COBALT 27 CAPITAL CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(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 March 31, 2019	As at December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	**$ 34,929,151**	$ 45,628,277
Amounts receivable and other assets	**816,671**	306,959
	35,745,822	45,935,236
Non-Current Assets		
Investment	**188,915**	188,915
Investment in Highland Pacific Limited (Note 5)	**15,253,232**	7,343,646
Investments in cobalt (Note 6)	**91,468,081**	173,895,169
Royalty contracts (Note 7)	**26,066,974**	23,151,703
Streaming interests (Note 8)	**235,000,000**	303,892,638
Total Assets	**$ 403,723,024**	$ 554,407,307
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	**$ 878,499**	$ 2,594,964
Restricted share unit liability (Note 9(e))	**1,209,252**	691,728
Total Liabilities	**2,087,751**	3,286,692
Shareholders' Equity		
Share capital (Note 9)	**594,556,991**	592,792,983
Reserves	**4,046,727**	3,438,673
Accumulated other comprehensive income (Note 5)	**-**	(3,892,311)
Deficit	**(196,968,445)**	(41,218,730)
Total Shareholders' Equity	**401,635,273**	551,120,615
Total Liabilities and Shareholders' Equity	**$ 403,723,024**	$ 554,407,307

Subsequent Events (Note 16)

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 March 31, 2019	Three Months Ended March 31, 2018 Restated (Note 4)
(Decrease) Increase in Market Value of Investments		
Mark to market component of unrealized (loss) gain on investments in cobalt (Note 6)	**$ (82,427,088)**	$ 44,439,994
Foreign exchange component of unrealized gain on investments in cobalt	**-**	6,929,990
	(82,427,088)	51,369,984
Operating Expenses		
Consulting fees and salaries (Note 11)	**436,486**	155,786
Directors fees (Note 11)	**79,102**	46,321
General and administrative	**115,394**	137,877
Marketing and promotion	**299,693**	91,778
Professional fees	**74,444**	233,784
Regulatory fees	**41,063**	42,735
Share based compensation (Notes 9(d)(e))	**1,417,551**	4,356,740
Transport and storage	**84,409**	245,988
	2,548,142	5,311,009
Operating (Loss) Income	**(84,975,230)**	46,058,975
Impairment of streaming interests (Note 8)	**(68,892,638)**	-
Equity loss from Highland Pacific Limited (Note 5)	**(268,177)**	-
Financing costs	**(403,764)**	-
Foreign exchange gain (loss)	**120,470**	(165,626)
(Loss) Income before taxes	**(154,419,339)**	45,893,349
Deferred tax recovery (expense)	**345,861**	(13,803,479)
Net (Loss) Income for the period	**(154,073,478)**	32,089,870
Other Comprehensive (Loss) Income		
Items that will not be reclassified subsequently:		
Unrealized gain on equity investment, net of tax	**2,216,074**	-
Comprehensive (Loss) Income for the period	**$ (151,857,404)**	$ 32,089,870
Basic (Loss) Income Per Share (Note 10)	**$ (1.81)**	$ 0.83
Diluted (Loss) Income Per Share (Note 10)	**$ (1.81)**	$ 0.82
Weighted Average Number of Common Shares Outstanding - Basic (Note 10)	**85,272,439**	38,665,971
Weighted Average Number of Common Shares Outstanding - Diluted (Note 10)	**85,272,439**	38,938,688

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)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018 Restated (Note 4)
Operating Activities		
Net (loss) income for the period	**$(154,073,478)**	$ 32,089,870
Adjustments for:		
Mark to market component of unrealized loss (gain) on investments in cobalt	**82,427,088**	(44,439,994)
Foreign exchange component of unrealized (gain) on investments in cobalt	**-**	(6,929,990)
Equity loss from Highland Pacific Limited	**268,177**	-
Foreign exchange (gain) loss	**(143,459)**	165,379
Share based compensation	**1,299,975**	4,356,740
Impairment of streaming interests	**68,892,638**	-
Deferred tax (recovery) expense	**(345,861)**	13,803,479
Non-cash working capital items:		
Amounts receivable and other assets	**(509,712)**	(636,408)
Accounts payable and accrued liabilities	**(1,573,601)**	(536,976)
Net cash used in Operating Activities	**(3,758,233)**	(2,127,900)
Investing Activities		
Purchase of investments in cobalt	**-**	(23,085,663)
Purchase of royalty contract	**(1,500,000)**	(9,844,672)
Purchase of investment in Highland Pacific Limited (Note 5)	**(5,615,828)**	-
Net cash used in Investing Activities	**(7,115,828)**	(32,930,335)
Financing Activities		
Common shares issued for cash (Note 9(b))	**-**	152,400,700
Share issuance costs	**-**	(9,454,011)
Net cash provided by Financing Activities	**-**	142,946,689
Net (decrease) increase in Cash and Cash Equivalents	**(10,874,061)**	107,888,454
Impact of foreign exchange on Cash and Cash Equivalents	**174,935**	(442,163)
Cash and Cash Equivalents, Beginning of period	**45,628,277**	40,742,214
Cash and Cash Equivalents, End of period	**$ 34,929,151**	$ 148,188,505

Supplemental Information

Common shares issued for Royalty Contracts	**$ 1,415,271**	$ 5,418,415

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)

	Share Capital			Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	
	Number	Amount	Reserves			Total
Balance, December 31, 2017 (restated Note 4)	**34,314,017**	**$ 223,549,467**	**$ 4,906,108**	**$ -**	**$ 10,315,480**	**$ 238,771,055**
Issuance of common shares for cash (Note 9(b)(i))	17,556,828	152,400,700	-	-	-	152,400,700
Share issue costs	-	(9,274,741)	-	-	-	(9,274,741)
Issuance of common shares for Royalty Contracts (Notes 7 and 9(b)(ii))	537,057	5,418,415	-	-	-	5,418,415
Share-based payments (Notes 9(d)(i) and 9(e))	-	-	4,356,740	-	-	4,356,740
Net income for the period	-	-	-	-	32,089,870	32,089,870
Balance, March 31, 2018 (restated Note 4)	**52,407,902**	**$ 372,093,841**	**$ 9,262,848**	**$ -**	**$ 42,405,350**	**$ 423,762,039**
Balance, December 31, 2018	**84,825,971**	**$ 592,792,983**	**$ 3,438,673**	**$ (3,892,311)**	**$ (41,218,730)**	**$ 551,120,615**
Issuance of common shares for Royalty Contracts (Notes 7 and 9(b)(iii))	422,856	1,415,271	-	-	-	1,415,271
Restricted Share Units converted to common shares (Note 9(b)(iv))	107,472	348,737	-	-	-	348,737
Share-based payments (Note 9(d)(ii))	-	-	608,054	-	-	608,054
Unrealized gain on equity investments, net of tax	-	-	-	2,216,074	-	2,216,074
Transfer of accumulated other income (Note 5)	-	-	-	1,676,237	(1,676,237)	-
Net loss for the period	-	-	-	-	(154,073,478)	(154,073,478)
Balance, March 31, 2019	**85,356,299**	**$ 594,556,991**	**$ 4,046,727**	**$ -**	**$ (196,968,445)**	**$ 401,635,273**

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

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". In March 2017, the Company redirected its efforts from a mineral exploration company to become 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.

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.

These unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2019 were approved and authorized for issue by the Board of Directors on May 27, 2019.

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 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 year ended December 31, 2018.

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 year ended December 31, 2018 except as noted below.

New accounting policies

(i) Interest in associates

Associates are entities, including unincorporated entities such as partnerships, over which the Company has significant influence and that are neither subsidiaries nor interests in joint arrangements. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Company’s representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel, or the provision of essential technical information. Associates are equity accounted for from the effective date of commencement of significant influence to the date that the Company ceases to have significant influence.

Results of associates are equity accounted for using the results of their most recent annual financial statements or interim financial statements, as applicable. Losses from associates are recognized in the consolidated financial statements until the interest in the associate is written down to nil. Thereafter, losses are recognized only to the extent that the Company is committed to providing financial support to such associates.

The carrying value of the investment in an associate represents the cost of the investment, a share of the post-acquisition retained earnings and losses and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investments in associates are impaired.

2. Significant Accounting Policies (Continued)

New accounting policies (continued)

(ii) Leases ("IFRS 16")

The Company adopted IFRS 16, which replaced IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements.

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach without restatement of comparative amounts, electing to measure the right-of-use asset at an amount equal to the lease liability. The modified retrospective approach offers the option, on a lease by lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability.

An assessment was made and there was no impact to the Company's consolidated financial statements as at January 1, 2019. Certain contracts qualified as short-term or low value leases and met the scope exemption for disclosure. As a result of applying this scope exemption, the Company recognizes the lease payments associated with these short-term or low value leases as an expense on a straight-line basis over the lease term. No other significant differences have been identified in relation to the adoption of IFRS 16.

Accounting policy

As a result of adopting this standard, the Company's accounting policy for leases is stated below. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The cost of the right of use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

2. Significant Accounting Policies (Continued)

New accounting policies (continued)

(ii) Leases ("IFRS 16") (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(iii) Uncertainty over Income Tax Treatments ("IFRIC 23")

The Company adopted IFRIC 23 on January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation has been applied on a modified retrospective basis without restatement of comparative information. The adoption of IFRIC 23 had no material impact on the Company's consolidated financial statements.

(iv) Business Combinations ("IFRS 3")

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Company has decided to early adopt the amendments to IFRS 3 effective January 1, 2019 and shall apply the amended standard in assessing business combinations on a prospective basis. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed based on their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Company's accounting policy. There was no material impact on the Company's interim consolidated financial statements during the first quarter of 2019.

3. Key Sources of Estimation Uncertainty and Critical Accounting Judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, the areas which require management to make significant judgments, estimates and assumptions in determining carrying values are:

Impairment of royalty and streaming interests

When assessing whether there are any indicators that could give rise to the requirement to conduct a formal impairment test on the Company's streaming interests, the Company is required to use of some degree of judgment, assumptions and estimates. The assessment of fair values requires the use of estimates and assumptions for long-term commodity prices, mine production and discount rates. In addition, the Company may use other approaches in determining fair value which may include judgment and estimates related to (i) dollar value per pound of reserve/resource and (ii) cash-flow multiples. Changes in any of the assumptions and estimates used in determining the fair value of the streaming interests could impact the impairment analysis.

4. 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 for the three months ended March 31, 2018.

5. Investment in Highlands Pacific Limited

In June 2018, the Company purchased 142,530,500 ordinary shares representing an approximate 13% interest of Highlands Pacific Limited ("Highlands") for AUD$0.105 per ordinary share for a total cost of $11,235,957 (AUD$14,965,703). In addition, Cobalt 27 earned the right to appoint a member to Highlands' board of directors, and accordingly, concurrent with the close of the investment in Highlands, Anthony Milewski, Chairman and CEO of Cobalt 27, was appointed to the board of directors of Highlands.

On January 1, 2019 the Company announced it planned to acquire all the issued ordinary shares of Highlands that it did not already own (the "Scheme Shares") by means of a scheme of arrangement (the "Scheme") at a price of AUD$0.105 per share, under Part XVI of the Papua New Guinea Companies Act.

In connection with the Scheme, Cobalt 27 and PanAust Limited and its subsidiaries ("PanAust") entered into a definitive buyback agreement (the "PanAust BuyBack Agreement") pursuant to which PanAust agreed that, on completion of the Scheme, it would transfer to the Company legal and beneficial ownership of 128,865,980 Highlands ordinary shares currently held by PanAust and agree to the cancellation of any outstanding liabilities owed by Highlands to PanAust, in return for the Company transferring to PanAust all of the shares in Highlands Frieda Limited and $100,000 in cash.

If before December 31, 2019 the London Metal Exchange ("LME") official closing cash settlement price for nickel is US$13,220 per tonne or higher for a period of 5 consecutive trading days, Highlands' scheme shareholders will receive contingent consideration of AUD$0.010 per Scheme Share payable in cash.

(Expressed in United States Dollars, unless otherwise indicated)

5. Investment in Highlands Pacific Limited (Continued)

Between January 2, 2019 and January 11, 2019, the Company acquired an additional 75,969,500 ordinary shares of Highlands for a cost of $5,615,827. As a result, the Company's ownership increased to 19.9%.

On January 2, 2019, the Company recorded a mark to market gain on the equity investment in Highlands of $2,216,074 (net of tax) which was recorded in other comprehensive income. As at January 2, 2019, the date Cobalt 27 gained significant influence, the original 142,530,500 ordinary shares were valued at $9,905,582 based on the share price on that date. The accumulated other comprehensive income balance of $1,676,237 was transferred to deficit on January 2, 2019.

Acquisition of 142,530,500 Highlands ordinary shares	$ 11,235,957
Fair value adjustment	(3,892,311)
Balance, December 31, 2018	7,343,646
January 2, 2019 gain through other comprehensive income	2,561,936
Balance, January 2, 2019	9,905,582
Acquisition of 75,969,500 Highlands ordinary shares	5,615,827
Equity loss for the period	(268,177)
Balance, March 31, 2019	$ 15,253,232

As at March 31, 2019, the fair value of the Company's investment in Highlands was $16,259,335 based on the applicable closing share price.

The following table summarizes certain unaudited financial information of Highlands as at and for the three months ended March 31, 2019:

	March 31, 2019
Total assets	$ 188,991,609
Total liabilities	(124,641,302)
Net loss	(1,344,105)

On May 17, 2019 the Company completed the acquisition of Highland Pacific Limited (Note 16).

(Expressed in United States Dollars, unless otherwise indicated)

6. Investments in cobalt

Details of cobalt holdings are as follows:

	March 31, 2019			December 31, 2018		
Category of cobalt	Quantity of cobalt metric tonne (mt)	Cost	Fair value (1)	Quantity of cobalt metric tonne (mt)	Cost	Fair value (1)
Alloy grade	2,192.1	$ 152,404,154	$ 69,347,811	2,192.1	$152,404,154	$131,084,276
Standard grade	712.6	43,723,739	22,120,270	712.6	43,723,739	42,810,893
	2,904.7	**$ 196,127,893**	**$ 91,468,081**	**2,904.7**	**$196,127,893**	**$173,895,169**

		March 31, 2019			December 31, 2018		
Location	Facility	Quantity of cobalt metric tonne (mt)	Cost	Fair value (1)	Quantity of cobalt metric tonne (mt)	Cost	Fair value (1)
Antwerp	Steinweg	142.0	$ 8,574,719	$ 4,407,789	142.0	$ 8,574,719	$ 8,530,700
Baltimore	Steinweg	180.0	13,827,305	5,694,482	180.0	13,827,305	10,763,960
Rotterdam	Steinweg	2,582.7	173,725,869	81,365,810	2,582.7	173,725,869	154,600,509
		2,904.7	**$196,127,893**	**$ 91,468,081**	**2,904.7**	**$196,127,893**	**$173,895,169**

(1) Based on the Metal Bulletin average alloy grade price of $14.35 (December 31, 2018 - $27.13) per pound and the Metal Bulletin average standard grade price of $14.08 (December 31, 2018 - $27.25) per pound as of March 31, 2019.

For three months ended March 31, 2019, the Company recorded an unrealized loss on investments in cobalt of $82,427,088 (2018 - unrealized gain of $51,369,984). The loss was attributable to the decrease in the price of cobalt.

7. Royalty Contracts

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 $9,844,671 cash and issued 537,057 common shares 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. 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.

(Expressed in United States Dollars, unless otherwise indicated)

7. Royalty Contracts (Continued)

On January 10, 2019, the Company acquired a 1.5% Gross Revenue Royalty ("GRR") on the Flemington Cobalt-Scandium-Nickel project ("Flemington Royalty") located west of Sydney, in New South Wales, Australia held under option by Australian Mines Ltd. and a 1.7% GRR on the Nyngan Scandium project ("Nyngan Royalty") located in Sydney and owned by Scandium International Mining Corp.

Cobalt 27 acquired the Flemington Royalty and Nyngan Royalty from Jervois Mining Limited for $1.5 million in cash and 422,856 common shares of the Company.

As of March 31, 2019, 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	$190,362
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	$190,362
Professor & Waldman Properties[(1)]	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	$190,357
North Canol Properties[(1)]	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR	$38,072
Sunset Mineral Corp.	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR	$38,072
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
Flemington Project	Australian Mines Ltd.	Australia	Exploration	Ni-Co-Sc	1.5% GRR	$1,943,514
Nyngan Project	Scandium International Mining Corp.	Australia	Development	Sc- Ni-Co	1.7% GRR	$971,757
Total Royalty Contracts						**$26,066,974**

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

8. 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.

Impairment

Based on an updated outlook on long-term cobalt prices, the Company re-evaluated the carrying value of its stream investment. As a result of this review, the Company recorded, during the three months ended March 31, 2019, an impairment charge of $68,892,638. The recoverable amount of $235 million was determined using a discounted cash flow model in estimating the fair value.

9. Share Capital

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

b) Common shares issued:

(i) 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.

(ii) During the three months ended March 31, 2018, the Company issued 537,057 common shares in consideration for the Dumont Project royalty contract (see Note 7).

(iii) During the three months ended March 31, 2019, the Company issued 422,856 common shares in consideration for the Flemington and Nyngan Project royalty contracts (see Note 7).

(iv) During the three months ended March 31, 2019, 107,472 RSUs with a fair value of $348,737 were converted into common shares.

(Expressed in United States Dollars, unless otherwise indicated)

9. Share Capital (Continued)

c) Warrants

The following table reflects the continuity of warrants for the three-month periods ended March 31, 2018 and March 31, 2019:

	Number of warrants	Weighted average exercise price (CAD$)
Balance, December 31, 2017 and March 31, 2018	**3,750**	**1.20**
Balance, December 31, 2018 and March 31, 2019	**3,750**	**1.20**

The following table reflects the warrants issued and outstanding as of March 31, 2019:

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

d) 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 three-month periods ended March 31, 2018 and March 31, 2019:

	Number of stock options	Weighted average exercise price (CAD$)
Balance, December 31, 2017	**663,750**	**7.92**
Granted (i)	485,000	11.80
Balance, March 31, 2018	**1,148,750**	**9.56**
Balance, December 31, 2018	**1,148,750**	**9.56**
Granted (ii)	760,000	4.44
Balance, March 31, 2019	**1,908,750**	**7.52**

(i) 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 months ended March 31, 2018, share based compensation of $1,413,306 was recorded in the condensed interim consolidated statements of net and comprehensive income (loss).

(Expressed in United States Dollars, unless otherwise indicated)

9. Share Capital (Continued)

d) Stock options (continued)

(ii) On January 11, 2019, the Company granted a total of 760,000 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$4.44 per share and expire on January 11, 2024. These stock options vest as follows: 1/3 immediately and 1/3 annually over 2 years. The fair value of the stock options was estimated to be $1,140,939 using the Black-Scholes option pricing model on the following assumptions: exercise price of CAD$4.44, risk free interest rate of 1.89%, an expected life of 5 years inclusive of an assumed forfeiture rate and an expected volatility of 50%. During the three months ended March 31, 2019, share based compensation of $608,054 was recorded in the condensed interim consolidated statements of net and comprehensive income (loss).

The following table reflects the Company's stock options outstanding and exercisable as at March 31, 2019:

Options outstanding	Options exercisable	Grant date fair value ($)	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)	Expiry date
153,750	153,750	388,818	4.33	3.00	March 31, 2022
510,000	510,000	1,086,949	9.00	3.36	August 7, 2022
485,000	485,000	1,413,306	11.80	3.78	January 10, 2023
760,000	253,334	1,140,939	4.44	4.79	January 11, 2024
1,908,750	**1,402,084**	**4,030,012**	**7.52**	**4.01**	

(e) Restricted share units ("RSU")

On August 6, 2017, the Company adopted a Restricted Share Unit Plan (the “RSU Plan”). 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. The Company granted RSU's before the Plan was approved by the shareholders and TSX-V and these RSUs were valued at the stock price at the end of each reporting period. When the Plan was approved in August 2018, the expense related to the RSU's then granted was adjusted to the fair value per share as of August 14, 2018. RSUs may be settled in cash or equity at the options of the holder.

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 the cash-settled awards is recognized as compensation expense over the period that related services are rendered with a corresponding increase in liabilities. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied.

On January 11, 2019, the Company granted 913,000 RSUs to certain employees and officers, which vested as follows: 318,000 immediately, 120,000 monthly over 1 year and 475,000 1/3 annually over 3 years. On January 10, 2018, the Company granted 175,000 RSUs to certain officers and a director, which vested 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. For the three months ended March 31, 2019, the Company recorded compensation expense of $809,497 (three months ended March 31, 2018 - $2,943,434).

During the three months ended March 31, 2019, 107,472 RSUs were converted into common shares and 294,189 were settled for cash proceeds of $965,955. As at March 31, 2019, there were 877,992 RSUs outstanding (December 31, 2018 - 366,653). The weighted average fair value of RSU's granted during the three months ended March 31, 2019 was CAD$4.44 per share (December 31, 2018 - CAD$3.30).

(Expressed in United States Dollars, unless otherwise indicated)

10. Net (Loss) Income per Common Share

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018 Restated (Note 4)
Numerator:		
Net (loss) income	**$ (154,073,478)**	$ 32,089,870
Denominator		
Weighted average number of common shares - basic	**85,272,439**	38,665,971
Effect of dilutive securities	**-**	272,717
Weighted average number of common shares - diluted	**85,272,439**	38,938,688
Net (loss) income per share - basic	**$ (1.81)**	$ 0.83
Net (loss) income per share - diluted	**$ (1.81)**	$ 0.82

The determination of the weighted average number of common shares outstanding for the calculation of diluted earnings per share for the three months ended March 31, 2019 does not include the following effect of warrants, stock options and RSUs.

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Warrants	**3,750**	3,318
Stock options	**1,908,750**	159,245
RSUs	**877,992**	110,154
	2,790,492	272,717

11. 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.

(Expressed in United States Dollars, unless otherwise indicated)

11. Related Party Transactions (Continued)

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018 Restated (Note 4)
Consulting fees and salaries [1][2]	**$ 220,358**	$ 104,698
Directors fees[2]	**79,102**	46,321
Share based compensation	**854,775**	3,977,916
	$ 1,154,235	$ 4,128,935

(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 $nil as at March 31, 2019 (December 31, 2018 - $852,149).

(3) Included in amounts receivable and other assets is an amount of $186,270 owed by an officer as at March 31, 2019 (December 31, 2018 - $199,140).

12. 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 March 31, 2019, 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 amortized cost. The investment in Minerva is stated at fair value and classified within Level 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.

13. 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 and cash equivalents. To limit the credit risk exposure on its cash and cash equivalents, the Company holds all 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. As at March 31, 2019, the Company had approximately CAD$2,288,000 of net assets. As at March 31, 2019, the Company has estimated that a 5% decrease or increase in the value of the Canadian dollar, all other variables remaining constant, the result would be a decrease or increase in net income before taxes of $82,000.

(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.

As at March 31, 2019, the Company has estimated that a 5% decrease or increase in the price of cobalt, all other variables remaining constant, would result in a corresponding decrease or increase in income before taxes of $4,573,400.

(Expressed in United States Dollars, unless otherwise indicated)

14. 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 March 31, 2019	Cobalt Investments	Streaming and Royalties	Corporate	Total
Mark to market component of unrealized (loss) on investments in cobalt	$ (82,427,088)	$ -	$ -	$ (82,427,088)
Impairment of streaming interests	-	(68,892,638)	-	(68,892,638)
Equity pick up from associate	-	-	(268,177)	(268,177)
Operating expenses	(84,409)	-	(2,463,733)	(2,548,142)
Financing costs	-	-	(403,764)	(403,764)
Foreign exchange gain	-	-	120,470	120,470
Deferred tax recovery	-	-	345,861	345,861
Net loss	**$ (82,511,497)**	**$ (68,892,638)**	**$ (2,669,343)**	**$ (154,073,478)**
Assets	**$ 91,468,081**	**$ 261,066,974**	**$ 51,187,969**	**$ 403,723,024**

Three Months Ended March 31, 2018	Cobalt Investments	Streaming and Royalties	Corporate	Total
Mark to market component of unrealized gain on investments in cobalt	$ 44,439,994	$ -	$ -	$ 44,439,994
Foreign exchange component of unrealized (loss) on investments in cobalt	6,929,990	-	-	6,929,990
Operating expenses	(245,988)	-	(5,065,021)	(5,311,009)
Foreign exchange loss	-	-	(165,626)	(165,626)
Deferred tax expense	-	-	(13,803,479)	(13,803,479)
Net income (loss)	**$ 51,123,996**	**$ -**	**$ (19,034,126)**	**$ 32,089,870**
Assets	**$ 280,679,684**	**$ 15,910,312**	**$ 149,399,558**	**$ 445,989,554**

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 March 31, 2019	Canada	United States	Europe	Australia	Total
Current assets	$ 35,745,822	$ -	$ -	$ -	$ 35,745,822
Non-current assets	258,340,618	5,694,482	85,773,599	18,168,503	367,977,202
Total assets	**$ 294,086,440**	**$ 5,694,482**	**$ 85,773,599**	**$ 18,168,503**	**$ 403,723,024**

As at December 31, 2018	Canada	United States	Europe	Australia	Total
Current assets	$ 45,935,236	$ -	$ -	$ -	$ 45,935,236
Non-current assets	327,233,256	10,763,960	163,131,209	7,343,646	508,472,071
Total assets	**$ 373,168,492**	**$ 10,763,960**	**$ 163,131,209**	**$ 7,343,646**	**$ 554,407,307**

15. Credit Facility

On October 24, 2018, the Company entered into an amended and restated upsized revolving term credit facility (the "Amended Credit Facility"), whereby the Company will have access to a US$200 million credit facility. National Bank of Canada, Bank of Montreal and The Bank of Nova Scotia acted as Joint-Lead Arrangers with a syndicate of lenders which 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 maturing on October 24, 2021, which is extendable by mutual consent of the Lenders and Cobalt 27. The interest rate is based on the Company's adjusted leverage ratio and may range from Libor plus 275 basis points to 375 basis points. The standby fee is also based on the Company's adjusted leverage ratio and may range from 68.75 basis points to 93.75 basis points. 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.

As at March 31, 2019, the Company had not drawn down on the Amended Credit Facility (see notes 16(i)(ii)).

16. Subsequent Events

(i) On May 6, 2019, Cobalt 27 entered into a second amended and restated revolving term credit facility, whereby the Company will have access to a $100 million credit facility and a $50 million accordion facility which replaces its undrawn credit facility announced on October 24, 2018.

(ii) On May 13, 2019, and as part of the Company's closing procedures for the acquisition of Highlands Pacific as detailed in (iii) below, the Company drew $55 million of its $100 million credit facility as outlined in (i) above.

(iii) On May 17, 2019, the Company acquired all the issued ordinary shares of Highlands, that it did not already own by means of a Scheme, entered into on January 1, 2019, under Part XVI of the Papua New Guinea Companies Act.

Cobalt 27 acquired all the Scheme Shares for an all-cash offer price of AUD$0.105 per share. The total purchase price for all the Scheme Shares amounted to approximately $65 million, which included transaction costs of $3 million.

On May 17, 2019, in connection with the completion of the Scheme, Cobalt 27 and PanAust also completed the PanAust Buy-Back Agreement. PanAust transferred to the Company legal and beneficial ownership of 128,865,980 Highlands ordinary shares held by PanAust and cancelled any outstanding liabilities owed by Highlands to PanAust, in return for the Company transferring to PanAust all of the shares in Highlands Frieda Limited and $100,000 in cash.

If before December 31, 2019 the LME official closing cash settlement price for nickel is US$13,220 per tonne or higher for a period of 5 consecutive trading days, Highlands' scheme shareholders will receive contingent consideration of AUD$0.010 per Scheme Share payable in cash.

Based on management's judgment, the acquisition did not meet the IFRS definition of a business combination as the primary asset acquired, which is the investment in Ramu Nickel mines is an investment in associate of which Highlands is not the mine operator. Consequently, the transaction will be recorded as an asset acquisition.

COBALT 27 CAPITAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED MARCH 31, 2019

(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 months ended March 31, 2019. 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 months ended March 31, 2019 and 2018, together with the notes thereto. Results are reported in United States dollars, 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 May 28, 2019, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Cobalt 27's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

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**).

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". In March 2017, the Company redirected its efforts from a mineral exploration company to become 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.

The Company owns 2,905 Mt of physical cobalt, has acquired the Voisey's Bay Cobalt Stream on Vale S.A.'s ("Vale") world-class Voisey's Bay Mine beginning on January 1, 2021, including the announced underground expansion, and has acquired all the issued ordinary shares of Highlands Pacific Limited. The Company also manages a portfolio of eleven 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 physical cobalt holdings when opportunities arise.

Company Highlights

Acquisition of Highlands Pacific Limited

On May 17, 2019, the Company acquired all of the issued ordinary shares of Highlands, that it did not already own by means of a scheme of arrangement (the "Scheme"), entered into on January 1, 2019, under Part XVI of the Papua New Guinea Companies Act.

Cobalt 27 acquired all of the issued ordinary shares of Highlands that it does not already own (the "Scheme Shares") for an all-cash offer price of AUD$0.105 per share. The total purchase price for all of the Scheme Shares amounted to approximately $65 million, which included transaction costs of $3 million.

On May 17, 2019, in connection with the completion of the Scheme, Cobalt 27 and PanAust Limited and its subsidiaries ("PanAust") also completed the PanAust Buy-Back Agreement. PanAust transferred to the Company legal and beneficial ownership of 128,865,980 Highlands ordinary shares held by PanAust and cancelled any outstanding liabilities owed by Highlands to PanAust, in return for the Company transferring to PanAust all of the shares in Highlands Frieda Limited and $100,000 in cash.

If before December 31, 2019 the London Metal Exchange ("LME") official closing cash settlement price for nickel is US$13,220 per tonne or higher for a period of 5 consecutive trading days, Highlands' scheme shareholders will receive contingent consideration of AUD$0.010 per Scheme Share payable in cash.

Based on management's judgment, the acquisition did not meet the IFRS definition of a business combination as the primary asset acquired, which is the investment in Ramu Nickel mines is an investment in associate of which Highlands is not the mine operator. Consequently, the transaction will be recorded as an asset acquisition.

Prior to completion of the above mentioned transaction, Cobalt 27 owned approximately 218.5 million ordinary shares of Highlands, which represented approximately 20% of Highlands issued ordinary shares, was accounted for as an investment in an associate, using the equity method and the carrying amount on March 31, 2019 was $15,253,232.

Royalty contracts

On January 18, 2019, the Company completed the acquisition of a 1.5% Gross Revenue Royalty ("GRR") on the Flemington Cobalt-Scandium-Nickel project ("Flemington Royalty") located west of Sydney, Australia and owned by Australian Mines Ltd. and a 1.7% GRR on the Nyngan Scandium project ("Nyngan Royalty") located in Sydney, Australia and owned by Scandium International Mining Corp.

Cobalt 27 acquired the Flemington Royalty and Nyngan Royalty from Jervois Mining Limited for total consideration of approximately $3 million, comprised of $1.5 million in cash and 422,856 common shares of the Company.

See "Plan of Operations" below for more details.

Credit facility

On May 6, 2019, Cobalt 27 entered into a second amended and restated revolving term credit facility, whereby the Company will have access to a $100 million credit facility and a $50 million accordion facility which replaces its undrawn credit facility announced on October 24, 2018.

On May 13, 2019, as part of the Company's closing procedures for the acquisition of Highlands Pacific, the Company drew $55 million of its $100 million credit facility.

Other Company Highlights

RSU plan and stock option grants

On January 11, 2019, the Company granted a total of 760,000 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$4.44 per share and expire on January 11, 2024. These stock options will vest as follows: 1/3 immediately and 1/3 annually over 2 years. In addition, the Company also granted a total of 913,000 RSUs to certain employees and officers. These RSUs will vest as follow: 318,000 RSUs immediately, 120,000 RSUs monthly over 1 year and 475,000 RSUs 1/3 annually over 3 years.

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 applies a disciplined investing and operating approach to pursuing battery metals streaming, royalty and direct interest opportunities to provide shareholders with near-term revenue and cash flow, diversified asset exposure, and additional future avenues for growth within the electric vehicle and energy storage systems thematic. The Company intends to further fund working capital through its cash flows from its investments 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 2,192.1 metric tonnes of alloy grade cobalt and 712.6 metric tonnes of standard grade cobalt at a fair value of $91,468,081 (based on cobalt prices on Metal Bulletin) as at March 31, 2019. All of the Company's physical cobalt is held in three LME bonded warehouses in the U.S. and Europe and is fully insured.

Royalty and Streaming

The Company has 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 eleven royalties provide shareholders with long-term optionality on the price of cobalt. This portfolio includes our current Voisey's Bay Cobalt Stream on the Voisey's Bay Mine, as described below and also includes an 8.56% interest in the producing Ramu Nickel-Cobalt Mine in Papua New Guinea upon the completion of its acquisition of Highlands. Investors are cautioned that in respect of the Company's stream and eleven 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 of the Voisey's Bay 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 Voisey's Bay Mine Expansion (the "VBME"), commencing January 1, 2021. The Company paid to Vale the Advance Amount, being 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. Cobalt 27 will also make the Ongoing Payments equal to 18% of the Cobalt Reference Price for each pound of cobalt delivered under the Voisey's Bay Cobalt Stream, until Cobalt 27 has recovered the full value of the Advance Amount through Vale's deliveries of finished cobalt under the Voisey's Bay Cobalt Stream. After this time, the Ongoing Payments will increase to 22% of the Cobalt Reference Price.

Vale has continued construction of the VBME, with its first year of material 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 open pit 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 26 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. The project is 17% complete and start-up is expected in the first half of 2021.

Based on an updated outlook on long-term cobalt prices, the Company re-evaluated the carrying value of its stream investment. As a result of this review, the Company recorded, during the three months ended March 31, 2019, an impairment charge of $69 million. The recoverable amount of $235 million was determined using a discounted cash flow model in estimating the fair value.

Highlands Pacific Limited

On May 17, 2019, the Company acquired all of the Scheme Shares through the Scheme, entered into on January 1, 2019, under Part XVI of the Papua New Guinea Companies Act.

As a result of the acquisition, Cobalt 27 now holds an 8.56% joint venture interest in the producing Ramu mine ("Ramu"), a long-life, low-cost nickel-cobalt operation located near Madang on the north coast of Papua New Guinea ("PNG"). Ramu was financed, constructed and commissioned in 2012, by majority-owner and operator Metallurgical Corporation of China Limited ("MCC"), for US$2.1 billion which, at the time, was China's largest overseas mining investment. In 2018, the Ramu mine achieved record annual production of 35,355 tonnes of nickel and 3,275 tonnes of cobalt. Following repayment of Highlands' attributable construction and development loans, Cobalt 27's ownership interest in the Ramu mine, and attributable nickel and cobalt production, would increase to 11.3%.

Current Royalties

On July 4, 2017, the Company acquired seven royalties on exploration-stage mineral properties containing cobalt in consideration for a total of 94,445 common shares valued at $647,225.

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 in cash and issued 537,057 common shares 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 12, 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 for a total value of $7,241,392.

On January 18, 2019, the Company completed the acquisition of a 1.5% GRR on the Flemington Royalty located west of Sydney, Australia and owned by Australian Mines Ltd. and a 1.7% GRR on the Nyngan Royalty located in Sydney, Australia and owned by Scandium International Mining Corp. 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 acquired the Flemington Royalty and Nyngan Royalty from Jervois Mining Limited for total consideration of $3 million, comprised of $1.5 million in cash and 422,856 common shares of the Company.

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
Flemington Project	Australian Mines Ltd.	Australia	Exploration	Ni-Co-Sc	1.5% GRR	No
Nyngan Project	Scandium International Mining Corp.	Australia	Development	Sc-Ni-Co	1.7%GRR	No

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

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[10] ($)	Per Share - Diluted[10] ($)
2019-March 31	-	(154,073,478)[1]	(1.81)	(1.81)
2018-December 31	-	(44,747,874)[2]	(0.53)	(0.53)
2018-September 30	-	(29,757,143)[3]	(0.35)	(0.35)
2018-June 30	-	(9,119,063)[4]	(0.17)	(0.17)
2018-March 31	-	32,089,870[5]	0.83	0.82
2017-December 31[9]	-	13,860,394[6]	0.52	0.52
2017-October 31	-	4,872,631[7]	0.20	0.20
2017-July 31	-	(5,460,677)[8]	(0.49)	(0.49)

(1) Net loss of $154,073,478 consisted primarily of unrealized loss on investments in cobalt of $82,427,088, impairment of streaming interest of $68,892,638, share based compensation of $1,417,551, consulting fees of $436,486, financing costs of $403,764 and other operational expenditures offset by deferred income tax recovery of $345,861.

(2) Net loss of $44,747,874 consisted primarily of unrealized loss on investments in cobalt of $43,951,300, consulting fees of $2,126,209, financing costs of $1,475,661 and professional fees of $557,030 and other operational expenditures offset by deferred tax recovery of $5,296,395.

(3) 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.

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

(5) Net income of $32,089,870 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 $284,872, foreign exchange loss of $165,626, transport and storage expense of $245,988 and other operational expenditures.

(6) 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.

(7) 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.

(8) 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.

(9) Represents the two months ended December 31, 2017 as a result of the Company changing its year end.

(10) 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

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

The Company realized a net loss of $154,073,478 during the three months ended March 31, 2019 as compared to a net income of $32,089,870 for the three months ended March 31, 2018. The increase in net loss of $186,163,348 resulted from the following significant variances:

- During the three months ended March 31, 2019, the Company recognized an unrealized loss on investments in cobalt of $82,427,088 compared to an unrealized gain of $51,369,984 for the three months ended March 31, 2018. The loss in the current period is mainly attributable to the decrease in the price of cobalt over the current three month period from $27.13 per pound on December 31, 2018 to $14.35 per pound on March 31, 2019 for alloy grade cobalt. The gain in the prior period was mainly attributable to the increase in the price of cobalt over the three month period from $36.70 per pound on December 31, 2017 to $43.50 per pound on March 31, 2018 for alloy grade cobalt.

- During the three months ended March 31, 2019, the Company recorded an impairment of $68,892,638 on its streaming interest on the Voisey's Bay mine. The impairment is based on an updated outlook on long-term cobalt prices, production profile of the Voisey's Bay mine and the pounds expected from the stream.

- During the three months ended March 31, 2019, the Company recorded share based compensation of $1,417,551 compared to an expense of $4,356,740 in the comparative period. Share based compensation for the current period included vesting of the 760,000 stock options granted during the period and was impacted by the vesting of previously issued RSUs and the valuation of the RSU liability using the share price as at March 31, 2019 of CAD$4.23. Share based compensation for the three months ended March 31, 2018 included the vesting of 485,000 stock options and adjustment to the RSU value at each reporting period end which was required prior to August 14, 2018 (date of grant based on shareholder and TSX-V approval of the Company's Long Term Incentive Plan).

- During the three months ended March 31, 2019, the Company recorded deferred tax recovery of $345,861 compared to $13,803,479 deferred tax expense for the three months ended March 31, 2018. The deferred tax recovery in the current period was attributable to the temporary tax differences in relation to equity investment in Highlands while the deferred tax expense in the comparative 2018 period was mainly attributable to the temporary tax differences in relation to cobalt investments.

- During the three months ended March 31, 2019, financing costs totaled $403,764 compared to $nil for the three months ended March 31, 2018. These financing costs relate to standby fees for the Company's credit facility obtained in May 2018 offset by interest income received.

- During the three months ended March 31, 2019, equity loss from Highlands was $268,177 compared to $nil for the three months ended March 31, 2018. During the three months ended March 31, 2019, the Company increased its holdings in Highlands to approximately 20% and started accounting for its investment in Highlands as an investment in associate using the equity method.

Liquidity and Financial Position

As of March 31, 2019, the Company had working capital of $33,658,071 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, however the Company may utilize its credit facility to meet its 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 $3,758,233 for the three months ended March 31, 2019 and resulted from operating expenses during the normal course of business, a decrease in accounts payable and an increase in amounts receivable and other assets.

Investing Activities

During the three months ended March 31, 2019, the Company used cash of $5,615,828 to purchase additional shares in Highlands and $1,500,000 relating to the purchase of the Flemington royalty and Nyngan royalty.

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 March 31, 2019 ($)	**Three Months Ended March 31, 2018 ($)**
Consulting fees and salaries (1)(2)	220,358	104,698
Directors fees (2)	79,102	46,321
Share based compensation	854,775	3,977,916
Total	**1,154,235**	**4,128,935**

(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 $nil as at March 31, 2019 (December 31, 2018 - $852,149).

(3) Included in amounts receivable and other assets is an amount of $186,270 owed by an officer as at March 31, 2019 (December 31, 2018 - $199,140).

Share Capital

As of the date of this MD&A, the Corporation had 85,403,766 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
January 11,2024	760,000	$4.44
	1,908,750	

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 822,342 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 March 31, 2019, 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 amortized cost. The investment in Minerva is stated at fair value and classified within Level 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 and cash equivalents. 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.

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. As at March 31, 2019, the Company had approximately CAD$2,288,000 of net assets. As at March 31, 2019, the Company has estimated that a 5% decrease or increase in the value of the Canadian dollar, all other variables remaining constant, the result would be a decrease or increase in net income before taxes of $82,000.

(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.

As at March 31, 2019, the Company has estimated that a 5% decrease or increase in the price of cobalt, all other variables remaining constant, would result in a corresponding decrease or increase in income before taxes of $4,573,400.

Newly Adopted Accounting Policies

The following summarizes changes in accounting policies including initial adoption during the period.

(i) Interest in associates

Associates are entities, including unincorporated entities such as partnerships, over which the Company has significant influence and that are neither subsidiaries nor interests in joint arrangements. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Company's representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel, or the provision of essential technical information. Associates are equity accounted for from the effective date of commencement of significant influence to the date that the Company ceases to have significant influence.

Results of associates are equity accounted for using the results of their most recent annual financial statements or interim financial statements, as applicable. Losses from associates are recognized in the consolidated financial statements until the interest in the associate is written down to nil. Thereafter, losses are recognized only to the extent that the Company is committed to providing financial support to such associates.

The carrying value of the investment in an associate represents the cost of the investment, a share of the post-acquisition retained earnings and losses and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investments in associates are impaired.

(ii) Leases ("IFRS 16")

The Company adopted IFRS 16, which replaced IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements.

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach without restatement of comparative amounts, electing to measure the right-of-use asset at an amount equal to the lease liability. The modified retrospective approach offers the option, on a lease by lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability.

An assessment was made and there was no impact to the Company's consolidated financial statements as at January 1, 2019. Certain contracts qualified as short-term or low value leases and met the scope exemption for disclosure. As a result of applying this scope exemption, the Company recognizes the lease payments associated with these short-term or low value leases as an expense on a straight-line basis over the lease term. No other significant differences have been identified in relation to the adoption of IFRS 16.

Accounting policy

As a result of adopting this standard, the Company's accounting policy for leases is stated below. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision- making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The cost of the right of use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(iii) Uncertainty over Income Tax Treatments ("IFRIC 23")

The Company adopted IFRIC 23 on January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation has been applied on a modified retrospective basis without restatement of comparative information. The adoption of IFRIC 23 had no material impact on the Company's consolidated financial statements.

(iv) Business Combinations ("IFRS 3")

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Company has decided to early adopt the amendments to IFRS 3 effective January 1, 2019 and shall apply the amended standard in assessing business combinations on a prospective basis. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Company's accounting policy. There was no material impact on the Company's interim consolidated financial statements during the first quarter of 2019.

Key Sources of Estimation Uncertainty and Critical Accounting Judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, the areas which require management to make significant judgments, estimates and assumptions in determining carrying values are:

Impairment of royalty and streaming interests

When assessing whether there are any indicators that could give rise to the requirement to conduct a formal impairment test on the Company's streaming interests, the Company is required to use of some degree of judgment, assumptions and estimates. The assessment of fair values requires the use of estimates and assumptions for long-term commodity prices, mine production and discount rates. In addition, the Company may use other approaches in determining fair value which may include judgment and estimates related to (i) dollar value per pound of reserve/resource and (ii) cash-flow multiples. Changes in any of the assumptions and estimates used in determining the fair value of the streaming interests could impact the impairment analysis.

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 unaudited 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 unaudited 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 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 23 to 31 of our Annual MD&A for the financial period ended December 31, 2018 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.

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**.