COBALT 27 CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2018, December 31, 2017, April 30, 2017 and May 1, 2016

Year ended December 31, 2018, eight months ended December 31, 2017 and year ended April 30, 2017

(Expressed in United Stated dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cobalt 27 Capital Corp.

Opinion

We have audited the consolidated financial statements of Cobalt 27 Capital Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of net and comprehensive income (loss) for the year ended December 31, 2018 and the eight month period ended December 31, 2017
- the consolidated statements of changes in shareholders' equity for the year ended December 31, 2018 and the eight month period ended December 31, 2017
- the consolidated statements of cash flows for the year ended December 31, 2018 and the eight month period ended December 31, 2017
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and eight month period ended December 31, 2017 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements, which explains that comparative information presented:

- for the eight month period ended December 31, 2017 and the year ended April 30, 2017 has been restated.

- as at May 1, 2016 has been derived from the financial statements for the year ended April 30, 2016 which have been restated (not presented herein).

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

The financial statements for the year ended April 30, 2017 and April 30, 2016 (not presented herein but from which the comparative information as at May 1, 2016 has been derived), excluding the adjustments that were applied to restate comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 15, 2017.

As part of our audit of the financial statements for the year ended December 31, 2018 we also audited the adjustments that were applied to restate comparative information presented for the year ended April 30, 2017 and as at May 1, 2016. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the years ended April 30, 2017 and April 30, 2016, or as at May 1, 2016. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor' report is Pieter Fourie.

Toronto, Canada
April 29, 2019

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

	As at December 31, 2018	As at December 31, 2017 Restated (Note 2)	As at April 30, 2017 Restated (Note 2)	As at May 1, 2016 Restated (Note 2)
Assets				
Current Assets				
Cash and cash equivalents	**$ 45,628,277**	$ 40,742,214	$ 408,647	$ 570
Amounts receivable and other assets	**306,959**	385,730	63,693	2,824
	45,935,236	41,127,944	472,340	3,394
Non-Current Assets				
Investments (Note 5)	**7,532,561**	188,915	-	-
Investments in cobalt (Note 6)	**173,895,169**	206,224,037	-	-
Royalty contracts (Note 7)	**23,151,703**	647,225	-	-
Streaming interests (Note 8)	**303,892,638**	-	-	-
Deferred financing cost	**-**	-	103,492	-
Exploration and evaluation assets	**-**	-	-	3,427
Total Assets	**$ 554,407,307**	$ 248,188,121	$ 575,832	$ 6,821
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities (Note 11)	**$ 2,594,964**	$ 1,718,534	$ 77,023	$ 316,630
Restricted share unit liability	**691,728**	-	-	-
Loans	**-**	-	-	7,234
	3,286,692	1,718,534	77,023	323,864
Non-Current Liabilities				
Deferred tax liabilities	**-**	7,698,532	-	-
Total Liabilities	**3,286,692**	9,417,066	77,023	323,864
Shareholders' Equity (Deficiency)				
Share capital (Note 9)	**592,792,983**	223,549,467	2,504,318	1,360,780
Reserves	**3,438,673**	4,906,108	951,359	549,600
Accumulated other comprehensive loss	**(3,892,311)**	-	-	-
Retained earnings (deficit)	**(41,218,730)**	10,315,480	(2,956,868)	(2,227,423)
Total Shareholders' Equity (Deficiency)	**551,120,615**	238,771,055	498,809	(317,043)
Total Liabilities and Shareholders' Equity (Deficiency)	**$ 554,407,307**	$ 248,188,121	$ 575,832	$ 6,821

Subsequent Events (Note 17)

Approved on behalf of the Board:

"Frank Estergaard", Director

"Anthony Milewski", Director

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

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

	Year Ended December 31, 2018	Eight Months Ended December 31, 2017 Restated (Note 2)	Year Ended April 30, 2017 Restated (Note 2)
(Decrease) Increase in Market Value of Investments			
Mark to market component of unrealized (loss) gain on investments in cobalt (Note 6)	**$ (60,014,055)**	$ 39,228,415	$ -
Foreign exchange component of unrealized gain (loss) on investments in cobalt	**11,206,006**	(10,370,289)	-
	(48,808,049)	28,858,126	-
Operating Expenses			
Consulting fees and salaries (Note 11)	**2,718,394**	1,510,335	223,048
Directors fees (Note 11)	**197,293**	113,746	-
General and administrative	**572,077**	112,970	58,305
Marketing and promotion	**1,035,811**	276,171	-
Professional fees	**1,942,051**	400,350	16,992
Project evaluation costs	**1,206,434**	-	-
Regulatory fees	**171,712**	52,291	24,745
Share based compensation (Notes 9(e)(f))	**2,628,938**	3,967,690	401,759
Transport and storage	**545,391**	344,652	-
Impairment of exploration and evaluation assets	-	-	4,596
	11,018,101	6,778,205	729,445
Operating (Loss) Income	**(59,826,150)**	22,079,921	(729,445)
Net gain on insurance proceeds (Note 6)	**212,920**	-	-
Financing costs	**(2,342,162)**	-	-
Foreign exchange gain (loss)	**2,722,650**	(1,109,041)	-
(Loss) Income before income taxes	**(59,232,742)**	20,970,880	(729,445)
Deferred tax recovery (expense) (Note 15)	**7,698,532**	(7,698,532)	-
Net (Loss) Income for the period	**(51,534,210)**	13,272,348	(729,445)
Other Comprehensive (Loss) Income			
Items that will not be reclassified subsequently:			
Unrealized (loss) on equity investment	**(3,892,311)**	-	-
Comprehensive (Loss) Income for the period	**$ (55,426,521)**	$ 13,272,348	$ (729,445)
Basic (Loss) Income Per Share (Note 10)	**$ (0.79)**	$ 0.66	$ (2.23)
Diluted (Loss) Income Per Share (Note 10)	**$ (0.79)**	$ 0.65	$ (2.23)
Weighted Average Number of Common Shares Outstanding - Basic (Note 10)	**65,451,451**	20,181,047	326,692
Weighted Average Number of Common Shares Outstanding - Diluted (Note 10)	**65,451,451**	20,315,736	326,692

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

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

	Year Ended December 31, 2018	Eight Months Ended December 31, 2017 Restated (Note 2)	Year Ended April 30, 2017 Restated (Note 2)
Operating Activities			
Net (loss) income for the period	**$ (51,534,210)**	$ 13,272,348	$ (729,445)
Adjustments for:			
Mark to market component of unrealized loss (gain) on investments in cobalt	**60,014,055**	(39,228,415)	-
Foreign exchange component of unrealized (gain) loss on investments in cobalt	**(11,206,006)**	10,370,289	-
Net gain on insurance proceeds	**(212,920)**	-	-
Foreign exchange (gain)	**(3,041,001)**	-	-
Share based compensation	**2,628,938**	3,967,690	401,759
Impairment of exploration and evaluation assets	**-**	-	4,596
Deferred tax (recovery) expense	**(7,698,532)**	7,698,532	-
Non-cash working capital items:			
Amounts receivable and other assets	**15,016**	(322,037)	(60,869)
Accounts payable and accrued liabilities	**(210,959)**	1,462,242	(239,606)
Net cash used in Operating Activities	**(11,245,619)**	(2,779,351)	(623,565)
Investing Activities			
Purchase of investments in cobalt	**(23,085,663)**	(98,149,930)	-
Purchase of royalty contracts	**(10,844,671)**	-	-
Purchase of investments	**(11,235,957)**	(188,915)	-
Purchase of streaming interests (Note 8)	**(303,892,638)**	-	-
Net insurance proceeds received	**6,819,401**	-	-
Evaluation and exploration expenditures	**-**	-	(1,170)
Net cash used in Investing Activities	**(342,239,528)**	(98,338,845)	(1,170)
Financing Activities			
Common shares issued for cash (Note 9(b))	**377,230,518**	154,136,359	494,951
Share issuance costs	**(22,187,773)**	(13,210,469)	(22,731)
Common shares issued on exercise of warrants	**-**	509,002	671,317
Common shares issued on exercise of stock options	**-**	16,871	-
Deferred financing costs	**-**	-	(103,492)
Loans received	**-**	-	51,876
Loans repaid	**-**	-	(59,109)
Net cash provided by Financing Activities	**355,042,745**	141,451,763	1,032,812
Net increase in Cash and Cash Equivalents	**1,557,598**	40,333,567	408,077
Impact of foreign exchange on Cash and Cash Equivalents	**3,328,465**	-	-
Cash and Cash Equivalents, Beginning of period	**40,742,214**	408,647	570
Cash and Cash Equivalents, End of period	**$ 45,628,277**	$ 40,742,214	$ 408,647
Supplemental Information			
Common shares issued for investments in cobalt	**$ -**	$ 79,215,981	$ -
Common shares issued for Royalty Contracts	**$ 11,659,807**	$ 647,225	$ -
Issuance of units for finder's fees	**$ -**	$ -	$ 31,981
Deferred financing costs included in share issuance costs	**$ -**	$ 103,492	$ -

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

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

	Share Capital			Accumulated Other Comprehensive	Retained Earnings/	
	Number	Amount	Reserves	Loss	(Deficit)	Total
Balance, May 1, 2016 (restated Note 2)	**183,019**	**$ 1,360,780**	**$ 549,600**	**$ -**	**$ (2,227,423)**	**$ (317,043)**
Issuance of common shares for cash	696,450	494,952	-	-	-	494,952
Issuance of common shares for finder fees	45,000	31,981	-	-	-	31,981
Share issue costs, net of tax	-	(54,712)	-	-	-	(54,712)
Issuance of common shares on exercise of warrants	734,700	671,317	-	-	-	671,317
Share-based payments	-	-	401,759	-	-	401,759
Net loss for the year	-	-	-	-	(729,445)	(729,445)
Balance, April 30, 2017 (restated Note 2)	**1,659,169**	**$ 2,504,318**	**$ 951,359**	**$ -**	**$ (2,956,868)**	**$ 498,809**
Issuance of common shares for cash (Note 9(b)(i)(vi))	19,024,420	139,625,204	-	-	-	139,625,204
Issuance of common shares for investments in cobalt (Note 9(b)(i)(vii))	11,513,185	79,215,981	-	-	-	79,215,981
Issuance of common shares on exercise of over-allotment (Note 9(b)(ii)(viii))	1,915,000	14,511,155	-	-	-	14,511,155
Share issue costs	-	(13,493,230)	-	-	-	(13,493,230)
Issuance of common shares for Royalty Contracts (Notes 7 and 9(b)(iii))	127,778	875,657	-	-	-	875,657
Escrowed shares (Notes 7 and 9(b)(iii))	(33,333)	(228,432)	-	-	-	(228,432)
Issuance of common shares on exercise of warrants (Note 9(b)(iv))	102,681	509,002	-	-	-	509,002
Issuance of common shares on exercise of options (Note 9(b)(v))	5,117	29,812	(12,941)	-	-	16,871
Share-based payments (Notes 9(e)(i) and 9(f))	-	-	3,967,690	-	-	3,967,690
Net income for the period	-	-	-	-	13,272,348	13,272,348
Balance, December 31, 2017	**34,314,017**	**223,549,467**	**4,906,108**	**-**	**10,315,480**	**238,771,055**
Issuance of common shares for cash (Note 9(b)(ix)(x))	48,356,828	377,230,518	-	-	-	377,230,518
Share issue costs	-	(21,952,339)	-	-	-	(21,952,339)
Issuance of common shares for Royalty Contracts (Notes 7 and 9(b)(xi)(xii))	1,662,057	11,659,807	-	-	-	11,659,807
Restricted Share Units converted to common shares (Note 9(b)(xiii))	493,069	2,305,530	(2,305,530)	-	-	-
Restricted Share Units reclassified to liability	-	-	(575,211)	-	-	(575,211)
Share-based payments (Notes 9(e)(ii) and 9(f))	-	-	1,413,306	-	-	1,413,306
Unrealized loss on equity investments	-	-	-	(3,892,311)	-	(3,892,311)
Net loss for the year	-	-	-	-	(51,534,210)	(51,534,210)
Balance, December 31, 2018	**84,825,971**	**$ 592,792,983**	**$ 3,438,673**	**$ (3,892,311)**	**$ (41,218,730)**	**$ 551,120,615**

The accompanying notes are an integral part of these 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". For the period from incorporation in 2006 to February 2017, the Company was a mineral exploration company but in March 2017, the Company redirected its efforts to being a company focused on the acquisition of cobalt by physical possession, entering into streaming contracts and cobalt net smelter return royalty (“Co NSR”) agreements and/or participation in producing cobalt mines or early stage exploration and development of mineral properties containing cobalt.

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

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

These consolidated financial statements of the Company for the year ended December 31, 2018 were approved and authorized for issue by the Board of Directors on April 26, 2019.

2. Basis of presentation

Statement of compliance

These consolidated financial statements (the “financial statements”) have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

Basis of presentation

These financial statements have been prepared on the historical cost basis, except for investment in cobalt, equity investment in Highlands Pacific Limited and financial instruments which are recorded at fair value.

Change in functional and presentation currency

On June 28, 2018, the Company closed the Voisey’s Bay Cobalt Stream (described in note 8) and made an upfront payment of $300 million to Vale. The Company will generate United States dollar (“USD”) denominated revenue from the cobalt they purchase and subsequently sell under the Voisey’s Bay Cobalt Stream commencing January 1, 2021. Considering the significance of the Voisey’s Bay Cobalt Stream to the Company’s operations and that sales prices of cobalt are mainly influenced by the USD, the Company determined that the currency of the primary economic environment in which the Company operates changed from the Canadian dollar (“CAD”) to the USD on June 28, 2018.

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

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

2. Basis of presentation (Continued)

Change in functional and presentation currency (continued)

The change in functional currency from CAD to USD is accounted for prospectively from June 28, 2018. 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 USD $1 equals to CAD $1.3133 to translate all prior period comparable information to reflect the change in presentation currency as at December 31, 2017, April 30, 2017 and May 1, 2016 and for the eight months ended December 31, 2017 and for the year ended April 30, 2017. The comparative periods as at April 30, 2017 and May 1, 2016 and for the year ended April 30, 2017 are presented as required by National Instrument 51-102. Foreign currency transactions are translated into the functional currency using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at fair value through profit and loss. Gains and losses arising from foreign exchange are included in the statement of net and comprehensive income (loss).

3. Significant Accounting Policies

(a) Basis of consolidation

These consolidated financial statements include the accounts of Cobalt 27 and its wholly-owned subsidiaries: Cobalt 27 Capital (Europe) Ltd., Cobalt 27 Capital (US) Ltd. and Electric Metal Streaming Corp. Effective December 27, 2018, Cobalt 27 Capital (Europe) Ltd. and Cobalt 27 Capital (US) Ltd. were amalgamated into the parent.

Subsidiaries are entities which the Company controls, either directly or indirectly, where control is defined as the power to govern an entity's financial and operating policies and generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that may arise upon the exercise or conversion of non-voting securities are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and they are de-consolidated from the date on which control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments which have maturity dates of three months or less at the date of purchase and are readily convertible to known amounts of cash. Cash equivalents consist of certificates of deposit or cash deposits at select Canadian chartered banks.

(c) Investments in cobalt

Investments in cobalt are initially recorded at cost, on the date that significant risks and rewards of ownership of the cobalt pass to the Company. Cost is calculated as the purchase price excluding transaction fees, which are expensed as incurred. Subsequent to initial recognition, investments in cobalt are measured at fair value at each reporting period end, based on the average bid and ask prices as quoted from Metal Bulletin. Related fair value increment gains and losses are recorded in the consolidated statements of net and comprehensive income (loss) as "Mark to market component of unrealized (loss) gain on investments in cobalt" in the period in which they arise.

Due to the lack of specific IFRS guidance on accounting for investments in cobalt, the Company considered IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, to develop and apply an accounting policy that would result in information that is most relevant to the economic decision-making needs of users within the overall IFRS accounting framework. Consequently, cobalt investments are presented at fair value based on the application of IAS 40 *Investment Property*, which allows the use of a fair value model for assets held for long-term capital appreciation.

3. Significant Accounting Policies (Continued)

(d) Royalty contracts

Royalty contracts consist of acquired royalty interests. These interests are recorded at cost and capitalized as tangible assets with finite lives. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific agreement are expensed in the period incurred.

Producing royalty and other interests are depleted using the units-of-production method over the life of the property to which the interests relate, which are estimated using available information of proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement.

(e) Streaming interests

The classification of streaming interests under IFRS is complex and subject to significant judgment due to the lack of specific guidance and the number of factors that must be considered. Streaming interests may be accounted for by the investor in a number of ways based on an analysis of all of the relevant facts and circumstances as well as the substance of the agreement. The Company classifies streaming interests as tangible assets as the agreement is settled by the receipt of the underlying commodity.

Streaming interests are initially recorded at their cost based on consideration paid to acquire the asset. These tangible assets have finite lives and are amortized and depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available information of proven and probable reserves. The amortization and depletion expense will be included in the consolidated statement of net and comprehensive income (loss).

f) Impairment of tangible assets

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

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

3. Significant Accounting Policies (Continued)

(g) Financial Instruments ("IFRS 9")

Effective January 1, 2018, the Company adopted IFRS 9. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact on the Company's financial statements.

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

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

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

Financial assets

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

- Financial assets recorded at FVTPL

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

- Amortized cost

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

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

- Financial assets recorded at FVTOCI

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

3. Significant Accounting Policies (Continued)

Financial liabilities

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

- Amortized cost

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

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

Transaction costs

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

Subsequent measurement

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

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

Derecognition

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

Expected Credit Loss Impairment Model

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

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

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

3. Significant Accounting Policies (Continued)

(h) Share based compensation

The Company follows the fair value method of accounting for the issuance of stock options and restricted share units ("RSU") granted to officers, employees, directors, advisors and consultants. The grant date fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the Company's common shares and the expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations. The fair value of the RSUs is determined by the quoted market price of the Company's common shares at date of grant. Share based compensation is amortized to earnings over the vesting period of the related option or RSU. The fair value of RSUs, which are settled in cash, is recognized as a share based compensation expense with a corresponding increase in liabilities, over the vesting period.

The Company uses graded or accelerated amortization which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the estimated fair value.

(i) Earnings per share

Basic earnings per share is computed by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method and the "if converted" method, as applicable. The treasury stock method assumes that outstanding share options with an average market price that exceeds the average exercise prices of the options for the period are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common share for the period. The if converted method assumes that all convertible notes have been converted in determining fully diluted earnings per share if they are in-the-money, except where such conversion would be anti-dilutive.

(j) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years. Deferred taxes provide for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent the reversal of the temporary difference can be controlled and it is probable it will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the year of realization or settlement, which has been enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant Accounting Policies (Continued)

(k) Revenue from Contracts with Customers (“IFRS 15”)

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

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

- Royalty and Streaming Arrangements

  The Company has eight exploration stage and one development stage royalty arrangements and a development stage streaming arrangements.

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

Recent accounting pronouncements

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

Leases (“IFRS 16”)

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

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company is in the final stages of determining the impact of the new standard on its consolidated financial statements.

4. 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.

The judgments that management has applied in the application of accounting policies and related estimates that have the most significant effect on the amounts recognized in these consolidated financial statements are discussed below:

- Share based compensation

  The Company includes an estimate of share price volatility, expected life and risk-free interest rates in the calculation of the fair value for share based payments. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact earnings.

- Deferred taxes

  The Company recognizes the deferred tax benefit related to tax assets and tax losses to the extent recovery is probable. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit and expected timing of reversals of existing temporary differences. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the deferred tax assets recorded at the balance sheet date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from tax assets and tax losses.

- Accounting for royalty and streaming interests

  The Company from time to time will acquire royalty and streaming interests. Each royalty and streaming interest agreement has its own unique terms and significant judgment is required to assess the appropriate accounting treatment.

- Significant influence

  Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Company and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement.

(Expressed in United States Dollars, unless otherwise indicated)

5. Investments

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

In June 2018, the Company purchased 142,530,500 common shares representing an approximate 13% interest of Highlands Pacific Limited ("Highlands") for AUD$0.105 per common share for a total cost of $11,235,957 (AUD$14,965,703). Cobalt 27 was provided with anti-dilution rights with respect to the investment in Highlands. 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.

As at December 31, 2018, the Company's investment in Highlands was valued at $7,343,646 (AUD $10,404,712) based on the applicable closing share price. During the year ended December 31, 2018, the Company recorded unrealized loss on equity investment in Highlands of $3,892,311 which was recorded in accumulated other comprehensive loss. (See Note 17(i))

6. Investments in cobalt

Details of cobalt holdings are as follows:

	December 31 2018			December 31, 2017		
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	$ 131,084,276	1,969.3	$133,642,172	$152,198,322
Standard grade	712.6	43,723,739	42,810,893	712.6	43,723,739	54,025,715
	2,904.7	**$ 196,127,893**	**$ 173,895,169**	**2,681.9**	**$177,365,911**	**$206,224,037**

		December 31 2018			December 31, 2017		
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	$ 8,530,700	142.0	$ 8,574,719	$ 10,765,331
Baltimore	Steinweg	180.0	13,827,305	10,763,960	1,781.8	118,310,473	137,489,994
Rotterdam	Steinweg	2,582.7	173,725,869	154,600,509	658.1	43,929,689	50,240,081
Rotterdam	Vollers	-	-	-	100.0	6,551,030	7,728,631
		2,904.7	**$196,127,893**	**$173,895,169**	**2,681.9**	**$177,365,911**	**$206,224,037**

(1) Based on the Metal Bulletin average alloy grade price of $27.13 (2017 - $36.70) per pound and the Metal Bulletin average standard grade price of $27.25 (2017 - $36.00) per pound as of December 31, 2018.

During the year ended December 31, 2018, the Company recorded an unrealized loss on investments in cobalt of $48,808,049 (2017 - unrealized gain of $28,858,126). The loss was attributable to the decrease in the price of cobalt.

(Expressed in United States Dollars, unless otherwise indicated)

6. Investments in cobalt (Continued)

During the year ended December 31, 2018, 76 mt of cobalt valued at $6,606,481 was stolen from the Vollers Rotterdam warehouse facility. All cobalt was fully insured for fair market value at the time of theft. On November 13, 2018, the Company received net insurance proceeds of $6,819,401 for full and final settlement resulting in a gain of $212,920 recorded in the consolidated statements of net and comprehensive income (loss).

7. Royalty Contracts

In June 2017, the Company entered into eight agreements to acquire royalties on exploration-stage mineral properties containing cobalt (the "Royalty Contracts") in consideration for a total of 127,778 common shares at a market price of $6.85 valued at $875,657. On July 4, 2017, the Company completed seven of the eight agreements. During the eight months ended December 31, 2017, the Company and the Vendor of one of the Royalty Contracts mutually agreed to terminate the Royalty Contract and the 33,333 shares (valued at $228,432) were returned to treasury and cancelled. The royalties relate to cobalt as a by-product associated with polymetallic and base metals exploration properties.

On March 29, 2018, the Company completed the acquisition of a 1.75% Net Smelter Return ("NSR") royalty on all future production over all metals from the Dumont Nickel-Cobalt Project (the "Dumont Project"). The Company paid $9,844,671 cash and issued 537,057 common shares (valued at $5,418,415, using the market value of the shares on March 29, 2018, the closing date of the transaction) as consideration for the 1.75% NSR. The 1.75% NSR royalty contains a $15 million buyback right to the Dumont joint venture to repurchase 0.375% of the 1.75% NSR ("Repurchase Option"), which if exercised would result in a 1.375% remaining NSR. The one-time Repurchase Option is only exercisable on the third, fourth or fifth anniversary of the original royalty agreement dated July 8, 2015.

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

As of December 31, 2018, the Company's Royalty Contracts consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Carrying value
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	$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
						$647,225
Dumont Project	8248567 Canada Limited	Québec	Development	Ni-Co	1.75% NSR	$15,263,086
Turnagain	Giga Metals	British	Exploration	Ni-Co	2% NSR	$7,241,392
Total Royalty Contracts						**$23,151,703**

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

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.

9. Share Capital

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

b) Common shares issued:

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

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

(ii) On June 29, 2017, a portion of the over-allotment option granted by the Company to the underwriters in connection with the Offering was exercised. A total of 700,000 common shares were issued at a price of CAD$9.00 per share, for additional gross proceeds of $4,797,076 (CAD$6,300,000). The Company paid a 6% cash commission of $287,825.

(iii) In 2017, the Company issued 127,778 common shares in consideration for Royalty Contracts (see Note 7). 33,333 shares were returned to treasury and cancelled.

(iv) During the eight months ended December 31, 2017, 102,681 warrants and agent warrants were exercised to purchase an aggregate of 102,681 common shares for gross proceeds of $509,002.

9. Share Capital (Continued)

b) Common shares issued: (continued)

(v) During the eight months ended December 31, 2017, 5,117 stock options were exercised to purchase an aggregate of 5,117 common shares for gross proceeds of $16,871. The grant date fair value of $12,941 was transferred from reserves to share capital.

(vi) On December 19, 2017, the Company closed a bought deal offering detailed in the prospectus supplement filed on December 11, 2017 for 8,100,000 common shares at a price of CAD$10.50 per common share for aggregate gross proceeds of $64,760,527 (CAD$85,050,000).

Pursuant to the terms and conditions of an underwriting agreement, the Company agreed to pay a commission to the underwriters in an amount equal to 5.0% of the gross proceeds, $3,238,026. In addition, the Company paid $647,225 for financial advisory fees and $187,636 in legal and professional fees.

Cobalt 27 granted the underwriters an over-allotment option, exercisable in whole or in part at any time up to 30 days following December 19, 2017, to purchase up to an additional 1,215,000 Common Shares at the issue price.

(vii) On December 19, 2017, the Company issued 215,380 common shares at a price of CAD$10.93 to acquire 22 metric tonnes of physical cobalt valued at $1,792,510 (CAD$2,354,103).

(vii) On December 21, 2017, the over-allotment option granted by the Company to the underwriters in connection with the bought deal offering was exercised. A total of 1,215,000 common shares were issued at a price of CAD$10.50 per share, for gross proceeds of $9,714,079 (CAD$12,757,500). The Company paid a 5% commission of $485,704.

(ix) 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.

(x) On June 27, 2018, the Company closed a bought deal offering for 30,800,000 common shares at a price of CAD$9.75 per common share for aggregate gross proceeds of $224,829,818 (CAD$300,300,000).

Pursuant to the terms and conditions of an underwriting agreement, the Company paid a commission to the underwriters in an amount equal to 4.0% of the gross proceeds, $9,146,425. In addition, the Company paid $3,000,000 for financial advisory fees and $531,173 in legal and professional fees.

(xi) In 2018, the Company issued 537,057 common shares in consideration for the Dumont Project royalty contract (see Note 7).

(xii) In 2018, the Company issued 1,125,000 common shares as consideration for the Turnagain royalty contract (see Note 7).

(xiii) During the year ended December 31, 2018, 493,069 RSUs were converted into common shares. The grant date fair value of $2,305,530 was transferred from reserves to share capital.

(xiv) On November 28, 2018, the Company received approval from the TSX-V to implement a normal course issuer bid (“NCIB”) to purchase, for cancellation, up to 8,400,000 of its common shares, representing 9.9% of Cobalt 27’s common shares, over a twelve month period. The NCIB commenced on December 3, 2018 and will expire no later than December 2, 2019. As at December 31, 2018, no common shares were repurchased by the Company.

(Expressed in United States Dollars, unless otherwise indicated)

c) Warrants

The following table reflects the continuity of warrants for the periods ended December 31, 2018 and December 31, 2017:

	Number of warrants	Weighted average exercise price (CAD$)
Balance, April 30, 2017	**101,700**	**6.30**
Exercised (Note 9(b)(iv))	(96,974)	6.67
Expired	(976)	6.67
Balance, December 31, 2017 and December 31, 2018	**3,750**	**1.20**

The following table reflects the warrants issued and outstanding as of December 31, 2018:

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

d) Agent's Warrants

The following table reflects the continuity of agent's warrants for the periods ended December 31, 2018 and December 31, 2017:

	Number of warrants	Weighted average exercise price (CAD$)
Balance, April 30, 2017	**5,707**	**6.67**
Exercised (Note 9(b)(iv))	(5,707)	6.67
Balance, December 31, 2017 and December 31, 2018	**-**	**-**

(Expressed in United States Dollars, unless otherwise indicated)

9. Share Capital (Continued)

e) Stock options

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

The following table reflects the continuity of stock options for the periods ended December 31, 2018 and December 31, 2017:

	Number of stock options	Weighted average exercise price (CAD$)
Balance, April 30, 2017	**158,867**	**4.33**
Granted (i)	510,000	9.00
Exercised (Note 9(b)(v))	(5,117)	4.33
Balance, December 31, 2017	**663,750**	**7.92**
Granted (ii)	485,000	11.80
Balance, December 31, 2018	**1,148,750**	**9.56**

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

(ii) 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% (volatility is based on similar companies in the same industry). During the year ended December 31, 2018, share based compensation of $1,413,306 was recorded in the consolidated statements of net and comprehensive income (loss).

The following table reflects the Company's stock options outstanding and exercisable as at December 31, 2018:

Options outstanding and exercisable	Grant date fair value ($)	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)	Expiry date
153,750	388,818	4.33	3.25	March 31, 2022
510,000	1,086,949	9.00	3.60	August 7, 2022
485,000	1,413,306	11.80	4.03	January 10, 2023
1,148,750	**2,889,073**	**9.56**	**3.74**	

(Expressed in United States Dollars, unless otherwise indicated)

9. Share Capital (Continued)

(f) 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.

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.

During the year ended December 31, 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 year ended December 31, 2018, the Company recorded compensation expense of $180,272 (eight months ended December 31, 2017 - $2,880,741). At year end, the Company accrued incentive bonuses which were settled through the issuance of 318,000 RSUs on January 11, 2019, a total of $1,035,360 was included in the share based compensation expense.

During the year ended December 31, 2018, 493,069 RSUs (eight months ended December 31, 2017 - nil) were converted into common shares and 15,278 were settled for cash proceeds of $63,755. As at December 31, 2018, there were 366,653 RSUs outstanding (December 31, 2017 - 700,000). The weighted average fair value of RSU's granted during the year ended December 31, 2018 was CAD$3.30 per share (December 31, 2017 - CAD$12.30).

10. Net (Loss) Income per Common Share

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

	Year Ended December 31, 2018	**Eight Months Ended December 31, 2017** Restated (Note 2)
Numerator:		
Net (loss) income	**$ (51,534,210)**	$ 13,272,348
Denominator		
Weighted average number of common shares - basic	**65,451,451**	20,181,047
Effect of dilutive securities	**-**	134,689
Weighted average number of common shares - diluted	**65,451,451**	20,315,736
Net (loss) income per share - basic	**$ (0.79)**	$ 0.66
Net (loss) income per share - diluted	**$ (0.79)**	$ 0.65

(Expressed in United States Dollars, unless otherwise indicated)

10. Net (Loss) Income per Common Share (Continued)

The determination of the weighted average number of common shares outstanding for the calculation of diluted earnings per share for the periods ended December 31, 2018 and 2017 does not include the following effect of warrants, stock options and RSUs.

	Year Ended December 31, 2018	**Eight Months Ended December 31, 2017**
	(Number of instruments)	
Warrants	**3,750**	3,318
Stock options	**1,148,750**	131,371
RSUs	**366,653**	-
Anti-dilutive instruments	**1,519,153**	134,689

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.

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

	Year Ended December 31, 2018	**Eight Months Ended December 31, 2017** Restated (Note 2)
Consulting fees and salaries [(1)(2)]	**$ 2,118,911**	$ 1,484,366
Directors fees[(2)]	**197,293**	113,746
Share based compensation	**2,054,763**	3,637,343
	$ 4,370,967	$ 5,235,455

(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 $852,149 as at December 31, 2018 (December 31, 2017 - $1,220,570).

(3) Included in amounts receivable and other assets is an amount of $199,140 owed by an officer as at December 31, 2018 (December 31, 2017 - $nil).

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 December 31, 2018, the Company's financial instruments consist of cash and cash equivalents, amounts receivable, investments and accounts payable and accrued liabilities. Cash and cash equivalents are stated at amortized cost. The investment in Highlands is stated at fair value and classified within Level 1 and 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 of its cash and cash equivalents in credit worthy financial institutions, while investments in cobalt are held with storage facilities owned by organizations that are credible and financially stable.

Liquidity risk

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

13. Financial Risks (Continued)

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 December 31, 2018, the Company had approximately CAD$4,500,000 of net assets and the investment in Highlands valued at AUD$10,404,712. As at December 31, 2018, the Company has estimated that a 5% decrease or increase in the value of the Canadian dollar and Australian dollar, all other variables remaining constant, the result would be a decrease or increase in net income before taxes of $508,000.

(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. In addition, the value of the Company's investment in Highlands may be adversely affected by a decline in share price of Highlands.

As at December 31, 2018, the Company has estimated that a 5% decrease or increase in the price of cobalt and share price of Highlands, all other variables remaining constant, would result in a corresponding decrease or increase in income before taxes of $8,694,758 and $367,183, respectively.

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:

Year Ended December 31, 2018	**Cobalt Investments**	**Streaming and Royalties**	**Corporate**	**Total**
Mark to market component of unrealized (loss) on investments in cobalt	$ (60,014,055)	$ -	$ -	$ (60,014,055)
Foreign exchange component of unrealized gain on investments in cobalt	11,206,006	-	-	11,206,006
Net gain on Insurance proceeds	212,920	-	-	212,920
Operating expenses	(545,391)	-	(10,472,710)	(11,018,101)
Financing costs	-	-	(2,342,162)	(2,342,162)
Foreign exchange gain	-	-	2,722,650	2,722,650
Deferred tax recovery	-	-	7,698,532	7,698,532
Net loss	**$ (49,140,520)**	**$ -**	**$ (2,393,690)**	**$ (51,534,210)**
Assets	**$ 173,895,169**	**$ 327,044,341**	**$ 53,467,797**	**$ 554,407,307**

(Expressed in United States Dollars, unless otherwise indicated)

14. Segmented Information (Continued)

Eight Months Ended December 31, 2017	Cobalt Investments	Streaming and Royalties	Corporate	Total
Mark to market component of unrealized gain on investments in cobalt	$ 39,228,415	$ -	$ -	$ 39,228,415
Foreign exchange component of unrealized (loss) on investments in cobalt	(10,370,289)	-	-	(10,370,289)
Operating expenses	(344,652)	-	(6,433,553)	(6,778,205)
Foreign exchange loss	-	-	(1,109,041)	(1,109,041)
Deferred tax expense	-	-	(7,698,532)	(7,698,532)
Net income (loss)	**$ 28,513,474**	**$ -**	**$ (15,241,126)**	**$ 13,272,348**
Assets	**$206,224,037**	**$ 647,225**	**$ 41,316,859**	**$248,188,121**

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 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**

As at December 31, 2017	Canada	United States	Europe	Australia	Total
Current assets	$ 41,127,944	$ -	$ -	$ -	$ 41,127,944
Non-current assets	836,140	137,489,994	68,734,043	-	207,060,177
Total assets	**$ 41,964,084**	**$137,489,994**	**$ 68,734,043**	**$ -**	**$248,188,121**

(Expressed in United States Dollars, unless otherwise indicated)

15. Income Taxes

The income tax expense differs from the amount resulting from the application of the combined Canadian statutory income tax rate as follows:

	Year Ended December 31, 2018	Eight Months Ended December 31, 2017 Restated (Note 2)
(Loss) income before income taxes	**$ (59,232,742)**	$ 20,970,880
Statutory tax rate	**27.00 %**	26.00 %
Expected income tax (recovery) expense based on statutory rate	**(15,992,840)**	5,452,430
Adjustment to expected income tax benefit/expense:		
Non-deductible expenses	**574,865**	1,031,599
Share issuance cost through equity	**(7,218,224)**	(529,423)
Impact of change in future tax rate	**-**	285,131
Current items not benefitted	**19,321,053**	1,458,795
Permanent and other differences	**(4,383,386)**	-
Total income tax (recovery) expense	**$ (7,698,532)**	**$ 7,698,532**
Current tax (recovery) expense	**$ -**	$ -
Deferred tax (recovery) expense	**(7,698,532)**	7,698,532
Total income tax (recovery) expense	**$ (7,698,532)**	**$ 7,698,532**

Deferred tax assets and liabilities

(a) Deferred tax assets and liabilities

The significant components of the deferred tax asset (liability) as at December 31, 2018 and December 31, 2017 are as follows:

	As at December 31, 2018	As at December 31, 2017 Restated (Note 2)
Non-capital loss carry-forwards	**$ -**	$ 93,056
Unrealized foreign exchange loss	**-**	2,800,084
Investments in cobalt	**-**	(10,591,672)
Deferred tax assets (liabilities)	**$ -**	**$ (7,698,532)**

(Expressed in United States Dollars, unless otherwise indicated)

15. Income Taxes (Continued)

(b) Unrecognized temporary differences

The significant components of the temporary differences not recognized as at December 31, 2018 and December 31, 2017 are as follows:

	As at December 31, 2018	**As at December 31, 2017** Restated (Note 2)
Deductible (taxable) temporary differences not recognized:		
Non-capital losses	**$ 42,439,859**	$ 7,961,063
Financing fees recorded through share capital	**25,389,746**	11,506,157
Investments in shares	**3,301,980**	-
	$ 71,131,585	$ 19,467,220

The Company has $42,439,859 of non-capital losses available for future periods with expiry dates ranging from 2026 to 2038.

16. Other Event

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

The Amended Credit Facility is secured by the Company's physical cobalt inventory as well as the Company's streaming and royalty investments. It has an initial term of three years 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 December 31, 2018, the Company had not drawn down on the Amended Credit Facility.

17. Subsequent Events

(i) On January 1, 2019, the Company entered into a definitive scheme implementation agreement (the "Implementation Agreement") with Highlands Pacific Limited ("Highlands"), pursuant to which Cobalt 27 will acquire all of the issued ordinary shares of Highlands that it does not own by means of a scheme of arrangement (the "Scheme") under Part XVI of the PNG Companies Act in Papua New Guinea.

Under the terms of the Scheme, Cobalt 27 will acquire 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 "Base Purchase Price"). The Base Purchase Price consideration offered for all of the Scheme Shares is valued at approximately $70 million.

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 (the "Contingent Purchase Price").

17. Subsequent Events (Continued)

Closing of the Scheme is subject to approval of the Scheme by the shareholders of Highlands, court approval, regulatory and applicable stock exchange approvals and certain other closing conditions customary in transactions of this nature.

Subsequent to December 31, 2018, the Company acquired an additional 75,696,500 common shares of Highlands at a cost of $5,615,828, which increases the Company's total ownership 19.99%.

(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 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.

(iii) On January 18, 2019, the Company closed the acquisition of 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 total consideration of $4.5 million, comprised of $1.5 million in cash and 422,856 common shares of the Company with such shares subject to a four month hold period from the date of issuance in accordance with applicable Canadian securities laws.

COBALT 27 CAPITAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2018

(EXPRESSED IN UNITED STATES DOLLARS)

Introduction

The following management's discussion & analysis ("MD&A") of the financial condition and results of the operations of Cobalt 27 Capital Corp. (the "Company" or "Cobalt 27") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2018. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2018, the eight months ended December 31, 2017 and year ended April 30, 2017, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. The Company's 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 April 26, 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**).

Functional and presentation currency

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

The change in functional currency from CAD to USD is accounted for prospectively from June 28, 2018. The exchange rate used to translate the consolidated financial statements to reflect the change in functional currency on adoption is USD $1 equals CAD $1.3133, the exchange rate as at June 28, 2018. The consolidated financial statements and MD&A are presented in USD. Prior period comparable information is restated to reflect the change in presentation currency. The exchange rate used to translate all prior period comparable information to reflect the change in presentation currency as at December 31, 2017, April 30, 2017 and May 1, 2016 and for the eight months ended December 31, 2017 and year ended April 30, 2017 is 1.3133.

Description of Business

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

The Company owns 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 is in the process of acquiring all of 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

Equity financings

On March 9, 2018, the Company completed a private placement of 17,556,828 common shares at a price of CAD$11.40 per common share for gross proceeds of $152,400,700 (CAD$200,147,839). The Company paid a cash commission equal to 5% of the gross proceeds to the agents.

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

Streaming transaction

On June 28, 2018, the Company closed the acquisition from a subsidiary of 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 "Voisey's Bay Cobalt Stream"). Once the Company has purchased 23.8 million pounds of cobalt from Voisey's Bay, the Voisey's Bay 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 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.

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

See "Plan of Operations" below for more details.

Physical cobalt

In January 2018, the Company continued to invest in its physical cobalt holdings by acquiring 298.8 metric tonnes for approximately $23 million.

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

Proposed Acquisition of Highlands Pacific Limited

On January 1, 2019, the Company entered into a definitive scheme implementation agreement (the "Implementation Agreement") with Highlands Pacific Limited ("Highlands"), pursuant to which Cobalt 27 agreed to acquire all of the issued ordinary shares of Highlands that it does not own by means of a scheme of arrangement (the "Scheme") under Part XVI of the PNG Companies Act in Papua New Guinea.

Under the terms of the Scheme, Cobalt 27 will acquire 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 "Base Purchase Price"). The Base Purchase Price consideration offered for all of the Scheme Shares is valued at approximately $70 million, of which $61 million is anticipated to be funded with cash consideration and available credit assuming the PanAust Buy-Back Agreement (as defined below) is completed. The Base Purchase Price consideration offered implies a value of $81 million for all of Highlands' shares, including those already held by Cobalt 27 and PanAust Limited and its subsidiaries ("PanAust").

In addition, under the Implementation Agreement, if before December 31, 2019 the London Metal Exchange ("LME") official closing cash settlement price for nickel is $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 (the "Contingent Purchase Price").

In connection with the Scheme, Cobalt 27 and PanAust entered into a definitive buy-back agreement (the "PanAust Buy-Back Agreement") pursuant to which PanAust agreed that, on completion of the Scheme, it would transfer to Cobalt 27/Highlands 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 Cobalt 27/Highlands transferring to PanAust all of the shares in Highlands Frieda Limited and an estimated $0.3 million in cash.

The Scheme is expected to close in the second quarter of 2019, subject to approval of the Scheme by the shareholders of Highlands, court approval, regulatory and applicable stock exchange approvals and certain other closing conditions customary in transactions of this nature.

In connection with the entering into of the Implementation Agreement, on January 1, 2019, Cobalt 27 and Ramu Nickel Limited ("RNL"), a wholly owned subsidiary of Highlands, mutually agreed to terminate the Metal Purchase and Sale Agreement for a cobalt-nickel stream on its attributable interest in the producing Ramu mine, located in Papua New Guinea (the "Ramu Cobalt Nickel Stream").

Royalty contracts

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

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

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 $4.5 million, comprised of $1.5 million in cash and 422,856 common shares of the Company with such shares subject to a four month hold period from the date of issuance in accordance with applicable Canadian securities laws.

See "Plan of Operations" below for more details.

Credit facility

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

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

Other Company Highlights

Listing on the OTCQX Best Market

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

RSU plan and stock option grants

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

On August 14, 2018, the Company's Long Term Incentive Plan ("LTIP") received shareholder and TSX-V approval. During the year ended December 31, 2018, the Company issued 493,069 common shares and paid cash of $63,755 for the conversion of RSUs previously granted to certain RSU holders following approval of the LTIP.

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.

Dividend policy

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

Normal course issuer bid

On November 13, 2018, the Company submitted a notice of intention to undertake a Normal Course Issuer Bid ("NCIB") to the TSX-V in connection with the purchase by Cobalt 27 of up to 8,400,000 of its common shares, representing 9.9% of the 84,815,780 common shares comprising Cobalt 27's total issued and outstanding common shares as of November 5, 2018. All common shares purchased by Cobalt 27 will be purchased on the open market through the facilities of the TSX-V in accordance with the rules, regulations and policies of the TSX-V and will be cancelled.

The Company received acceptance of its NCIB from the TSX-V on November 28, 2018 and will be open for a maximum period of 12 months. Cobalt 27 intends to use any excess liquidity, to repurchase its common shares pursuant to the normal course issuer bid as, in the opinion of management and the board of directors, its common shares have recently traded in a price range that represents a substantial discount to the Company's net asset value and does not reflect the underlying value of the Company.

Appointments and departures

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

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

On October 9, 2018, the Company announced the retirement of John Kanellitsas from the Board of Directors.

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 $173,895,169 (based on cobalt prices on Metal Bulletin) as at December 31, 2018. 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, is described below and would also include an 8.56% interest in the producing Ramu Nickel-Cobalt Mine in Papua New Guinea upon successful completion of its pending 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 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 recently confirmed its plans to proceed with the construction of the VBME, with its first full year of production scheduled for 2021. Total estimated capital expenditures to complete construction and commissioning of the VBME are estimated by Vale to be approximately US$1.7 billion and will extend the life of mine to 2034. Once an aggregate of approximately 10.8kt (23.8mmlb) of cobalt has been delivered to Cobalt 27, which would occur once Voisey's Bay cobalt production after January 1, 2021 reaches approximately 33.1kt (73.0mmlb), the proportion of cobalt production delivered to Cobalt 27 will reduce to 16.3%. Under the terms of the Cobalt Stream, Vale has agreed that if mill throughput does not reach 85% of targeted levels by December 31, 2025, some or all of the Advance Amount may be refunded to Cobalt 27 and/or the applicable cobalt stream percentages may be increased.

Voisey's Bay is located on the north coast of Labrador, Canada and began production in 2005 and was purchased by Vale in 2006. The integrated open-pit mine and 8,100 tonnes per day milling operations, produces a copper concentrate and nickel-cobalt-copper concentrate from ore mined from the Ovoid 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.

<u>Highlands Pacific Limited</u>

On January 1, 2019, the Company entered into the Implementation Agreement with Highlands, pursuant to which Cobalt 27 agreed to acquire all of the issued ordinary shares of Highlands that it does not own by means of the Scheme under Part XVI of the PNG Companies Act in Papua New Guinea.

In connection with the Ramu Cobalt Nickel Stream which was mutually terminated on January 1, 2019, Cobalt 27 had completed a strategic equity investment for 142,530,500 ordinary shares of Highlands, representing an approximate 13.0% interest in Highlands (the "Equity Investment"). Cobalt 27 has anti-dilution rights with respect to the Equity Investment. In connection with the Equity Investment, Cobalt 27 appointed Anthony Milewski, Chairman and CEO of Cobalt 27, to Highlands' board of directors.

In January 2019, following execution of the Implementation Agreement, the Company acquired an additional 75,696,500 ordinary shares of Highlands which increased the Company's total ownership to 19.99%.

The Scheme is expected to close in the second quarter of 2019, subject to approval of the Scheme by the shareholders of Highlands, court approval, regulatory and applicable stock exchange approvals and certain other closing conditions customary in transactions of this nature.

Current Royalties

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

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

On July 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 (valued at $6,241,392, using the market value of the shares on July 12, 2018, the closing date of the transaction).

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 $4.5 million, comprised of $1.5 million in cash and 422,856 common shares of the Company with such shares subject to a four month hold period from the date of issuance in accordance with applicable Canadian securities laws.

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 Annual Financial Information

	Fiscal Year Ended December 31, 2018	Eight Months Ended December 31, 2017	Fiscal Year Ended April 30, 2017
Total Revenue	$nil	$nil	$nil
Net (Loss) Income	($51,534,210)	$13,272,348	($729,445)
Basic (Loss) Income per share	($0.79)	$0.66	($2.23)
Diluted (Loss) Income per share	($0.79)	$0.65	($2.23)
	As at December 31, 2018	**As at December 31, 2017**	**As at April 30, 2017**
Total Assets	$554,407,307	$248,188,121	$575,832
Non-Current Liabilities	$nil	$7,698,532	$nil
Distributions declared per share	$nil	$nil	$nil

Selected Quarterly Information

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

		Income or (Loss)		
Three Months Ended	**Net Revenues ($)**	**Total ($)**	**Per Share - Basic(9) ($)**	**Per Share - Diluted(9) ($)**
2018-December 31	-	(44,747,874)(1)	(0.53)	(0.53)
2018-September 30	-	(29,757,143)(2)	(0.35)	(0.35)
2018-June 30	-	(9,119,063)(3)	(0.17)	(0.17)
2018-March 31	-	32,089,870(4)	0.83	0.82
2017-December 31(8)	-	13,860,394(5)	0.52	0.52
2017-October 31	-	4,872,631(6)	0.20	0.20
2017-July 31	-	(5,460,677)(7)	(0.49)	(0.49)
2017-April 30	-	(682,174)	(0.88)	(0.88)

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

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

(9) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

Results of Operations

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

Year ended December 31, 2018 compared to the eight months ended December 31, 2017

The Company realized a net loss of $51,534,210 during the year ended December 31, 2018 as compared to a net income of $13,272,348 for the eight months ended December 31, 2017. The increase in net loss of $64,806,558 resulted from the following significant variances:

- During the year ended December 31, 2018, the Company recognized an unrealized loss on investments in cobalt of $48,808,049 compared to an unrealized gain of $28,858,126 in the comparable period. The loss in the current period is mainly attributable to the decrease in the price of cobalt over the year from $36.70 per pound on December 31, 2017 to $27.13 per pound on December 31, 2018 for alloy grade cobalt.

- During the year ended December 31, 2018, the Company recorded share based compensation of $2,628,938 compared to $3,967,690 in the comparative period. During the current period, the Company issued 485,000 stock options and 175,000 RSUs compared to 510,000 stock options and 700,000 RSUs granted during the eight months ended December 31, 2017. Share based compensation for the current period is impacted by the vesting of previously issued RSUs, accrual of current year incentive bonuses and the valuation of the RSU liability using the share price as at December 31, 2018 of $3.30.

- During the year ended December 31, 2018, the Company recorded deferred tax recovery of $7,698,532 compared to $7,698,532 deferred tax expense for the eight months ended December 31, 2017. The deferred taxes are mainly attributable to the temporary tax differences in relation to cobalt investments.

- During the year ended December 31, 2018, project evaluation costs totaled $1,206,434 compared to $nil for the eight months ended December 31, 2017. These project evaluation costs relate to the investigation of prospective transactions.

- During the year ended December 31, 2018, financing costs totaled $2,342,162 compared to $nil for the eight months ended December 31, 2017. These financing costs relate to arranger fees and standby fees for the Company's credit facility obtained during the 2018 fiscal year.

- During the year ended December 31, 2018, professional fees totaled $1,942,051 compared to $400,350 for the eight months ended December 31, 2017 due to the Company's need for professional services to support the execution of its business strategy.

- During the year ended December 31, 2018, the Company recorded a foreign exchange gain of $2,722,650 compared to a loss of $1,109,041 for the eight months ended December 31, 2017 due to fluctuations in the exchange rates of the Canadian dollar, Australian dollar and Euro. The Company paid for physical cobalt, royalties and streaming interests in US dollars. On June 28, 2018, the Company determined its functional currency changed from the Canadian dollar to the US dollar.

- During the year ended December 31, 2018, the Company recorded a net gain on insurance proceeds of $212,920 from the theft of 76 metric tonnes of the Company's alloy grade cobalt stolen from the Vollers Holland BV Rotterdam warehousing facility. All cobalt was fully insured for fair market value at the time of theft. The Company recorded net insurance proceeds based on the highest price of premium grade cobalt during the month of loss, which was US$40.85 per pound, as quoted by Metal Bulletin on July 4, 2018.

Three months ended December 31, 2018 compared to the two months ended December 31, 2017

The Company realized a net loss of $44,747,874 during the three months ended December 31, 2018 as compared to a net income of $13,860,394 for the two months ended December 31, 2017. The increase in net loss of $58,608,269 resulted from the following significant variances:

- During the three months ended December 31, 2018, the Company recognized an unrealized loss on investments in cobalt of $43,951,300 compared to an unrealized gain of $24,805,159 for the two months ended December 31, 2017. The loss in the current period is mainly attributable to the decrease in the price of cobalt over the current three month period from $34.05 per pound on September 30, 2018 to $27.13 per pound on December 31, 2018 for alloy grade cobalt. The income in the prior period was mainly attributable to the increase in the price of cobalt over the two month period from $30.38 per pound on October 31, 2017 to $36.70 per pound on December 31, 2017 for alloy grade cobalt.

- During the three months ended December 31, 2018, the Company recorded share based compensation of $754,074 compared to an expense of $1,295,671 in the comparative period. Prior to August 14, 2018 (date of grant based on shareholder and TSX-V approval of the Company's LTIP), the value of RSUs was adjusted at each reporting period end. Share based compensation for the current period is impacted by the vesting of previously issued RSUs, accrual of current period incentive bonuses and the valuation of the RSU liability using the share price as at December 31, 2018 of $3.30.

- During the three months ended December 31, 2018, the Company recorded deferred tax recovery of $5,296,395 compared to $6,632,515 deferred tax expense for the two months ended December 31, 2017. The deferred taxes are mainly attributable to the temporary tax differences in relation to cobalt investments.

- During the three months ended December 31, 2018, project evaluation costs totaled $404,990 compared to $nil for the two months ended December 31, 2017. These project evaluation costs relate to the investigation of prospective transactions.

- During the three months ended December 31, 2018, financing costs totaled $1,475,661 compared to $nil for the two months ended December 31, 2017. These financing costs relate to arranger fees and standby fees for the Company's credit facility obtained during the 2018 fiscal year.

- During the three months ended December 31, 2018, professional fees totaled $557,030 compared to $302,815 for the two months ended December 31, 2017 due to the Company's need for professional services to support the execution of its business strategy.

Liquidity and Financial Position

As of December 31, 2018, the Company had working capital of $42,648,544 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 $11,245,619 for the year ended December 31, 2018 and resulted from an increase in operating expenses due to the new business model, a decrease in accounts payable and a decrease in amounts receivable and other assets.

Investing Activities

During the year ended December 31, 2018, the Company used cash to purchase $23,085,663 of investments in cobalt, $11,235,957 to purchase investments, $10,844,671 relating to the purchase of the Dumont royalty contract and Turnagain royalty and $303,892,638 for the purchase of the Voisey's Bay streaming contract. These amounts were offset by net insurance proceeds of $6,819,401.

Financing Activities

Cash provided by financing activities was $355,278,179 for the year ended December 31, 2018. Financing activities consisted of proceeds of $377,230,518 from the private placement and bought deal financing offset by $22,187,773 of share issuance costs.

Related Party Transactions

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

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

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

	Year Ended December 31, 2018 ($)	Eight Months Ended December 31, 2017 ($)
Consulting fees and salaries (1)(2)	2,118,911	1,484,366
Directors fees (2)	197,293	113,746
Share based compensation	2,054,763	3,637,343
Total	**4,370,967**	**5,235,455**

(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 $852,149 as at December 31, 2018 (December 31, 2017 - $1,220,570).

(3) Included in amounts receivable and other assets is an amount of $199,140 owed by an officer as at December 31, 2018 (December 31, 2017 - $nil).

Share Capital

As of the date of this MD&A, the Corporation had 85,356,294 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 898,364 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 December 31, 2018, the Company's financial instruments consist of cash and cash equivalents, amounts receivable, investments and accounts payable and accrued liabilities. Cash and cash equivalents are stated at amortized cost. The investment in Highlands is stated at fair value and classified within Level 1 and 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, while investments in cobalt are held with storage facilities owned by organizations that are credible and financially stable.

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

Market risk

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is considered minimal.

(b) Foreign currency risk

Foreign currency risk arises from transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's functional currency is United States dollars. The Company incurs expenses in Canadian dollars, Australian dollars and European Euro. As at December 31, 2018, the Company had approximately CAD$4,500,000 of net assets and the investment in Highlands valued at AUD$10,404,712. As at December 31, 2018, the Company estimated that if the Canadian dollar and Australian dollar weakened/strengthened by 5%, all other variables remaining constant, the result would be a decrease or increase in net income before taxes of $508,000.

(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. In addition, the value of the Company's investment in Highlands may be adversely affected by a decline in share price of Highlands.

As at December 31, 2018, the Company has estimated that a 5% decrease or increase in the price of cobalt and share price of Highlands, all other variables remaining constant, would result in a corresponding decrease or increase in income before taxes of $8,694,758 and $367,183, respectively.

Newly Adopted Accounting Policies

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

(i) Financial Instruments ("IFRS 9")

Effective January 1, 2018, the Company adopted IFRS 9. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact on the Company's financial statements.

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

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

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

Financial assets

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

- Financial assets recorded at FVTPL

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

- Amortized cost

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

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

- Financial assets recorded at FVTOCI

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

Financial liabilities

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

- Amortized cost

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

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

Transaction costs

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

Subsequent measurement

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

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

Derecognition

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

Expected Credit Loss Impairment Model

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

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

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

(ii) Revenue from Contracts with Customers

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

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

- Royalty and Streaming Arrangements

  The Company has nine exploration stage and two development stage royalty arrangements and a development stage streaming arrangement.

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

(iii) Streaming interests

The classification of streaming interests under IFRS is complex and subject to significant judgment due to the lack of specific guidance and the number of factors that must be considered. Streaming interests may be accounted for by the investor in a number of ways based on an analysis of all of the relevant facts and circumstances as well as the substance of the agreement. The Company classifies streaming interests as tangible assets as the agreement is settled by the receipt of the underlying commodity.

Streaming interests are initially recorded at their cost based on consideration paid to acquire the asset. These tangible assets have finite lives and are amortized and depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available information of proven and probable reserves. The amortization and depletion expense will be included in the consolidated statement of net and comprehensive income (loss). The Company does not have any streams classified as financial assets.

Recent Accounting Pronouncements

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

Leases ("IFRS 16")

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

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company is in the final stages of determining the impact of the new standard on its consolidated financial statements.

Disclosure of Internal Controls

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the 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 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

Overview

An investment in the shares should be considered highly speculative due to the nature of the Company's business. Investments in companies involved in commodities, such as the Company, involve a significant degree of risk, and commodities prices are also subject to significant volatility, which affects the economic viability of the Company. We have no history of earnings, a limited business history, have not paid dividends, and are unlikely to pay dividends in the immediate or near future. We are in the "start-up" phase of our business. Our operations are not sufficiently established such that we can mitigate the risks associated with our planned activities. Anyone investing in the Company must rely on the ability, expertise, judgement, discretion, integrity and good faith of the management of the Company.

The risks and uncertainties described below are not the only risks and uncertainties that the Company faces. Additional risks and uncertainties of which the Company is not aware or that the Company currently believes to be immaterial may also adversely affect the Company's business, financial condition, results of operations or prospects. If any of the possible events described below occur, the Company's business, financial condition, results of operations or prospects could be materially and adversely affected.

This MD&A also contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this MD&A. See "Forward Looking Statements."

General Risk Factors:

Liquidity Concerns and Future Financing Requirements

We have no source of operating revenue. We may require additional financing in order to fund our business plan. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our efforts to arrange additional financing on terms satisfactory to us, or at all. If additional financing is raised by the issuance of shares from treasury, control of the Company may change and Shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to operate our businesses at their maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

Volatility of Share Price

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include global macroeconomic developments, and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in the price of cobalt will not occur. As a result of any of these factors, the market price of the shares at any given point in time may not accurately reflect the long-term value of the Company.

In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm profitability and the reputation of the Company.

Prospect of Dividends

While the Company announced on May 22, 2018 that the Board approved the adoption of a dividend policy that will provide for the payment of a quarterly cash flow-linked dividend to the Company's shareholders, until such time as the Company generates cash from its royalty and streaming investments, the Company intends to use its future earnings, if any, and other cash resources for the operation and development of its business and does not currently anticipate paying any dividends on the shares. Any future determinations to pay dividends on the shares will be at the sole discretion of the Board after considering a variety of factors and conditions existing from time to time, including current and future commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, and foreign exchange rates. As a result, a holder of shares may not receive any return on an investment in shares.

Market for the shares

There can be no assurance that an active market for the shares will develop or be sustained. If an active public market for the shares does not develop, the liquidity of a purchaser's investment may be limited and the share price may decline.

The Forward-Looking Statements May Prove to be Inaccurate

This MD&A contains forward-looking statements, including, without limitation, the forward-looking statements listed in "Cautionary Note Regarding Forward-Looking Statements". By their nature, forward-looking statements involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. The factors discussed in this section and the section entitled "Forward Looking Statements" should therefore be weighed carefully and prospective investors should not place undue reliance on the forward-looking statements provided in this MD&A.

Fluctuating Price of Cobalt

Materially adverse fluctuations in the price of cobalt may adversely affect the Company's financial performance and results of operations.

Commodity prices, including cobalt, fluctuate on a daily basis and are affected by numerous factors beyond the control of the Company, including levels of supply and demand, industrial development levels, inflation and the level of interest rates, the strength of the US dollar and geopolitical events in significant cobalt producing countries (including the DRC). Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. Valuation of any physical cobalt held by the Company is based on the US dollar price of physical cobalt published in Metal Bulletin or another comparable source. Accordingly, the value of the Company's physical cobalt may not necessary reflect the realizable value.

All commodities, by their nature, are subject to wide price fluctuations and future material price declines will result in a decrease in the value of the commodity held, and/or revenue or, in the case of severe declines that cause a suspension or termination of production by relevant operators, a complete cessation of revenue from streams, royalties or interests in mineral properties applicable to the relevant commodities. Moreover, the broader cobalt market tends to be cyclical, and a general downturn in overall cobalt prices or a significant strengthening of the Canadian dollar relative to the US dollar could result in a significant decrease in the value of our physical cobalt holdings and overall revenue. Any such price decline may result in a material and adverse effect on the Company's profitability, results of operation and financial condition.

Changes in Technology and Future Demand for Cobalt

Currently cobalt is one of the key metals used in batteries for EVs and other devices. However, the technology pertaining to batteries, EVs and energy creation and storage is changing rapidly, and there is no assurance cobalt will continue to be used to the same degree as it is now, or that it will be used at all. Any decline in the use of cobalt in batteries or technologies utilizing cobalt- based batteries may result in a material and adverse effect on the Company's profitability, results of operation and financial condition.

Competition

Many companies are engaged in the search for and the acquisition of cobalt, or rights to or interest in cobalt, and there is a limited supply of physical cobalt and desirable cobalt related interests. Many competitors are larger, more established companies with substantial financial resources, operational capabilities and long earnings track-records. The Company may be at a competitive disadvantage in acquiring interests in any cobalt related assets, whether by way of physical delivery, royalty, stream or other form of investment, as many competitors have greater financial resources and technical staffs. Accordingly, there can be no assurance that we will be able to compete successfully against other companies in acquiring new cobalt related interests. Our inability to acquire additional cobalt interests may result in a material and adverse effect on our profitability, results of operation and financial condition.

No History

While our management has expertise and comparable operating experience, the Company itself has no history of operations in the cobalt industry, and there can be no assurance that our business will be successful or profitable or that we will be able to successfully execute our business model and growth strategy. If we cannot execute our business model and growth strategy, it may result in a material and adverse effect on our profitability, results of operation and financial condition.

Future Acquisitions

As part of our business strategy, we may seek to grow by acquiring companies and/or assets or establishing joint ventures that we believe will complement our current or future business. Acquisition transactions involve inherent risks, including but not limited to: accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; ability to achieve identified and anticipated operating and financial synergies; unanticipated costs; diversion of management attention from existing business; potential loss of our key employees or key employees of any business acquired; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and decline in the value of acquired properties, companies or securities. Any one or more of these factors or other risks could cause us not to realize the anticipated benefits of an acquisition of properties or companies, and could have a material adverse effect on our financial condition. We may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for our business. We cannot guarantee that we can complete any acquisition we pursue on favourable terms, or that any acquisitions completed will ultimately benefit our business.

Uncertainty of Additional Funding

There can be no assurance that we will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further business activities and may result in a material and adverse effect on our profitability, results of operation and financial condition. The Company will require new capital to grow its business and there are no assurances that capital will be available when needed, if at all. It is likely that such additional capital will be raised through the issuance of additional equity, which will result in dilution to Shareholders.

Lack of Liquidity in Public Markets for Cobalt

There is, or there may be in the future, a lack of liquidity for the purchase or sale of cobalt. We may not be able to purchase or sell the volume of cobalt we desire in a timely manner. The pool of potential purchasers and sellers is limited and each transaction may require the negotiation of specific provisions. Accordingly, a purchase or sale may take several months or longer to complete. In addition, as the supply of cobalt is limited, we may experience difficulties purchasing cobalt in the event that we wish to acquire significant quantities. The inability to purchase and sell on a timely basis in sufficient quantities could have a material adverse effect on the shares of the Company.

Lack of Liquidity in Cobalt Project Investments

Some of the cobalt projects in which the Company may invest may be thinly traded and some may have no market at all. There are no restrictions on the investment of the Company's assets in illiquid securities. It is possible that the Company may not be able to sell portions of such positions without facing substantially adverse prices. If the Company is required to transact in such securities before its intended investment horizon, the performance of the Company could suffer.

Expansion of the Business Activities Outside Areas of Expertise

The Company's operations and expertise are currently focused on the acquisition and management of physical cobalt, streams, and royalties, or rights to or interest in cobalt. In the future, we may pursue acquisitions outside this area, including acquiring and/or investing in, producing, developing or exploration-stage resource projects. Expansion of the Company's activities into new areas would present challenges and risks that it has not faced in the past. If the Company does not manage these challenges and risks successfully, it may have a material adverse effect on its profitability, results of operation and financial condition.

Market Events and General Economic Conditions May Adversely Affect our Business, Industry and Profitability

Adverse events in global financial markets can have profound impacts on the global economy. Many industries, including the mining industry, are impacted by these market conditions. Some of the key impacts of the financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect our growth and valuation. Specifically, the global credit/liquidity crisis could impact the cost and availability of financing and our overall liquidity; the volatility of cobalt and other metal prices would impact our revenues, profits, losses, cash flow and the value of our cobalt holdings; continued recessionary pressures could adversely impact demand for the

Company's assets; the devaluation and volatility of global stock markets would impact the valuation of our equity and other securities. These factors could have a material adverse effect on our financial condition and operating results.

Foreign Exchange Rates

While the Company now maintains its accounting records, reports its financial position and results, pays certain operating expenses in United States dollars, the Company also pays other operating expenses and has its shares listed on an exchange in Canadian dollars. Accordingly, fluctuation in the US currency exchange rate relative to the Canadian currency could negatively impact the value of the shares. Investment in equity securities denominated in a currency other than United States currency will be affected by the changes in the value of the United States dollar in relation to the value of the currency in which the security is denominated. Because exchange rate fluctuations are beyond our control, there can be no assurance that such fluctuations will not have an adverse effect on the Company's operations or on the trading value of the shares.

Regulatory Change

We may be affected by changes in regulatory requirements, customs, duties or other taxes. Such changes could, depending on their nature, benefit or adversely affect the Company.

Storage Facilities and Insurance

The Company's physical cobalt is held in third-party storage facilities in different cities. There is no guarantee that the Company's physical cobalt stored within, or during transport between, the storage facilities will not be subject to damage or theft. Additionally, the storage facility may, from time to time, deny the Company timely access to the site or restrict the ability to withdraw and transport the Company's physical cobalt.

The Company has the benefit of insurance arrangements obtained on standard industry terms to protect the Company from material adverse effects related to its storage facilities and during transportation. However, there is no assurance that the insurance will fully cover or absolve the Company in the event of any loss or damage to the physical cobalt owned by the Company. The Company may be financially and legally responsible for losses and/or damages not covered by insurance. Such responsibility could have a material adverse effect on the financial condition of the Company.

The Company's physical cobalt is stored in facilities meeting industry standards. As the number and storage capacity of such storage facilities is limited, there can be no assurance that new arrangements that are commercially beneficial to the Company will be readily available and that existing arrangements will continue to be available. Failure to negotiate and secure commercially reasonable storage terms may have a material adverse effect on the financial condition of the Company.

The Company stores its cobalt in three storage facilities, with most stored at Steinweg warehouses in Rotterdam. Storing a significant percentage of the Company's cobalt in one facility increases the risk of material loss to the Company should some event occur at that facility which causes the loss of all or substantially all of such cobalt which is not covered by insurance. To the Company's knowledge, acts of terrorism are the only material risks not covered by the Company's insurance.

Ability to Realize a Premium Cobalt Price

The market currently ascribes a premium price to certain brands of cobalt products based on various factors including grade, impurities and market liquidity. While there has historically been a premium price for certain brands of cobalt products there is no guarantee that the Company will be able to realize the premium cobalt price in the future. A change to the relative pricing of brands of cobalt may adversely affect the Company.

Doing Business in the DRC

Should the Company acquire any streams, royalties or interests in mineral properties containing cobalt from producers, developers or persons holding mineral property interests in the DRC, the Company will be exposed to additional risks associated with carrying on business in that jurisdiction. The DRC is one of the world's poorest and most politically unstable countries. Some notable risks of investing in this region include, labour unrest, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, war (including within or with other countries), civil disturbances and terrorist actions, arbitrary changes in laws or policies, the failure of foreign parties to honour contractual relations with little or no recourse to local courts, challenges to or reviews of legal and contractual rights, reviews of taxation of foreign companies, changing tax and royalty regimes, delays in obtaining or the inability to obtain, or the cancelation of, necessary governmental permits, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports, price controls, review of taxes on foreign investment, instability due to economic under-development, inadequate infrastructure and increased financing costs. In addition, as a result of conflict in the DRC, international governments may impose regulations to limit commercial trade activities for and make more burdensome purchases of goods and services (including, without limitation, physical cobalt). As a result, if the Company invests in production from, or streams, royalties or mineral properties in the DRC, it may be subject to various increased economic, political, operational and other risks, any one or more of which could have a material adverse effect on Company's business, financial condition, results of operations or prospects. The Company currently has no investments in the DRC, nor is the Company exploring any investment opportunities in the DRC.

Litigation

The Company may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If such disputes arise and we are unable to resolve these disputes favourably, it may have a material and adverse effect on the Company's profitability or results of operations and financial condition.

Leverage

The Company may use financial leverage by borrowing funds against the assets of the Company (including, without limitation, pursuant to the Amended Credit Facility). The use of leverage increases the risk to the Company and subjects the Company to higher current expenses. Also, if the value of the Company's assets drops to the loan value or less, Shareholders could sustain a total loss of their investment.

No Opportunity to Hedge Cobalt

There is no opportunity for the Company to hedge the downside price risk of cobalt since there is no derivatives market for cobalt. As a result, the value of the shares will largely depend upon, and typically fluctuate with, the price of cobalt.

Impact from Other Commodities

Cobalt is typically found with copper and nickel ores and is predominantly mined as a by-product. Any effect on the price of these commodities may affect the price and availability of cobalt. Future pricing of cobalt will depend, in part, on mine capacity and major producing countries, as well as the development of new copper and nickel projects. A strong copper and/or nickel market will likely result in increased output of copper and nickel ores containing cobalt which may impact the supply and price of cobalt.

Conflicts of Interest

Certain of the Company's Directors may also serve as directors or officers, or have significant shareholdings in, other companies involved in the metals industry and, to the extent that such other companies may participate in ventures in which the Company may participate in, or in ventures which the Company may seek to participate in, the Directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where Directors and officers have an interest in other companies, such other companies may also compete with us for the acquisition of metals, royalties, streams or other investments. Such conflicts of the Directors and officers may result in a material adverse effect on our profitability, results of operation and financial condition.

Management Experience and Dependence on Key Personnel and Employees

The Company is dependent upon the continued availability and commitment of its key management, whose contributions to immediate and future operations of the Company are of significant importance. The loss of any such members could negatively affect business operations. From time to time, the Company will also need to identify and retain additional skilled management and specialized technical personnel to efficiently operate its business. The number of persons skilled in the acquisition of metals, royalties, streams and interests in the metals industry is limited, and competition for such persons can be intense. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of such success. If the Company is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material adverse impact on its profitability, results of operations and financial condition. The Company does not intend to maintain "key man" insurance for any members of its management.

Specific Risks Related to Streams and Royalties:

Rights of Third Parties

Some stream and royalty interests may be subject to: (i) buy-down right provisions pursuant to which an operator may buy-back all or a portion of the stream or royalty; (ii) pre-emptive rights pursuant to which parties have the right of first refusal or first offer with respect to a proposed sale or assignment of the stream or royalty; or (iii) claw back rights pursuant to which the seller of a stream or royalty has the right to re-acquire the stream or royalty. Holders of these rights may exercise them such that certain stream or royalty interests would not be available for acquisition.

Costs May Influence Return to Stream or Royalty Holder

Net profit royalties, equity interests and similar interests allow the operator to account for the effect of prevailing cost pressures on the project before calculating a royalty. These cost pressures include costs of labour, equipment, electricity, environmental compliance, and numerous other capital, operating and production inputs. Such costs will fluctuate in ways the royalty holder will not be able to predict and will be beyond the control of such holder, and can have a dramatic effect on the revenue payable on these royalties and other interests. Any increase in the costs incurred by the operators on the applicable properties will likely result in a decline in the royalty revenue received by the royalty holder. This, in turn, will affect overall revenue generated by the royalty holder which may have a material adverse effect on its profitability, financial condition, and results of operation.

Dependence on Third Party Property Owners and Operators

Cash flows derived from streams and/or royalties are based on operations by third parties. These third parties will be responsible for determining the manner in which the relevant properties subject to the streams and royalties are exploited, including decisions to expand, continue or reduce production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties. As a holder of streams, royalties or other interests, the Company will have little or no input on such matters. The interests of third party owners and operators and those of the Company on the relevant properties may not always be aligned. As an example, it will, in almost all cases, be in the interest of the Company to advance development and production on properties as rapidly as possible in order to maximize near-term cash flow, while third party owners and operators may, in many cases, take a more cautious approach to development as they are at risk on the cost of development and operations. The inability of the Company to control the operations for the properties in which it has a stream or royalty or other interest may have a material adverse effect on the Company's profitability, results of operation and financial condition.

Limited Access to Data and Disclosure

As a holder of streams, royalties and other non-operator interests, the Company neither serves as the mine owner or operator, and in almost all cases the Company has no input into how the operations are conducted. As such, the Company has varying access to data on the operations or to the actual properties themselves. This could affect its ability to assess the value of the streams or royalties or enhance their performance. This could also result in delays in cash flow from that anticipated by the Company based on the stage of development of the applicable properties covered by its streams and royalties. The Company's stream and royalty payments may be calculated by the payors in a manner different from the Company's projections and the Company may or may not have rights of audit with respect to such stream and royalty interests. In addition, some streams and royalties may be subject to confidentiality arrangements which govern the disclosure of information with regard to streams and royalties and as such the Company may not be in a position to publicly disclose non-public information with respect thereto. The limited access to data and disclosure regarding the operations of the properties in which the Company has an interest, may restrict its ability to assess the value or enhance its performance which may have a material adverse effect on the Company's profitability, results of operation and financial condition.

Streams and Royalties May not be Honoured by Operators of a Project

Streams and royalties are largely contractually based. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of streams, royalty and other interests do not abide by their contractual obligations, the Company may be forced to take legal action to enforce its contractual rights. Such litigation may be time consuming and costly, and as with all litigation, no guarantee of success can be made. Should any such decision be determined adversely to the Company, it may have a material adverse effect on the Company's profitability, results of operations and financial condition.

Additional Risks

The Company's operations and expertise are currently focused on the acquisition of cobalt by physical possession, entering into streaming contracts and cobalt-related net smelter return royalty agreements and/or participation in mines or early stage exploration and development of mineral properties containing cobalt. Expansion of our activities into new areas will present challenges and risks for which management may not have sufficient expertise. If we do not manage these challenges and risks successfully, it may result in a material adverse effect on our profitability, results of operation and financial condition.

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**.