held with storage facilities owned by organizations that are credible and financially stable.

Liquidity risk

Financial liquidity represents the Company's ability to fund future operating activities. The Company may generate cash from the lending, relocation, or sale of cobalt, or the sale of additional equity securities, as well as through debt financing. The Company will fund its ongoing operations with its existing cash balance and has the ability to sell some of its inventory of cobalt to generate additional cash if required. Although the Company may enter into commitments to purchase additional cobalt or acquire cobalt streams, royalties, and direct interests in mineral properties containing cobalt, those commitments are normally funded by use of the Company's available cash or are contingent on its ability to raise funds through the sale of additional equity securities or debt financing.

Market risk

(i) 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. Interest rate risk is considered minimal.

(ii) Foreign currency risk

Foreign currency risk arises from transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's functional currency is United States dollars. The Company incurs expenses in Canadian dollars, Australian dollars and European Euro.

(iii) Price risk

The Company is exposed to price risk with respect to commodity prices. The value of the Company's physical holdings of cobalt may be adversely affected by a decline in the price of cobalt. The price of cobalt fluctuates widely and is affected by numerous factors beyond the Company's control, including but not limited to global and regional supply and demand, and the political and economic conditions of major cobalt producing countries throughout the world, including the Democratic Republic of the Congo ("DRC").

As at September 30, 2018, the Company has estimated that a 5% increase or decrease in the price of cobalt, all other variables remaining constant, would result in a corresponding decrease or increase in net income (loss) before taxes of \$10,892,324.

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017****(Expressed in United States Dollars, unless otherwise indicated)****(Unaudited)****13. Segmented Information**

The Company operates in three reportable operating segments, being the cobalt investments, streaming and royalty interests and corporate activities. Operating segment information is as follows:

Three Months Ended September 30, 2018	Cobalt Investments	Streaming and Royalties	Corporate	Total
Mark to market component of unrealized (loss) on investments in cobalt	\$ (40,786,342)	\$ -	\$ -	\$ (40,786,342)
Net gain on insurance proceeds	212,920	-	-	212,920
Operating expenses	(58,751)	-	(669,396)	(728,147)
Financing costs	-	-	(237,517)	(237,517)
Foreign exchange gain	-	-	129,004	129,004
Deferred tax recovery	-	-	12,010,242	12,010,242
Current tax expense	-	-	(357,303)	(357,303)
Net (loss) income	\$ (40,632,173)	\$ -	\$ 10,875,030	\$ (29,757,143)
Nine Months Ended September 30, 2018	Cobalt Investments	Streaming and Royalties	Corporate	Total
Mark to market component of unrealized (loss) on investments in cobalt	\$ (16,062,755)	\$ -	\$ -	\$ (16,062,755)
Foreign exchange component of unrealized gain on investments in cobalt	11,206,006	-	-	11,206,006
Net gain on Insurance proceeds	212,920	-	-	212,920
Operating expenses	(402,770)	-	(5,902,989)	(6,305,759)
Financing costs	-	-	(866,501)	(866,501)
Foreign exchange gain	-	-	2,984,919	2,984,919
Deferred tax recovery	-	-	2,402,137	2,402,137
Current tax expense	-	-	(357,303)	(357,303)
Net loss	\$ (5,046,599)	\$ -	\$ (1,739,737)	\$ (6,786,336)
Assets	\$ 217,846,469	\$ 327,044,341	\$ 63,235,444	\$ 608,126,254
Three Months Ended October 31, 2017	Cobalt Investments	Streaming and Royalties	Corporate	Total
Mark to market component of unrealized gain on investments in cobalt	\$ 4,893,145	\$ -	\$ -	\$ 4,893,145
Foreign exchange component of unrealized gain on investments in cobalt	4,182,775	-	-	4,182,775
Operating expenses	(82,168)	-	(3,059,723)	(3,141,891)
Foreign exchange gain	-	-	4,619	4,619
Deferred tax expense	-	-	(1,066,017)	(1,066,017)
Net income (loss)	\$ 8,993,752	\$ -	\$ (4,121,121)	\$ 4,872,631

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended September 30, 2018 and Three and Nine Months Ended October 31, 2017****(Expressed in United States Dollars, unless otherwise indicated)****(Unaudited)****13. Segmented Information (Continued)**

Nine Months Ended October 31, 2017	Cobalt Investments	Streaming and Royalties	Corporate	Total
Mark to market component of unrealized gain on investments in cobalt	\$ 8,228,673	\$ -	\$ -	\$ 8,228,673
Foreign exchange component of unrealized (loss) on investments in cobalt	(4,175,705)	-	-	(4,175,705)
Operating expenses	(115,091)	-	(4,055,041)	(4,170,132)
Foreign exchange loss	-	-	(87,040)	(87,040)
Deferred tax expense	-	-	(1,066,017)	(1,066,017)
Net income (loss)	\$ 3,937,877	\$ -	\$ (5,208,098)	\$ (1,270,221)
Assets	\$141,366,845	\$ -	\$ 11,801,733	\$153,168,578

The Company has an administrative office in Canada and stores its cobalt inventories in two geographical locations, the United States and Europe. Geographical information is as follows:

As at September 30, 2018	Canada	United States	Europe	Australia	Total
Current assets	\$ 44,389,559	\$ -	\$ 6,819,401	\$ -	\$ 51,208,960
Non-current assets	327,233,256	13,511,993	204,334,476	11,837,569	556,917,294
Total assets	\$371,622,815	\$ 13,511,993	\$211,153,877	\$ 11,837,569	\$608,126,254
As at December 31, 2017	Canada	United States	Europe	Australia	Total
Current assets	\$ 41,127,944	\$ -	\$ -	\$ -	\$ 41,127,944
Non-current assets	836,140	137,489,994	68,734,043	-	207,060,177
Total assets	\$ 41,964,084	\$137,489,994	\$ 68,734,043	\$ -	\$248,188,121

14. Subsequent Events

(i) On October 24, 2018, the Company entered into an amended and upsized revolving term credit facility (the "Amended Credit Facility"), whereby the Company will have access to a US\$200 million credit facility which replaces its undrawn US\$80 million credit facility announced on May 17, 2018. National Bank of Canada, Bank of Montreal and The Bank of Nova Scotia acted as Joint-Lead Arrangers with a syndicate of lenders that now includes The Toronto Dominion Bank, Société Générale S.A., and Royal Bank of Canada (collectively the "Lenders"). National Bank of Canada is acting as Sole Bookrunner and Administrative Agent.

The Amended Credit Facility is secured by the Company's physical cobalt inventory as well as the Company's streaming and royalty investments. It has an initial term of three years, which is extendable by mutual consent of the Lenders and Cobalt 27. The initial drawdown under the Amended Credit Facility is subject to the satisfaction or waiver of certain conditions precedent customary for a financing of this type.

(ii) On November 13, 2018, the Company received net insurance proceeds of \$6,819,401.



COBALT 27 CAPITAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

(EXPRESSED IN UNITED STATES DOLLARS)



Introduction

The following management's discussion & analysis ("MD&A") of the financial condition and results of the operations of Cobalt 27 Capital Corp. (the "Company" or "Cobalt 27") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2018. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2018, together with the notes thereto and the annual audited financial statements and annual MD&A. Results are reported in United States dollars ("USD"), unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements, and the financial information contained in this MD&A, unless otherwise indicated, are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Information contained herein is presented as of November 26, 2018, unless otherwise indicated.

Information about the Company and its operations can be obtained from the offices of the Company or on the System for Electronic Documents Analysis and Retrieval ("SEDAR") and is available for review under the Company's profile on the SEDAR website (www.sedar.com).

Functional and presentation currency

The Company's functional currency changed on June 28, 2018 from the Canadian dollar ("CAD") to the United States dollar. The change coincided with the June 28, 2018 acquisition of the Voisey's Bay Cobalt Stream described below. Considering the Company's acquisition of the Voisey's Bay Cobalt Stream which is transacted in USD and its significance to the Company's operations, management determined that the currency of the primary economic environment in which the Company operates changed to the USD. Concurrent with the change in functional currency, the Company also changed its presentation currency from CAD to USD.

The change in functional currency from CAD to USD is accounted for prospectively from June 28, 2018. The exchange rate used to translate the unaudited condensed interim consolidated financial statements to reflect the change in functional currency on adoption is USD \$1 equals CAD \$1.3133, the exchange rate as at June 28, 2018. The unaudited condensed interim consolidated financial statements and MD&A are presented in USD. Prior period comparable information is restated to reflect the change in presentation currency. The exchange rate used to translate all prior period comparable information to reflect the change in presentation currency as at December 31, 2017 and for the periods ended July 31, 2017 is 1.3133.

Description of Business

Cobalt 27 is a publicly listed company incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on May 9, 2006 and its shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "KBLT". For the period from incorporation in 2006 to February 2017, the Company was a mineral exploration company but in March 2017, the Company redirected its efforts to be an electric metals investment vehicle offering exposure to metals integral to key technologies of the electric vehicle and battery energy storage markets. The Company's focus is on the acquisition of cobalt by physical possession, entering into streaming contracts and cobalt-related net smelter return royalty agreements and/or participation in mines or early stage exploration and development of mineral properties containing cobalt.

The Company owns over 2,905 Mt of physical cobalt, and has acquired a cobalt stream on Vale's world-class Voisey's Bay Mine beginning in 2021 including the announced underground expansion and is in the process of acquiring the world's first producing cobalt nickel stream on the low-cost, long-life Ramu Nickel-Cobalt Mine. The Company also manages a portfolio of nine royalties and intends to continue to invest in a cobalt-focused portfolio of streams, royalties and direct interests in mineral properties containing cobalt, while potentially adding to its cobalt physical holdings when opportunities arise.

Company Highlights

Equity financings

On March 9, 2018, the Company completed a private placement for 17,556,828 common shares at a price of CAD\$11.40 per common share for gross proceeds of approximately \$152,400,700 (CAD\$200,147,839). The private placement was conducted by a syndicate of agents co-led by Credit Suisse Securities (USA) LLC and TD Securities Inc., and included Numis Securities Limited, Scotia Capital Inc., BMO Nesbitt Burns Inc., Haywood Securities Inc., Canaccord Genuity Corp., National Bank Financial Inc., Cormark Securities Inc., Desjardins Securities Inc. and Eight Capital (collectively, the "Agents"). The Company paid a cash commission equal to 5% of the gross proceeds to the Agents.

On June 27, 2018, the Company closed a bought deal offering for 30,800,000 common shares at a price of CAD\$9.75 per common share for aggregate gross proceeds of \$224,829,818 (CAD\$300,300,000). Pursuant to the terms and conditions of an underwriting agreement, the Company paid a commission to the underwriters in an amount equal to 4.0% of the gross proceeds.

Streaming transactions

On May 22, 2018, the Company's wholly-owned subsidiary, Electric Metals Streaming Corp. ("Electric Metals Streaming"), entered into a \$113 million Metal Purchase and Sale Agreement ("MPA") with Ramu Nickel Limited ("RNL"), a wholly owned subsidiary of Highlands Pacific Limited ("Highlands"), for a cobalt-nickel stream on its attributable interest in the producing Ramu mine, located in Papua New Guinea ("PNG") (the "Ramu Cobalt Nickel Stream") which is operated by MCC Ramu NiCo Limited ("MCC"). As at the date of this MD&A, the Ramu Cobalt Nickel Stream has not been completed as there are certain approvals outstanding on the agreement.

On June 28, 2018, the Company closed the acquisition from a subsidiary of Vale S.A. ("Vale"), of a cobalt stream, being an amount of finished cobalt equal to 32.6% of the cobalt production from Vale's Voisey's Bay Mine, including from the proposed Voisey's Bay Mine Expansion (the "VBME", and collectively, "Voisey's Bay"), commencing January 1, 2021, (the "Cobalt Stream"). Once the Company has purchased 23.8 million pounds of cobalt from Voisey's Bay, the Cobalt Stream will be reduced to 16.3% of the cobalt production from Voisey's Bay. The Company paid to Vale total upfront cash consideration of \$300 million, which represents a prepayment of a portion of the purchase price for the sale of cobalt to Cobalt 27 (the "Advance Amount"). Cobalt 27 will also make ongoing payments (the "Ongoing Payments") equal to 18% of the Cobalt Reference Price for each pound of cobalt delivered under the Cobalt Stream, until Cobalt 27 has recovered the full value of the Advance Amount through Vale's deliveries of finished cobalt under the Cobalt Stream. After this time, the Ongoing Payments will increase to 22% of the Cobalt Reference Price.

In October 2018, the Company received confirmation from Vale of the start of the Voisey's Bay transition to underground mining with the first blast at the Reid Brook portal rock face of the VBME located in Newfoundland & Labrador, Canada.

See "Plan of Operations" below for more details.

Physical cobalt

On July 7, 2018, 76 metric tonnes of the Company's premium grade cobalt valued at \$6.6 million was stolen from the Vollers Holland BV Rotterdam warehousing facility. All cobalt was fully insured for fair market value at the time of theft. On November 13, 2018, the Company received full settlement of its insurance claim. The total amount of the settlement received by the Company is more than US\$6.8 million based on the highest price of premium grade cobalt during the month of loss, which was US\$40.85 per pound, as quoted by Metal Bulletin on July 4, 2018. The Company has moved the remaining cobalt inventory from the Vollers Holland facility to the Steinweg Rotterdam facility.

Royalty contracts

On March 29, 2018, the Company acquired a 1.75% Net Smelter Return ("NSR") royalty on all future production over all metals from the Dumont Nickel-Cobalt Project (the "Dumont Project"). The Company paid \$9,819,843 and issued 537,057 common shares as consideration for the 1.75% NSR.

On May 7, 2018, the Company announced that it had agreed to acquire a 1.5% Gross Revenue Royalty ("GRR") on the Flemington Cobalt-Scandium-Nickel project ("Flemington Royalty") and a 1.7% GRR on the fully permitted and construction-ready Nyngan Scandium project ("Nyngan Royalty"). Cobalt 27 agreed to acquire the Flemington Royalty and Nyngan Royalty from Jervois Mining Limited ("Jervois") for total consideration of \$4.5 million, to be comprised of \$1.5 million in cash and \$3 million in common shares of the Company payable on completion of the acquisition. As at the date of this MD&A, the acquisition of the Flemington Royalty was not completed.

On July 27, 2018, the Company completed the acquisition of a 2.0% NSR royalty over Giga Metals Corporation's Turnagain project for \$1 million in cash and 1,125,000 common shares of Cobalt 27. Under the terms of the royalty agreement, Giga Metals Corporation has a one-time repurchase option to repurchase 0.5% of the 2.0% royalty (resulting in a 1.5% remaining royalty) by paying the Company \$20 million in cash and by providing notice to the Company at least 30 days prior to the fifth (5th) anniversary.

See "Plan of Operations" below for more details.

Credit facility

On October 24, 2018, the Company entered into an amended and upsized revolving term credit facility (the "Amended Credit Facility"), whereby the Company will have access to a US\$200 million credit facility which replaces its undrawn US\$80 million credit facility announced on May 17, 2018. National Bank of Canada, Bank of Montreal and The Bank of Nova Scotia acted as Joint-Lead Arrangers with a syndicate of lenders that now includes The Toronto Dominion Bank, Société Générale S.A., and Royal Bank of Canada (collectively the "Lenders"). National Bank of Canada is acting as Sole Bookrunner and Administrative Agent.

The Amended Credit Facility is secured by the Company's physical cobalt inventory as well as the Company's streaming and royalty investments. It has an initial term of three years, which is extendable by mutual consent of the Lenders and Cobalt 27. The initial drawdown under the Amended Credit Facility is subject to the satisfaction or waiver of certain conditions precedent customary for a financing of this type.

Other Company Highlights

Listing on the OTCQX Best Market

On October 10, 2018, the Company announced that its common shares are now trading on the OTCQX Best Market, a U.S. market operated by OTC Markets Group in New York, under the symbol CBLLF.

RSU plan and stock option grants

On January 10, 2018, the Company granted 485,000 incentive stock options and 175,000 RSUs to certain of its directors, officers, advisors and consultants. The incentive stock options and RSUs vested on the date of grant. The incentive stock options granted are exercisable at CAD\$11.80 for a period of 5 years expiring January 10, 2023.

On August 14, 2018, the RSU plan received shareholder and TSX-V approval and during the three months ended September 30, 2018, the Company issued 465,058 common shares to certain RSU holders.

Dividend policy

On May 22, 2018, the Company announced that its Board of Directors (the "Board") approved the adoption of a dividend policy that will provide for the payment of a quarterly cash flow-linked dividend to the Company's shareholders. Following completion of the Ramu Cobalt Nickel Stream, Cobalt 27 proposes to pay a dividend to shareholders that takes into account cash generation from streaming and royalty investments, profitability, statement of financial position strength, and capital investment opportunities. The Company anticipates paying a quarterly dividend equal to a meaningful portion of free cash flow from future streaming and royalty investments.

Normal course issuer bid

The Company announced Cobalt 27 has submitted a notice of intention to undertake a normal course issuer bid to the TSX-V in connection with the purchase by Cobalt 27 of up to 8,400,000 of its common shares, representing 9.9% of the 84,815,780 common shares comprising Cobalt 27's total issued and outstanding common shares as of November 5, 2018. All common shares purchased by Cobalt 27 will be purchased on the open market through the facilities of the TSX-V in accordance with the rules, regulations and policies of the TSX-V and will be cancelled.

The normal course issuer bid remains subject to the approval of the TSX-V and will begin on the date that is two trading days after the TSX-V's approval and will be open for a maximum period of 12 months.

Cobalt 27 intends to use the proceeds from the insurance settlement, as well as any excess liquidity, to repurchase its common shares pursuant to a normal course issuer bid as, in the opinion of management and the board of directors, its common shares have recently traded in a price range that represents a substantial discount to the Company's net asset value and does not reflect the underlying value of the Company.

Appointments and departures

On July 12, 2018, the Company announced the appointment of Martin Vydra as Head of Strategy, as well as the appointment of Conor Kearns as Vice President of Finance, responsible for corporate reporting, administrative and compliance requirements of the Company.

On August 14, 2018, at the Company's annual general meeting, the shareholders of the Company approved the Company's Long-term Incentive Plan and elected Mr. Philip Williams to the Board.

On October 9, 2018, the Company announced the retirement of John Kanellitsas from the Board of Directors. Mr. Kanellitsas has agreed to continue his contributions to Cobalt 27 in the capacity of a member of the Company's Advisory Board.

Cobalt Industry Overview

The Company believes the narrative of the electric vehicle is akin to that of the mobile phone. Once inefficient, impractical and priced beyond the reach of the average consumer, management believes the electric vehicle is on the cusp of reaching the next wave of adoption. Improving energy density of batteries together with declining battery costs and a growing desire to pursue environmentally-friendly technologies and the development of fully-autonomous vehicles has led to an inflection point where the electric vehicle is now entering the mainstream at a more economically attractive price point. The Company believes now could be the beginning of a paradigm shift in automobile transportation. A shift that the Company believes will be fueled in part by a relatively unknown metal in increasingly scarce supply - cobalt.

Plan of Operations

The Company is applying a disciplined investing and operating approach to execute its business plan through two strategies: acquiring cobalt-related streams and royalties; and growing the value of its physical cobalt holdings. The Company intends to further fund working capital through its cash flows from streams and royalties and, if needed, commercially prudent financing arrangements.

Physical Cobalt

The initial strategy of Cobalt 27 was to invest in physical holdings of cobalt. This strategy was intended to provide investors with an ability to effectively invest in cobalt in a manner that does not directly include risks associated with investments in companies that explore for, mine and process cobalt. The Company's primary objective relating to its physical cobalt holdings is to achieve appreciation in the value of its holdings. While it is not the current intention of the Company to do so in the short term, opportunities may arise in the future which may be advantageous to acquire additional physical cobalt or dispose of some of its current physical cobalt holdings. The proceeds from any sale, in the absence of some other proper business purpose, would be used to further the Company's business, most likely to acquire additional streams, royalties or other interests in cobalt.

The Company held 2,193.1 metric tonnes of premium-grade cobalt and 712.6 metric tonnes of standard-grade cobalt at a fair value of \$217,846,469 (based on cobalt prices on Metal Bulletin) as at September 30, 2018. All of the physical cobalt is held in four LME bonded warehouses in the U.S. and Europe.

Cobalt Royalty and Streaming

The Company has now built up a material portfolio of streams and royalties and is actively pursuing further streaming and royalty acquisitions, and discussions with additional potential streaming counterparties are ongoing. Streaming opportunities will continue to be the Company's primary focus that could potentially provide the Company with material near-term cash flow, exposure to long life and low-cost operating mines and direct leverage to the cobalt price and exploration and production upside. The Company believes its current portfolio of a stream and nine royalties provide shareholders with long-term optionality on the price of cobalt. Our current stream agreement on the Voisey's Bay Mine, is described

below as well as the producing Ramu Nickel-Cobalt Mine in Papua New Guinea which the Company is in the process of acquiring. For the Company's stream and nine royalties, there is no guarantee that (i) the applicable mineral properties will ever be placed into production, or (ii) that material quantities of cobalt or nickel will be contained in product extracted from the property.

Voisey's Bay Cobalt Stream

On June 28, 2018, the Company closed the acquisition from a subsidiary of Vale S.A. ("Vale"), a cobalt stream, being an amount of finished cobalt equal to 32.6% of the cobalt production from Vale's Voisey's Bay Mine, including from the proposed Voisey's Bay Mine Expansion (the "VBME", and collectively, "Voisey's Bay"), commencing January 1, 2021, (the "Cobalt Stream"). The Company paid to Vale total upfront cash consideration of \$300 million, which represents a prepayment of a portion of the purchase price for the sale of cobalt to Cobalt 27 (the "Advance Amount"). Cobalt 27 will also make ongoing payments (the "Ongoing Payments") equal to 18% of the Cobalt Reference Price for each pound of cobalt delivered under the Cobalt Stream, until Cobalt 27 has recovered the full value of the Advance Amount through Vale's deliveries of finished cobalt under the Cobalt Stream. After this time, the Ongoing Payments will increase to 22% of the Cobalt Reference Price.

Vale recently confirmed its plans to proceed with the construction of the VBME, with its first full year of production scheduled for 2021. Total estimated capital expenditures to complete construction and commissioning of the VBME are estimated by Vale to be approximately US\$1.7 billion and will extend the life of mine to 2034. Once an aggregate of approximately 10.8kt (23.8mmlb) of cobalt has been delivered to Cobalt 27, which would occur once Voisey's Bay cobalt production after January 1, 2021 reaches approximately 33.1kt (73.0mmlb), the proportion of cobalt production delivered to Cobalt 27 will reduce to 16.3%. Under the terms of the Cobalt Stream, Vale has agreed that if mill throughput does not reach 85% of targeted levels by December 31, 2025, some or all of the Advance Amount may be refunded to Cobalt 27 and/or the applicable cobalt stream percentages may be increased.

Voisey's Bay is located on the north coast of Labrador, Canada and began production in 2005 and was purchased by Vale in 2006. The integrated open-pit mine and 8,100 tonnes per day milling operations, produces a copper concentrate and nickel-cobalt-copper concentrate from ore mined from the Ovoid deposit with the nickel-cobalt-copper concentrate being shipped for processing at Vale's Long Harbour hydrometallurgical refinery in Newfoundland which produces nickel rounds, copper cathode and cobalt rounds. The Long Harbour refinery began operations in 2014, and has a nameplate capacity of 50,000 metric tons of nickel per year. The VBME will focus on the Reid Brook and Eastern Deeps deposits. Once in operation, underground mining is scheduled to extend Voisey's Bay life of mine to at least 2034, based on total estimated underground reserves of 23.6 million tonnes, with a nickel grade of 2.17% and cobalt grade of 0.14%. The life of the mine may extend beyond the current scheduled reserve base as exploration drilling has shown mineralization continues below the current resource boundaries.

Ramu Cobalt Nickel Stream

On May 22, 2018, Electric Metals Streaming entered into a Metal Purchase and Sale Agreement ("MPA") with Ramu Nickel Limited ("RNL"), a wholly owned subsidiary of Highlands Pacific Limited ("Highlands"), for a cobalt-nickel stream on its attributable interest in the producing Ramu mine, located in Papua New Guinea, and operated by MCC (the "Ramu Cobalt Nickel Stream").

Key terms of the transaction are as follows:

- Electric Metals Streaming agreed to acquire the right to purchase 55.0% of RNL's attributable share of the payable cobalt metal and 27.5% of RNL's attributable share of the payable nickel

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metal produced at Ramu, for the life of mine, in exchange for a \$113 million upfront cash deposit payable to Highlands. Highlands, which owns 100% of RNL, currently holds an effective 8.56% ownership interest in Ramu. However, Highlands will use proceeds from the transaction to increase its effective ownership interest in Ramu to 11.3% through the repayment of its share of outstanding Ramu construction and development loans. For clarity, the Ramu Cobalt Nickel Stream will be over RNL's pro forma 11.3% ownership interest in Ramu.

- In addition, Electric Metals Streaming will make ongoing payments of \$4.00 per pound of payable cobalt and \$1.00 per pound of payable nickel, each subject to annual inflation adjustments beginning on June 30, 2023.
- Electric Metals Streaming's Ramu Cobalt Nickel Stream will be secured by a first-priority ranking pledge over Highlands' shares in RNL and a guarantee by Highlands.
- In connection with the Ramu Cobalt Nickel Stream, Cobalt 27 completed a strategic equity investment in the common shares of Highlands, which will result in the Company owning an approximate 13.0% pro forma interest in Highlands (the "Equity Investment"). Cobalt 27 has anti-dilution rights with respect to the Equity Investment. In connection with the Equity Investment, Cobalt 27 appointed Anthony Milewski, Chairman and CEO of Cobalt 27, to Highlands' board of directors.
- Electric Metals Streaming and Highlands have agreed that the proceeds from the \$113 million stream are to be used by Highlands to fund repayment of Highlands' attributable Ramu construction and development loans. Highlands currently owns an 8.56% interest in Ramu which, through the repayment of its outstanding attributable balance of the Ramu loans, will immediately increase to 11.3%.
- In addition to the MPA, Electric Metals Streaming has entered into advanced discussions with two local stakeholders in PNG ("MRDC") who own an equity interest in Ramu to negotiate for a \$87 million upfront cash deposit on the same terms as the MPA with a proportionate metal stream based on their attributable aggregate interest in Ramu. MRDC currently holds a collective 6.44% interest in Ramu, which would increase to 8.7% through the repayment of their proportionate share of outstanding Ramu construction and development loans.
- Highlands has retained the right to purchase an interest in the Ramu Cobalt Nickel Stream from Electric Metals Streaming of up to \$15 million for a period of 90 days following closing on the same terms as the Transaction. In the event that MRDC enters into a streaming agreement with Electric Metals Streaming, Highlands will have the right to purchase an additional interest in the Ramu Cobalt Nickel Stream from Electric Metals Streaming of up to \$10 million on the same terms.
- Highlands is the ideal project partner for Cobalt 27 due to its deep experience in the region having successfully operated in PNG for over 20 years.
- In order to further strengthen the partnership between Cobalt 27 and Highlands, Mr. Craig Lennon, CEO of Highlands Pacific, has agreed to join Cobalt 27's Advisory Board. Mr. Lennon has been with Highlands for 17 years and is an expert in the region.

As at September 30, 2018, the Company completed the acquisition of 142,530,500 common shares of Highlands, representing an approximate 13% interest in Highlands.

As at the date of this MD&A, the Ramu Cobalt Nickel Stream has not been completed as there are certain approvals outstanding on the agreement.

Current Royalties

Subsequent to the closing of the Company's initial public offering, the Company entered into eight agreements to acquire royalties on exploration-stage mineral properties containing cobalt in consideration for a total of 127,778 common shares then valued at \$875,657. On July 4, 2017, the Company completed the acquisition of seven of the eight royalties. On March 1, 2018, 33,333 of the above issued common shares (valued at \$228,432) were cancelled due to the termination of one of such proposed royalty agreements.

On March 29, 2018, the Company completed the acquisition of a 1.75% NSR royalty on all future production over all metals from the Dumont Project, which contains undeveloped, permitted, and construction-ready reserves of nickel and cobalt, located in the Abitibi region of the Canadian province of Québec. The Dumont NSR royalty was the Company's first investment held by its wholly-owned subsidiary, Electric Metals Streaming. The Company paid \$9,819,843 and issued 537,057 common shares (valued at \$5,418,415) as consideration for the 1.75% NSR. The 1.75% NSR royalty contains a \$15 million buyback right to the Dumont joint venture to repurchase 0.375% of the 1.75% NSR ("Repurchase Option"), which if exercised would result in a 1.375% remaining NSR. The one-time Repurchase Option is only exercisable on the third, fourth or fifth anniversary of the original royalty agreement dated July 8, 2015.

On July 27, 2018, the Company completed the acquisition of a 2.0% NSR royalty over Giga Metals Corporation's Turnagain project for \$1 million in cash and 1,125,000 common shares (valued at \$6,241,392, using the market value of the shares on July 27, 2018, the closing date of the transaction).

As at the date of this MD&A, the Company's royalties consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Stream ROFR
Dumont Nickel Project	RNC Minerals	Quebec	Development	Ni-Co	1.75% NSR	No
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Professor & Waldman Properties ⁽¹⁾	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
North Canol Properties ⁽¹⁾	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR	Yes
Sunset Mineral Property	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR	Yes
Turnagain Project	Giga Metals Corporation	British Columbia	Exploration	Ni-Co	2.0% NSR	Yes

⁽¹⁾ Two separate mineral properties to which a Co NSR applies.

Flemington & Nyngan Royalties

On May 7, 2018, the Company announced it had agreed to acquire the 1.5% GRR Flemington Royalty on the Flemington Cobalt-Scandium-Nickel project, located 370 kilometres west of Sydney, in New South Wales, Australia held under option by Australian Mines Ltd. and the 1.7% GRR Nyngan Royalty on the fully permitted and construction-ready Nyngan Scandium project. The Nyngan project is owned by Scandium International Mining Corp. and is located 500km NW of Sydney, 25km west of the town of Nyngan. Outside existing by-product production in Russia and China, the Nyngan project is the most advanced scandium development opportunity globally, with initial off-take contracts in place.

Cobalt 27 agreed to acquire the Flemington Royalty and Nyngan Royalty from Jervois for total consideration of \$4.5 million, to be comprised of \$1.5 million in cash and \$3 million in common shares of the Company payable on completion of the acquisition, with such shares to be subject to a four month hold period from the date of issuance in accordance with applicable Canadian securities laws. Completion of the acquisition of the Flemington Royalty and Nyngan Royalty are subject to certain conditions of closing, including approval of the TSX-V.

Off-Balance Sheet Arrangements

As at the date of this MD&A, the Company did not have any off-balance sheet arrangements.

Selected Quarterly Information

A summary of selected information for each of the eight most recent quarters prepared in accordance with IFRS is as follows:

Three Months Ended	Net Revenues (\$)	Income or (Loss)		
		Total (\$)	Per Share - Basic ⁽⁸⁾ (\$)	Per Share - Diluted ⁽⁸⁾ (\$)
2018-September 30	-	(29,757,143) ⁽¹⁾	(0.35)	(0.35)
2018-June 30	-	(9,119,063) ⁽²⁾	(0.17)	(0.17)
2018-March 31	-	32,089,870 ⁽³⁾	0.83	0.82
2017-December 31 ⁽⁷⁾	-	13,860,394 ⁽⁴⁾	0.52	0.52
2017-October 31	-	4,872,631 ⁽⁵⁾	0.20	0.20
2017-July 31	-	(5,460,677) ⁽⁶⁾	(0.49)	(0.49)
2017-April 30	-	(682,174)	(0.88)	(0.88)
2017-January 31	-	(14,176)	(0.05)	(0.05)

(1) Net loss of \$29,757,143 consisted primarily of unrealized loss on investments in cobalt of \$40,786,342, financing costs of \$237,517, professional fees of \$563,578, marketing and promotion of \$335,992 and other operational expenditures offset by share based compensation recovery of \$1,032,092, deferred tax recovery of \$12,010,242 and net gain on insurance proceeds of \$212,920.

(2) Net loss of \$9,119,063 consisted primarily of unrealized loss on investments in cobalt of \$15,440,392, financing costs of \$628,984, professional fees of \$536,571, project evaluation costs of \$601,799 and other operational expenditures offset by share based compensation

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recovery of \$1,449,784, deferred tax recovery of \$4,195,374 and foreign exchange gain of \$3,021,541.

- (3) Net income of \$32,08,870 consisted primarily of unrealized gain on investments in cobalt of \$51,369,985 offset by share based compensation of \$4,356,740, deferred income tax of \$13,803,479, professional fees of \$233,784, foreign exchange loss of \$165,626, transport and storage expense of \$245,988 and other operational expenditures.
- (4) Net income of \$13,860,394 consisted primarily of unrealized gain on investments in cobalt of \$24,805,158 offset by share based compensation of \$1,295,671, deferred income tax of \$6,632,515, consulting fees and salaries of \$1,292,952, foreign exchange loss of \$1,022,002, transport and storage expense of \$229,561 and other operational expenditures.
- (5) Net income of \$4,872,631 consisted primarily of unrealized gain on investments in cobalt of \$9,075,920 offset by share based compensation of \$2,672,019, deferred income tax of \$1,066,017, consulting fees and salaries of \$113,964, marketing and promotion expense of \$86,585 and other operational expenditures.
- (6) Net loss of \$5,460,677 consisted primarily of unrealized loss on investments in cobalt of \$5,022,952, consulting fees and salaries of \$103,419, marketing and promotion expense of \$96,567, foreign exchange loss of \$91,658 and other operational expenditures.
- (7) Represents the two months ended December 31, 2017
- (8) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

Results of Operations

In the prior year, the Company changed its focus from being a business of exploring and developing mineral deposits to directing its efforts on becoming a company focused on the acquisition of cobalt by physical possession, entering into streaming contracts and royalty agreements and/or participation in mines or early stage exploration and development of mineral properties containing cobalt. The Company currently has no sales or revenue.

Three months ended September 30, 2018 compared to the three months ended October 31, 2017

The Company realized a net loss of \$29,757,143 during the three months ended September 30, 2018 as compared to a net income of \$4,872,631 for the three months ended October 31, 2017. The increase in net loss of \$34,629,774 resulted from the following significant variances:

- During the three months ended September 30, 2018, the Company recognized an unrealized loss on investments in cobalt of \$40,786,342 compared to an unrealized gain of \$9,075,920 in the comparable period. The loss in the current period is mainly attributable to the decrease in the price of cobalt over the current three month period from \$40.35 per metric tonne on June 30, 2018 to \$34.05 per metric tonne on September 30, 2018 for high grade cobalt.
- During the three months ended September 30, 2018, the Company recorded share based compensation recovery of \$1,032,092 compared to an expense of \$2,672,019 in the comparative period. Prior to August 14, 2018 (date of grant based on shareholder and TSX-V approval), the value of RSUs was adjusted at each reporting period end. Share based compensation recovery for the current period resulted from the valuation of the RSUs using the August 14, 2018 share price of \$6.20 compared to a share price of \$8.83 on June 30, 2018.

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- During the three months ended September 30, 2018, the Company recorded deferred tax recovery of \$12,010,242 compared to \$1,066,017 deferred tax expense for the three months ended October 31, 2017. The deferred taxes are mainly attributable to the temporary tax differences in relation to cobalt investments.
- During the three months ended September 30, 2018, project evaluation costs totaled \$199,645 compared to \$nil for the three months ended October 31, 2017. These project evaluation costs relate to the investigation of prospective transactions.
- During the three months ended September 30, 2018, financing costs totaled \$237,517 compared to \$nil for the three months ended October 31, 2017. These financing costs relate to standby fees for the Company's credit facility.
- During the three months ended September 30, 2018, professional fees totaled \$563,578 compared to \$84,741 for the three months ended October 31, 2017 due to the Company's need for professional services to support execution of its business strategy.
- During the three months ended September 30, 2018, the Company recorded a net gain on insurance proceeds of \$212,920 from the theft of 76 metric tonnes of the Company's premium grade cobalt stolen from the Vollers Holland BV Rotterdam warehousing facility. All cobalt was fully insured for fair market value at the time of theft. The Company recorded net insurance proceeds based on the highest price of premium grade cobalt during the month of loss, which was US\$40.85 per pound, as quoted by Metal Bulletin on July 4, 2018.

Nine months ended September 30, 2018 compared to the nine months ended October 31, 2017

The Company realized a net loss of \$6,786,336 during the nine months ended September 30, 2018 as compared to a net loss of \$1,270,221 for the nine months ended October 31, 2017. The increase in net loss of \$5,516,115 resulted from the following significant variances:

- During the nine months ended September 30, 2018, the Company recognized an unrealized loss on investments in cobalt of \$4,856,749 compared to an unrealized gain of \$4,052,968 in the comparable period. The loss in the current period is mainly attributable to the decrease in the price of cobalt over the current nine month period from \$36.70 per metric tonne on December 31, 2017 to \$34.05 per metric tonne on September 30, 2018 for high grade cobalt.
- During the nine months ended September 30, 2018, the Company recorded share based compensation of \$1,874,864 compared to \$3,073,778 in the comparative period. During the current period, the Company issued 485,000 stock options and 175,000 RSUs compared to 510,000 stock options and 700,000 RSUs granted during the nine months ended October 31, 2017. Share based compensation for the current period is impacted by the valuation of the RSUs using the August 14, 2018 (date of grant based on shareholder and TSX-V approval) share price of \$6.20 as well as the vesting of previously issued stock options and RSUs.
- During the nine months ended September 30, 2018, the Company recorded deferred tax recovery of \$2,402,137 compared to \$1,066,017 deferred tax expense for the nine months ended October 31, 2017. The deferred taxes are mainly attributable to the temporary tax differences in relation to cobalt investments.
- During the nine months ended September 30, 2018, project evaluation costs totaled \$801,444 compared to \$nil for the nine months ended October 31, 2017. These project evaluation costs relate to the investigation of prospective transactions.

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- During the nine months ended September 30, 2018, financing costs totaled \$866,501 compared to \$nil for the nine months ended October 31, 2017. These financing costs relate to upfront costs and standby fees for the Company's credit facility.
- During the nine months ended September 30, 2018, professional fees totaled \$1,385,021 compared to \$113,975 for the nine months ended October 31, 2017 due to the Company's need for professional services to support execution of its business strategy.
- During the nine months ended September 30, 2018, the Company recorded a foreign exchange gain of \$2,984,919 compared to a loss of \$87,040 for the nine months ended October 31, 2017 due to fluctuations in the exchange rates of the US dollar, Australian dollars and European Euro. The Company pays for physical cobalt in US dollars and makes certain payments in US dollar, Australian dollars and European Euro.
- During the nine months ended September 30, 2018, the Company recorded a net gain on insurance proceeds of \$212,920 from the theft of 76 metric tonnes of the Company's premium grade cobalt stolen from the Vollers Holland BV Rotterdam warehousing facility. All cobalt was fully insured for fair market value at the time of theft. The Company recorded net insurance proceeds based on the highest price of premium grade cobalt during the month of loss, which was US\$40.85 per pound, as quoted by Metal Bulletin on July 4, 2018.

Liquidity and Financial Position

As of September 30, 2018, the Company had working capital of \$49,924,135 which management believes is adequate to fund its business strategy. However, the Company currently has no assets that generate cash flow. The Company's ability to meet its obligations and execute its business strategy depends on its ability to generate cash flow through the sale of a portion of its physical cobalt holdings, the issuance of common shares pursuant to private placements, public offerings of its shares, the exercise of stock options and warrants and short term or long term loans.

There is no assurance that the Company will be able to access equity funding at the times and in the amounts required to meet the Company's obligations and fund activities. The outlook for the world economy remains uncertain and vulnerable to various shocks that could adversely affect the Company's ability to raise additional funding going forward.

Cash flows

Operating Activities

Cash used in operating activities was \$7,500,776 for the nine months ended September 30, 2018 and resulted from an increase in operating expenses due to the new business model, a decrease in accounts payable and an increase in amounts receivable and other assets.

Investing Activities

During the nine months ended September 30, 2018, the Company used cash to purchase \$23,085,663 of investments in cobalt, \$11,235,957 to purchase investments, \$10,844,671 relating to the purchase of the Dumont royalty contract and Turnagain royalty and \$303,892,638 for the purchase of the Voisey's Bay streaming contract.

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Financing Activities

Cash provided by financing activities was \$355,424,032 for the nine months ended September 30, 2018. Financing activities consisted of proceeds of \$377,230,518 from the private placement and bought deal financing offset by \$21,806,486 of share issuance costs.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board.

Remuneration of key management personnel of the Company was as follows:

	Three Months Ended September 30, 2018 (\$)	Three Months Ended October 31, 2017 (\$)	Nine Months Ended September 30, 2018 (\$)	Nine Months Ended October 31, 2017 (\$)
Consulting fees and salaries ⁽¹⁾⁽²⁾	105,359	102,032	314,754	275,079
Directors fees ⁽²⁾	38,253	42,837	126,438	86,985
Share based compensation	(1,032,092)	2,341,671	1,496,040	2,538,589
Total	(888,480)	2,486,540	1,937,232	2,900,653

⁽¹⁾ Consulting fees and salaries paid to the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for their services.

⁽²⁾ Included in accounts payable and accrued liabilities are fees owing to officers and directors of \$3,343 as at September 30, 2018 (December 31, 2017 - \$1,220,570).

⁽³⁾ Included in amounts receivable and other assets is an amount of \$246,000 owed by an officer as at September 30, 2018 (December 31, 2017 - \$nil).

Share Capital

As of the date of this MD&A, the Corporation had 84,825,971 common shares outstanding.

As of the date of this MD&A, the following stock options were outstanding:

Expiry date	Number of stock options	Exercise price (CAD\$)
March 31, 2022	153,750	\$4.33
August 7, 2022	510,000	\$9.00
January 10, 2023	485,000	\$11.80
	1,148,750	

As of the date of this MD&A, the following warrants were outstanding:

Expiry date	Number of warrants	Exercise price (CAD\$)
March 21, 2022	3,750	\$1.20

As of the date of this MD&A, there were 381,931 RSUs outstanding.

Financial Instruments and Cobalt Investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date;

Level 2: Valuations based on directly or indirectly observable inputs for the asset or liability, other than quoted Level 1 prices such as quoted interest rates or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not observable, such as discounted cash flow methodologies based on internal cash flow forecasts.

As of September 30, 2018, the Company's financial instruments consist of cash and cash equivalents, amounts receivable, investments and accounts payable and accrued liabilities. Cash and cash equivalents are stated at fair value and classified within Level 1. Investments are stated at fair value and classified within Level 1 to 3. The fair values of amounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short term nature of these instruments.

Investments in cobalt are categorized in Level 2. Investments in cobalt are measured at fair value at each reporting period based on the most recent month end spot prices for cobalt published by Metal Bulletin. The Company may also adjust the fair value of the investments in cobalt based on its assessment of the valuation impact of risks associated with the third party storage facilities at which the Company's cobalt is held.

Financial risks

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss due to a counter-party's inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Company. The Company's credit risk exposure includes the carrying amounts of cash, cash equivalents and investments in cobalt. To limit the credit risk exposure on its cash and cash equivalents, the Company holds all of its cash and cash equivalents in credit worthy financial institutions, while investments in cobalt are held with storage facilities owned by organizations that are credible and financially stable.

Liquidity risk

Financial liquidity represents the Company's ability to fund future operating activities. The Company may generate cash from the lending, relocation, or sale of cobalt, or the sale of additional equity securities, as well as through debt financing. The Company will fund its ongoing operations with its existing cash balance and has the ability to sell some of its inventory of cobalt to generate additional cash if required. Although the Company may enter into commitments to purchase additional cobalt or acquire cobalt streams, royalties, and direct interests in mineral properties containing cobalt, those commitments are normally funded by use of the Company's available cash or are contingent on its ability to raise funds through the sale of additional equity securities or debt financing.

Market risk

(a) 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. Interest rate risk is considered minimal.

(b) Foreign currency risk

Foreign currency risk arises from transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's functional currency is United States dollars. The Company incurs expenses in Canadian dollars, Australian dollars and European Euro.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The value of the Company's physical holdings of cobalt may be adversely affected by a decline in the price of cobalt. The price of cobalt fluctuates widely and is affected by numerous factors beyond the Company's control, including but not limited to global and regional supply and demand, and the political and economic conditions of major cobalt producing countries throughout the world, including the Democratic Republic of the Congo ("DRC").

As at September 30, 2018, the Company has estimated that a 5% increase or decrease in the price of cobalt, all other variables remaining constant, would result in a corresponding decrease or increase in net income (loss) before taxes of \$10,892,324.

Changes in Accounting Policies

(i) IFRS 9, Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact on the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Amounts receivable	Loans and receivables (amortized cost)	Amortized cost
Investments	Available-for-sale	FVTOCI
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's cash, cash equivalents and receivables are classified as financial assets and measured at amortized cost.

- Financial assets recorded at FVTOCI

Financial assets previously classified as available-for-sale satisfied the conditions for classification as financial assets at FVTOCI and the Company elected to irrevocably designate them at FVTOCI. This cost exemption is not available under IFRS 9. At the date of adoption, the Company held one equity investment at cost, which had a fair value of \$188,915 as at January 1, 2018.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified at FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified at amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

When an instrument at FVTOCI is sold, the accumulated gains or losses are reclassified from accumulated other comprehensive income (loss) directly to deficit.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

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The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(ii) Revenue from Contracts with Customers ("IFRS 15")

Effective January 1, 2018, the Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). This new standard was applied using a modified retrospective approach whereby the effects of the change in accounting policies for revenue as at January 1, 2018 are presented together as a single adjustment to the opening balance of deficit. As such, upon adoption, this requirement under IFRS 15 resulted in no impact to the consolidated financial statements as currently no sales have taken place and revenue has not been recognized to date.

The Company may generate revenue from contracts with customers under each of its royalty and stream interests. The Company has determined that each unit of a commodity that is delivered to a customer under a royalty or stream interest arrangement is a performance obligation for the delivery of a good that is separate from each other unit of the commodity to be delivered under the same arrangement.

- Royalty and Streaming arrangements

The Company has several exploration stage royalty arrangements and development stage streaming arrangements.

Revenue will generally be recorded when the commodities received under such arrangements are sold and control over those commodities transfers to the ultimate customer. Control will generally transfer on the date the commodity under the agreement is credited to the customer account. Revenue from Royalty and Steaming arrangements will be measured at the transaction price agreed with the ultimate customer.

(iii) Streaming interests

The classification of streaming interests under IFRS is complex and subject to significant judgement due to the lack of specific guidance and the number of factors that must be considered. Streaming interests may be accounted for by the investor in a number of ways based on an analysis of all of the relevant facts and circumstances as well as the substance of the agreement. The Company generally classifies streaming interests as either i) a financial asset where the Company has a right to enforce the receipt of cash or ii) as a tangible asset when the agreement is settled by the receipt of the underlying commodity.

Tangible streaming interests are initially recorded at their cost based on consideration paid to acquire the asset. These tangible assets have finite lives and are amortized and depleted over their useful economic lives on a units of production basis. The amortization and depletion expense will be included in the consolidated statement of net and comprehensive income and loss. The Company does not have any streams classified as financial assets.

All tangible assets are reviewed for impairment indicators at each reporting period. If an impairment exists then the Company must determine its recoverable amount. The recoverable amount is the higher of fair value less cost of disposal and value in use, which is the present value of future cash flows expected to be derived from the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the amortization charge for the period.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future accounting periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following recent accounting pronouncement has not yet been adopted.

Leases ("IFRS 16")

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

Disclosure of Internal Controls

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed interim consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risk Factors

The Company's financial condition, results of operation and business are subject to certain risks, which may negatively affect them. A detailed discussion of these risks can be found on pages 17 to 26 of our Annual MD&A for the financial period ended December 31, 2017 under "Risk Factors" (available on SEDAR at www.sedar.com) and elsewhere in this MD&A, including under "Cautionary Note Regarding Forward-Looking Information".

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements. In particular, this MD&A contains forward-looking statements pertaining to the following:

- future debt levels, financial capacity, liquidity and capital resources;
- anticipated future sources of funds to meet working capital requirements;
- future capital expenditures and contractual commitments;
- expectations respecting future financial results;
- expectations regarding benefits of certain transactions and capital investments;
- the Company's objectives, strategies and competitive strengths;
- future development activities, including acquiring streams, royalties, and direct interests in mineral properties containing cobalt;
- the Company's growth strategy;
- expectations with respect to future opportunities;
- expectations with respect to the Company's financial position;
- the Company's capital expenditure programs and future capital requirements;
- capital resources and the Company's ability to raise capital; and
- industry conditions pertaining to the cobalt industry and in the industries in which cobalt is used.

With respect to forward-looking statements contained in this MD&A, assumptions have been made regarding, among other things:

- market prices of cobalt;
- future global economic and financial conditions;
- future commodity prices, demand for cobalt and the product mix of such demand and levels of activity in the battery metals industry and in such other areas in which the Company may operate, and supply of cobalt and the product mix of such supply; and
- the accuracy and veracity of information and projections sourced from third parties respecting, among other things, future industry conditions and demand for cobalt.

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Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and included elsewhere in this MD&A, including:

- volatility in market prices and demand for cobalt;
- effects of competition and pricing pressures;
- risks related to interest rate fluctuations and foreign exchange rate fluctuations;
- changes in general economic, financial, market and business conditions in the industries in which cobalt is used;
- changes in the technologies pertaining to the use of cobalt;
- alternatives to and changing demand for cobalt;
- potential conflicts of interests;
- actual results differing materially from management estimates and assumptions;
- commodity price hedging instruments; and
- the other factors discussed under "*Risk Factors*".

This list of factors should not be construed as exhaustive.

Additional Information

Additional information concerning the Company is available on SEDAR at www.sedar.com.