COBALT 27 CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

EIGHT MONTHS ENDED DECEMBER 31, 2017
AND YEAR ENDED APRIL 30, 2017

(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cobalt 27 Capital Corp.

We have audited the accompanying consolidated financial statements of Cobalt 27 Capital Corp., which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the eight month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cobalt 27 Capital Corp. as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the eight month period then ended in accordance with International Financial Reporting Standards**.**

Comparative Information

The consolidated financial statements of Cobalt 27 Capital Corp. as at and for the year ended April 30, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 15, 2017.

Chartered Professional Accountants, Licensed Public Accountants

April 28, 2018

Toronto, Canada

COBALT 27 CAPITAL CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2017	As at April 30, 2017
Assets		
Current Assets		
Cash and cash equivalents	**$ 53,506,749**	$ 536,676
Amounts receivable and other assets (Note 5)	**506,579**	83,648
	54,013,328	620,324
Non-Current Assets		
Investments in cobalt (Note 7)	**270,834,028**	-
Royalty contracts (Note 8)	**850,000**	-
Investment (Note 6)	**248,102**	-
Deferred financing cost	**-**	135,916
Total Assets	**$ 325,945,458**	$ 756,240
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	**$ 2,256,950**	$ 101,154
Non-Current Liabilities		
Deferred tax liabilities (Note 15)	**10,110,482**	-
Total Liabilities	**12,367,432**	101,154
Shareholders' Equity		
Share capital (Note 9)	**293,587,515**	3,288,921
Reserves	**6,443,192**	1,249,420
Retained Earnings (Deficit)	**13,547,319**	(3,883,255)
Total Shareholders' Equity	**313,578,026**	655,086
Total Liabilities and Shareholders' Equity	**$ 325,945,458**	$ 756,240

Subsequent Events (Note 16)

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 Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	Eight Months Ended December 31, 2017	Year Ended April 30, 2017
Increase in Market Value of Investments		
Unrealized gain on investments in cobalt (Note 7)	**$ 37,899,377**	$ -
Operating Expenses		
Consulting fees and salaries (Note 11)	**1,983,523**	292,930
Directors fees (Note 11)	**149,383**	-
Foreign exchange loss	**1,456,504**	-
General and administrative	**148,364**	76,572
Marketing and promotion	**362,696**	-
Professional fees	**525,779**	22,315
Regulatory fees	**68,674**	32,497
Share based compensation	**5,210,767**	527,630
Transport and storage	**452,631**	-
Impairment of exploration and evaluation assets	**-**	6,036
Total Operating Expenses	**10,358,321**	957,980
Income (Loss) before taxes	**27,541,056**	(957,980)
Deferred tax expense (Note 15)	**(10,110,482)**	-
Net and Comprehensive Income (Loss) for the period	**$ 17,430,574**	$ (957,980)
Basic Income (Loss) Per Share (Note 10)	**$ 0.86**	$ (2.93)
Diluted Income (Loss) Per Share (Note 10)	**$ 0.86**	$ (2.93)
Weighted Average Number of Common Shares Outstanding - Basic (Note 10)	**20,181,047**	326,692
Weighted Average Number of Common Shares Outstanding - Diluted (Note 10)	**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 Canadian Dollars)

	Eight Months Ended December 31, 2017	Year Ended April 30, 2017
Operating Activities		
Net income (loss) for the period	**$ 17,430,574**	$ (957,980)
Adjustments for:		
Unrealized gains on investments in cobalt	**(37,899,377)**	-
Share based compensation	**5,210,767**	527,630
Impairment of exploration and evaluation assets	**-**	6,036
Deferred tax expense	**10,110,482**	-
Non-cash working capital items:		
Amounts receivable and other assets	**(422,931)**	(79,939)
Accounts payable and accrued liabilities	**1,920,362**	(314,676)
Net cash used in Operating Activities	**(3,650,123)**	(818,929)
Investing Activities		
Purchase of investments in cobalt	**(128,900,303)**	-
Purchase of investment	**(248,102)**	**-**
Evaluation and exploration expenditures	**-**	(1,536)
Net cash used in Investing Activities	**(129,148,405)**	(1,536)
Financing Activities		
Common shares issued for cash	**202,427,280**	1,531,660
Share issuance costs	**(17,349,308)**	(29,852)
Common shares issued on exercise of warrants	**668,472**	-
Common shares issued on exercise of stock options	**22,157**	-
Deferred financing costs	**-**	(135,916)
Loans received	**-**	68,128
Loans repaid	**-**	(77,628)
Net cash provided by Financing Activities	**185,768,601**	1,356,392
Net increase in Cash and Cash Equivalents	**52,970,073**	535,927
Cash and Cash Equivalents, Beginning of period	**536,676**	749
Cash and Cash Equivalents, End of period	**$ 53,506,749**	$ 536,676
<u>Supplemental Information</u>		
Common shares issued for investments in cobalt	**$ 104,034,348**	$ -
Common shares issued for Royalty Contracts	**$ 850,000**	$ -
Deferred financing costs included in share issuance costs	**$ 135,916**	$ -
Issuance of units for finder's fees	**-**	$ 42,000

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 Canadian Dollars)

	Share Capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance, April 30, 2016	**183,019**	**$ 1,787,113**	**$ 721,790**	**$ (2,925,275)**	**$ (416,372)**
Issuance of common shares (note 9(b)(ii))	696,450	650,020	-	-	650,020
Issuance of common shares for finder fees (note 9(b)(ii))	45,000	42,000	-	-	42,000
Share issue costs	-	(71,852)	-	-	(71,852)
Exercise of warrants (note 9(b)(iii))	734,700	881,640	-	-	881,640
Share-based payments (note 9(e)(i))	-	-	527,630	-	527,630
Net loss for the period	-	-	-	(957,980)	(957,980)
Balance, April 30, 2017	**1,659,169**	**$ 3,288,921**	**$ 1,249,420**	**$ (3,883,255)**	**$ 655,086**
Issuance of common shares for cash (Note 9(b)(iv)(x))	19,024,420	183,369,780	-	-	183,369,780
Issuance of common shares for investments in cobalt (Note 9(b)(iv)(xi))	11,513,185	104,034,348	-	-	104,034,348
Issuance of common shares on exercise of over-allotment (Note 9(b)(v)(xii))	1,915,000	19,057,500	-	-	19,057,500
Share issuance costs, net of tax (Note 9(b))	-	(17,720,658)	-	-	(17,720,658)
Issuance of common shares for Royalty Contracts (Notes 8 and 9(b)(vi))	127,778	1,150,000	-	-	1,150,000
Escrowed shares (Note 8)	(33,333)	(300,000)	-	-	(300,000)
Issuance of common shares on exercise of warrants (Note 9(b)(vii))	102,681	668,472	-	-	668,472
Issuance of common shares on exercise of options (Note 9(b)(viii))	5,117	39,152	(16,995)	-	22,157
Share based compensation (Note 9(e)(ii)and 9(f))	-	-	5,210,767	-	5,210,767
Net income for the period	-	-	-	17,430,574	17,430,574
Balance, December 31, 2017	**34,314,017**	**$ 293,587,515**	**$ 6,443,192**	**$ 13,547,319**	**$ 313,578,026**

See (note 9(b)(i)).

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 be a company focused on the acquisition of cobalt by physical possession, entering into streaming contracts and cobalt net smelter return royalty (“Co NSR”) agreements and/or participation in producing cobalt mines or early stage exploration and development of mineral properties containing cobalt.

On April 6, 2017, the Company changed its name to Cobalt 27 Capital Corp. and commenced trading under its new name and stock trading symbol KBLT.

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 eight months ended December 31, 2017 were approved and authorized for issue by the Board of Directors on April 28, 2018.

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”) and IFRS Interpretations Committee ("IFRIC").

During the eight months ended December 31, 2017, the Company changed its year-end from April 30th to December 31st to better align its financial reporting with that of comparable companies within the mining and commodities sector. The Company’s transition period is the eight months ended December 31, 2017 and the comparative period is the 12 months ended April 30, 2017.

Basis of presentation

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

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company’s and its subsidiaries functional currency. Foreign currency transactions are translated into the Company’s functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing at the reporting date are recognized in profit or loss. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or 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.

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 and converted to Canadian dollars using the month-end foreign exchange noon rate. Related fair value increment gains and losses are recorded in the consolidated statements of income (loss) and comprehensive income (loss) as "Unrealized gains (losses) 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, the 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.

(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.

3. Significant Accounting Policies (Continued)

(e) Investment

As described in Note 6, Cobalt 27 holds an equity interest in Minerva Intelligence Inc. ("Minerva"), a privately-held company, and accounts for this holding as an available for sale investment.

An available-for-sale investment is measured at fair value, with changes in such fair values being accumulated in other comprehensive income ("OCI") until the asset is realized or impaired, at which time the cumulative gain or loss is recognized in net earnings. Investments in publicly-traded securities are carried at their period end trading price (level one fair value hierarchy estimate).

(f) Financial instruments

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company's financial instruments include cash, short-term deposits, amounts receivable and accounts payable and accrued liabilities. Financial instruments are recognized initially at fair value.

- *Cash and cash equivalents*

Cash and cash equivalents are classified as loans and receivables.

- *Amounts receivable*

Amounts receivables are classified as loans and receivables and are initially recorded at fair value of the amount expected to be received. The estimated fair values of these financial instruments approximate their carrying values because of the short-term nature of these instruments.

- *Financial liabilities*

Accounts payable and accrued liabilities are classified as other financial liabilities. The estimated fair values of accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

- *Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired if objective evidence indicates that a change in the market, economic or legal environment in which the Company invested has had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are recognized in net income (loss). For financial assets measured at amortized cost, any reversal of the impairment is recognized in net income (loss) in subsequent periods if the fair value of the financial asset increases and such increase can be objectively related to an event occurring after the impairment loss was recognized in net income (loss).

3. Significant Accounting Policies (Continued)

(g) Share based compensation

The Company follows the fair value method of accounting for the issuance of stock options and restricted share unit ("RSU") granted to officers, employees, directors, advisors and consultants. The 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 RSUs is determined by the quoted market price of the Company's stock at date of grant. Share based compensation is amortized to earnings over the vesting period of the related option or RSU.

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.

(h) 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.

(i) 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)

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 pronouncements have not yet been adopted.

(a) Financial Instruments ("IFRS 9")

In July 2014, the IASB published the final version of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. The Company will adopt IFRS 9 as of January 1, 2018. Management has determined the adoption of IFRS 9 will not have a material impact on the Company's financial statements.

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

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The Company will adopt IFRS 15 as of January 1, 2018. Management has determined the adoption of IFRS 15 will not have a material impact on the Company's financial statements.

(c) Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective for periods beginning on or after January 1, 2019. Earlier application is permitted. The Company is in the process of assessing the impact of adopting this standard.

(Expressed in Canadian Dollars)

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:

- Stock 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.

5. Amounts Receivable and Other Assets

	As at December 31, 2017	As at April 30, 2017
Sales tax receivable - (Canada)	**$ 99,773**	$ 9,973
Prepaid expenses	**399,105**	73,675
Advances	**7,701**	-
	$ 506,579	$ 83,648

6. Investment

During the eight months ended December 31, 2017, the Company purchased 200,000 common shares of Minerva for US $1.00 per common share for total cost of US$200,000 (C$248,102). Minerva is a privately-held company and the Company's investment is initially recorded at cost, being the fair value at the time of acquisition.

(Expressed in Canadian Dollars)

7. Investments in cobalt

During the eight months ended December 31, 2017, the Company acquired 1,969.3 tonnes of premium-grade cobalt and 712.6 tonnes of standard-grade cobalt at a cost of $232,934,651. As of December 31, 2017, details of cobalt holdings are as follows:

Category of cobalt	Quantity of cobalt metric tonne (mt)	Cost	Fair value [1]
Premium grade	1,969.3	$ 175,512,264	$ 199,882,056
Standard grade	712.6	57,422,387	70,951,972
	2,681.9	**$ 232,934,651**	**$ 270,834,028**

Location	Facility	Quantity of cobalt (mt)	Cost	Fair value [1]
Baltimore	Steinweg	1,781.8	$ 155,377,145	$ 180,565,609
Rotterdam	Steinweg	658.1	57,692,860	65,980,299
Rotterdam	Vollers	100.0	8,603,468	10,150,011
Antwerp	Steinweg	142.0	11,261,178	14,138,109
		2,681.9	**$ 232,934,651**	**$ 270,834,028**

[1] Based on the Metal Bulletin average high grade price of US$36.70 per pound and the Metal Bulletin average low grade price of US$36.00 per pound as of December 31, 2017.

During the eight months ended December 31, 2017, the unrealized gain on investments in cobalt of $37,899,377 was mainly attributable to the increase in the price of cobalt but has also been impacted by fluctuations in the value of the Canadian dollar relative to the United States dollar.

(Expressed in Canadian Dollars)

8. Royalty Contracts

Subsequent to the closing of the Company's initial public offering, the Company entered into eight agreements to acquire royalties on exploration-stage mineral properties containing cobalt (the "Royalty Contracts") in consideration for a total of 127,778 common shares at a market value price of $9.00 valued at $1,150,000. On July 4, 2017, the Company completed seven of the eight agreements. As at December 31, 2017, 33,333 of the above issued common shares (valued at $300,000) were held in escrow pending the fulfillment of several obligations by the vendor (the "Vendor") on one of the planned agreements. The value of the common shares held in escrow related th this agreement has been deducted from Share Capital in the Consolidated Statements of Changes in Shareholders' Equity. Subsequent to year end, the Company and the Vendor agreed to mutually terminate the Royalty Contract and the 33,333 shares were returned to treasury and cancelled (note 16(iv)).

The royalties relate to cobalt as a by-product associated with polymetallic and base metals exploration properties.

As of December 31, 2017, the Company's completed Royalty Contracts consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Consideration
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	27,778 shares valued at $250,002
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	27,778 shares valued at $250,002
Professor & Waldman Properties(1)	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	27,777 shares valued at $249,996
North Canol Properties(1)	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR	5,556 shares valued at $50,000
Sunset Mineral Corp.	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR	5,556 shares valued at $50,000
Total Royalty Contracts						94,445 shares valued at **$850,000**

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

9. Share Capital

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

b) Common shares issued:

(i) Effective November 29, 2016, the Company consolidated its common shares on a 10:1 basis. Effective April 10, 2017, the Company completed a 3:1 forward split of its common shares. In addition, on June 23, 2017, the date of closing of the Offering, the Company consolidated its existing common shares on a 20:1 basis. Prior to and subsequent to the share consolidation on June 23, 2017, the Company had 33,183,280 and 1,659,164 shares outstanding, respectively on a consolidated basis. All references in the financial statements have been adjusted to reflect these share consolidations and forward split.

(ii) On March 21, 2017, the Company completed a private placement of 696,450 units at $0.9333 per unit for gross proceeds of $650,020. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase an additional common share at $1.20 until expiry March 21, 2022. In connection with the private placement, the Company issued 45,000 finder's units with a fair value of $42,000. Each finder's unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional common share at $1.20 for a period of one year expiring March 21, 2018. In addition, the Company incurred share issue costs of $29,852.

(iii) During the year ended April 30, 2017, 689,700 warrants and 45,000 agent warrants were exercised to purchase an aggregate of 734,700 common shares for gross proceeds of $881,640.

(iv) On June 23, 2017, the Company closed an offering (the "Offering") for 22,222,225 common shares at a price (the "Offering Price") of $9.00 per share for a value of $200,000,025. The Offering was completed as follows: (a) 10,924,420 common shares for aggregate gross cash proceeds of $98,319,780 (the "Cash Offering") and (b) 11,297,805 common shares for cobalt contracts (the "Cobalt Contract Shares") for aggregate value of $101,680,245 (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 $70 million of Cobalt Contract Shares under the Offering and the sale of 2,270,000 Shares to Pala Investments will be subject to a 1.0% fee (the "Commissions"). These Commissions totaled $7,478,502. The Company reimbursed the Underwriters' legal fees and other expenses incurred with respect to the Offering which totalled $350,000. In addition, the Company paid $3,000,000 for financial advisory fees and $527,227 in legal and professional fees.

(v) 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 $9.00 per share, for additional gross proceeds of $6,300,000. The Company paid a 6% cash commission of $378,000.

(vi) The Company issued 127,778 common shares in consideration for Royalty Contracts (see Note 8).

(vii) During the eight months ended December 31, 2017, 102,681 warrants and agent's warrants were exercised for gross proceeds of $668,472.

(viii) During the eight months ended December 31, 2017, 5,117 stock options were exercised for gross proceeds of $22,157. The grant date fair value of $16,995 was transferred from reserves to share capital.

(Expressed in Canadian Dollars)

9. Share Capital (Continued)

b) Common shares issued: (continued)

(ix) On October 17, 2017, the Company filed a short form base shelf prospectus ("Shelf Prospectus") to qualify the distribution of common shares, debt securities, subscription receipts, warrants, share purchase contracts and or units of the Company having aggregate proceeds of up to $300,000,000 during the 25 month period that the Shelf Prospectus remains valid. As of December 31, 2017, the Company issued $97,807,500 of securities pursuant to the Shelf Prospectus.

(x) On December 19, 2017, the Company closed a bought deal offering detailed in the prospectus supplement filed on December 11, 2017 in conjunction with its Shelf Prospectus for 8,100,000 common shares at a price of $10.50 per common share for aggregate gross proceeds of $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, $4,252,500. In addition, the Company paid $850,000 for financial advisory fees and $246,423 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.

Directors and officers of the Company are subject to a 90 day lock-up agreement following December 19, 2017.

(xi) On December 19, 2017, the Company issued 215,380 common shares at a price of $10.93 to acquired 22 metric tonnes of physical cobalt valued at $2,354,103.

(xii) 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 $10.50 per share, for gross proceeds of $12,757,500. The Company paid a 5% commission of $637,875.

c) Warrants

The following table reflects the continuity of warrants for the periods ended December 31, 2017 and April 30, 2017:

	Number of warrants	**Weighted average exercise price ($)**
Balance, April 30, 2016	**94,950**	**6.67**
Granted (note 9(b)(i))	696,450	1.20
Exercised (note 9(b)(ii))	(689,700)	1.20
Balance, April 30, 2017	**101,700**	**6.30**
Exercised	(96,974)	6.67
Expired	(976)	6.67
Balance, December 31, 2017	**3,750**	**1.20**

(Expressed in Canadian Dollars)

9. Share Capital (Continued)

c) Warrants (continued)

The following table reflects the actual warrants issued and outstanding as of December 31, 2017:

Number of warrants outstanding	Exercise price ($)	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, 2017 and April 30, 2017:

	Number of warrants	Weighted average exercise price ($)
Balance, April 30, 2016 and April 30, 2017	**5,707**	**6.67**
Exercised	(5,707)	6.67
Balance, December 31, 2017	**-**	**-**

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, 2017 and April 30, 2017:

	Number of stock options	Weighted average exercise price ($)
Balance, April 30,2016	**16,500**	**10.00**
Granted (i)	158,867	4.33
Expired/Forfeited	(16,500)	(10.00)
Balance, April 30, 2017	**158,867**	**4.33**
Granted (ii)	510,000	9.00
Exercised	(5,117)	4.33
Balance, December 31, 2017	**663,750**	**7.92**

(Expressed in Canadian Dollars)

9. Share Capital (Continued)

e) Stock options (continued)

(i) On March 31, 2017, the Company granted a total of 158,867 stock options to certain directors, officers and consultants of the Company pursuant to the Company's stock option plan. The stock options are exercisable at a price of $4.33 per share, expire on March 31, 2022 and vested immediately. The fair value of the stock options was estimated to be $527,630 using the Black-Scholes option pricing model on the following assumptions: exercise price of $4.33, risk free interest rate of 0.87%, an expected life of 3 years inclusive of an assumed forfeiture rate and an expected volatility of 133%. During the year ended April 30, 2017, share based compensation of $527,630 was recorded in the consolidated statements of income (loss) and comprehensive income (loss).

(ii) On August 7, 2017, the Company granted a total of 510,000 stock options to certain directors, officers, advisors and consultants of the Company pursuant to the Company's stock option plan. The stock options are exercisable at a price of $9.00 per share, expire on August 7, 2022 and vested immediately. The fair value of the stock options was estimated to be $1,427,490 using the Black-Scholes option pricing model on the following assumptions: exercise price of $9.00, risk free interest rate of 1.53%, an expected life of 2.5 years inclusive of an assumed forfeiture rate and an expected volatility of 50%. During the eight months ended December 31, 2017, share based compensation of $1,427,490 was recorded in the consolidated statements of income (loss) and comprehensive income (loss).

The following table reflects the Company's stock options outstanding and exercisable as at December 31, 2017:

Options outstanding and exercisable	Grant date fair value ($)	Exercise price ($)	Weighted average remaining contractual life (years)	Expiry date
153,750	510,635	4.33	4.25	March 31, 2022
510,000	1,427,490	9.00	4.60	August 7, 2022
663,750	**1,938,125**	**7.92**	**4.69**	

(f) Restricted share units ("RSU")

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

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

During the eight months ended December 31, 2017, the Company granted 700,000 RSUs to certain officers under its RSU Plan. These RSUs were valued using the December 31, 2017 market value of common shares of $12.30. These RSUs vest over three years on a monthly basis from the grant date. Compensation for the eight months ended December 31, 2017 was $3,783,277.

As at December 31, 2017, there were 700,000 RSUs outstanding. The weighted average fair value of RSU's granted during the eight months ended December 31, 2017 was $12.30 per share.

(Expressed in Canadian Dollars)

10. Net Income (Loss) per Common Share

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

	Eight Months Ended December 31, 2017	Year Ended April 30, 2017
Numerator:		
Net income (loss)	**$ 17,430,574**	$ (957,980)
Denominator		
Weighted average number of common shares - basic	**20,181,047**	326,692
Effect of dilutive securities	**134,689**	-
Weighted average number of common shares - diluted	**20,315,736**	326,692
Net income (loss) per share - basic	**$ 0.86**	$ (2.93)
Net income (loss) per share - diluted	**$ 0.86**	$ (2.93)

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:

	Eight Months Ended December 31, 2017	Year Ended April 30, 2017
Consulting fees and salaries [(1)(2)]	**$ 1,949,418**	$ 130,023
Directors fees[(2)]	**149,383**	-
Share based compensation	**4,776,922**	258,612
	$ 6,875,723	$ 388,635

(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 $1,602,975 as at December 31, 2017 (April 30, 2017 - $nil).

12. Financial Instruments

Fair value of financial instruments

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, 2017, the Company's financial instruments consist of cash and cash equivalents, investment, investments in cobalt and accounts payable and accrued liabilities. Cash and cash equivalents are stated at fair value and classified within Level 1. Investment is stated at fair value and classified within Level 3. Investments in cobalt are classified within Level 2. The fair values of accounts payable and accrued liabilities approximate their carrying values because of the short term nature of these instruments.

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, cash equivalents and investments in cobalt. To limit the credit risk exposure on its cash and cash equivalents, the Company holds all of its cash and cash equivalents in credit worthy financial institutions, while investments in cobalt are held with storage facilities owned by organizations that are credible and financially stable.

Liquidity risk

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

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 Canadian dollars. In calculating the value of investments in cobalt, the Company uses average bid and ask cobalt prices published by Metal Bulletin which are denominated in United States dollars. The Company expects to incur some expenses in United States dollars, British Pound Sterling and European Euro.

As at December 31, 2017, the Company has estimated that a 5% increase or decrease in the value of United States dollars, all other variables remaining constant, would result in a corresponding decrease or increase in net loss and comprehensive loss of $15,097,548.

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

As at December 31, 2017, the Company has estimated that a 5% increase or decrease in the price of cobalt, all other variables remaining constant, would result in a corresponding decrease or increase in net loss and comprehensive loss of $13,539,025.

14. Segmented Information

The Company operates in a single reportable operating segment, being the acquisition of cobalt. 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, 2017	Canada	United States	Europe	Total
Current assets	$ 54,013,328	$ -	$ -	$ 54,013,328
Non-current assets	1,098,102	180,565,609	90,268,419	271,932,130
Total assets	**$ 55,111,430**	**$180,565,609**	**$ 90,268,419**	**$325,945,458**

As at April 30, 2017	Canada	United States	Europe	Total
Current assets	$ 620,324	$ -	$ -	$ 620,324
Non-current assets	135,916	-	-	135,916
Total assets	**$ 756,240**	**$ -**	**$ -**	**$ 756,240**

(Expressed in Canadian Dollars)

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:

	Eight Months Ended December 31, 2017	**Year Ended April 30, 2017**
Income (loss) before income taxes	**$ 27,541,056**	$ (957,980)
Statutory tax rate	**26.00 %**	26.00 %
Expected income tax expense (recovery) based on statutory rate	**7,160,676**	(249,075)
Adjustment to expected income tax benefit:		
Non-deductible (taxable) expenses	**1,354,799**	-
Share issuance cost through equity	**(695,291)**	-
Impact of change in future tax rate	**374,462**	-
Current items not benefitted	**1,915,836**	-
Permanent and other differences	**-**	137,184
Change in deferred tax assets not recognized	**-**	111,891
Total income tax expense (recovery)	**$ 10,110,482**	**$ -**
Current tax expense	**$ -**	$ -
Deferred tax expense	**10,110,482**	-
Total income tax expense (recovery)	**$ 10,110,482**	**$ -**

Deferred tax assets and liabilities

(a) Deferred tax assets and liabilities

The significant components of the deferred tax asset (liability) as at December 31, 2017 and April 30, 2017 are as follows:

	As at December 31, 2017	**As at April 30, 2017**
Non-capital loss carry-forwards	**$ 122,210**	$ 802,533
Unrealized foreign exchange loss (gain)	**3,677,351**	-
Investments in cobalt	**(13,910,043)**	-
Share issuance costs	**-**	15,339
Exploration and evaluation costs	**-**	77,609
	(10,110,482)	895,481
Deferred tax benefits not recognized	-	(895,481)
Deferred tax assets (liabilities)	**$ (10,110,482)**	**$ -**

(Expressed in Canadian Dollars)

15. Income Taxes (Continued)

(b) Unrecognized temporary differences

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

	As at December 31, 2017	As at April 30, 2017
Deductible (taxable) temporary differences not recognized:		
Non-capital losses	**$ 10,455,264**	$ -
Financing fees recorded through share capital	**15,111,036**	-
	$ 25,566,300	$ -

The Company has $10,455,264 non-capital losses available for future periods with expiry dates ranging from 2027 to 2038.

16. Subsequent Events

(i) 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 granted are exercisable at $11.80 for a period of 5 years expiring January 10, 2023.

(ii) On February 22, 2018, the Company announced its 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”), which contains the world's largest undeveloped, permitted, and construction-ready reserves of nickel and cobalt, located in the geopolitically secure and mining-friendly Abitibi region of the Canadian province of Québec.

The Company paid $10 million cash and issued 537,057 common shares as consideration for the 1.75% NSR. The 1.75% NSR royalty contains a US$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.

(iii) On March 9, 2018, the Company closed a private placement for 17,556,828 common shares at a price of $11.40 per common share for aggregate gross proceeds of $200,147,839. The Company paid a cash commission equal to 5% of the gross proceeds. The net proceeds of the private placement will be used by the Company to fund the acquisition of cobalt-related investments and general corporate purposes.

(iv) In March 2018, the Company and the Vendor on one of its Royalty Contracts mutually agreed to terminate the Royalty Contract and the 33,333 shares were returned to treasury and cancelled.

COBALT 27 CAPITAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

EIGHT MONTHS ENDED DECEMBER 31, 2017

(EXPRESSED IN CANADIAN 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 eight months ended December 31, 2017. This MD&A was written to comply with the requirements of National Instruments 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the eight months ended December 31, 2017 and the year ended April 30, 2017, together with the notes thereto. Results are reported in Canadian 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 28, 2018, 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 common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

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

Description of Business

Cobalt 27 is a publicly listed company incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on May 9, 2006 and its shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "KBLT". For the period from incorporation in 2006 to February 2017, the Company was a mineral exploration company but in March 2017, the Company redirected its efforts to be a resource trading company 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.

Company Highlights

On June 23, 2017, Cobalt 27 completed a $200 million public offering ("Offering") of shares on the TSX-V which was comprised of 22,222,225 shares issued at $9.00 per share. This represented the largest mining Initial Public Offering in Canada since 2012.

Concurrently with closing the Offering, Cobalt 27 acquired one of the largest stockpiles of physical cobalt in the world. That stockpile is comprised of 2,160.9 metric tonnes of cobalt which is being stored in four London Metals Exchange ("LME") bonded warehouses in the United States and Europe. The total cost of the physical cobalt was $180.3 million, including $101.7 million of common shares issued as part of the Offering and the balance of $78.6 million was paid in cash on closing of the Offering. The Company's holding of physical cobalt provides investors with an ability to effectively invest in cobalt without the exploration and development risk associated with companies that explore for, mine and process cobalt.

On June 29, 2017, pursuant to the underwriters over-allotment option in conjunction with the Offering, the Company issued a further 700,000 common shares at a price of $9.00 for additional gross proceeds of $6.3 million.

In addition, shortly after closing the Offering, Cobalt 27 exercised its options to acquire seven cobalt net smelter return royalties ("Co NSR") on exploration-stage mineral properties in Canada. All seven royalties are 2.0% Co NSR royalties and contain a right-of-first-refusal on a future cobalt stream should the owners look to finance and develop the properties at a future date.

On December 19, 2017, the Company closed a bought deal offering detailed in the prospectus supplement filed on December 11, 2017 in conjunction with its short form base shelf prospectus dated October 17, 2017. The offering distributed a total of 8,100,000 common shares on a bought deal basis at an issue price of $10.50 per common share for aggregate gross proceeds of approximately $85 million. The offering was underwritten by a syndicate of underwriters co-led by TD Securities Inc. and Scotiabank and included BMO Capital Markets, Haywood Securities Inc., Canaccord Genuity Corp., RBC Dominion Securities Inc., Cormark Securities Inc., National Bank Financial Inc., Desjardins Securities Inc., Eight Capital and GMP Securities L.P. (collectively, the "Underwriters").,

On December 22, 2017, pursuant to the Underwriters over-allotment option in conjunction with the bought deal offering, the Company issued a further 1,215,000 common shares at a price of $10.50 for additional gross proceeds of approximately $12.8 million.

The net proceeds of the December 19, 2017 offering were used to purchase an additional 822 metric tonnes of physical cobalt. These purchases brought the Company's total cobalt holdings to over 2,980 metric tonnes. The Company also used a small portion of the proceeds to acquire the 1.75% Net Smelter Return royalty on the Dumont Nickel-Cobalt Project discussed below.

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

Following completion of these cobalt and royalty purchases and the three equity offerings, the Company intends to increasingly focus on advancing its streaming business. Management believes the strengthened financial position with approximately $200 million of cash, its increased size and enhanced liquidity will reduce Cobalt 27's cost of capital as it transitions to capitalize on streaming investment throughout the balance of 2018.

Other Company Highlights

Changes to Board of Directors and Advisory Board

The Company augmented the expertise of its Advisory Board with the appointment of Dr. Prabhakar Patil, Mr. Ted Miller and Mr. Andrew Ham.

- Dr. Patil joined in June 2017 and is the former Chief Executive Officer of LG Chem Power Inc., the North American subsidiary of the lithium-ion battery maker LG Chem, Korea.
- Mr. Miller joined in June 2017 and is Ford's Senior Manager of Energy Storage and Materials Strategy and Research with responsibility for research and development for all Ford hybrid, plug-in hybrid and battery electric vehicles.
- Mr. Ham joined in January 2018 and has a PhD in Structural Geology and over 20 years of buy-side, industry and research experience in diverse commodities and on six continents, he has an extensive network in the mining and investment sectors.

Their input as Advisory Board members has been and will continue to be invaluable as Cobalt 27 executes its growth strategy.

In December 2017, the Company added two new directors to its board, Candace MacGibbon and Justin Cochrane. With the addition of Ms. MacGibbon and Mr. Cochrane to the Board, Mr. Hykawy stepped down from the Board and joined the Company's Advisory Board as its Chairman. The Company continues to build its Board and management team in anticipation of its transition to a streaming company. Ms. MacGibbon is a CPA and brings a strong financial background in both mining and capital markets to the Board as the Company moves towards cash flow. She will serve on the audit committee. Mr. Cochrane is the Company's President and Chief Operating Officer and a streaming expert.

Preliminary short form shelf prospectus

On October 17, 2017, the Company filed a short form base shelf prospectus to qualify the distribution of common shares, debt securities, subscription receipts, warrants, share purchase contracts and or units of the Company having aggregate proceeds of up to $300 million during the 25 month period that the short form base shelf prospectus remains valid. As of the date of this MD&A, the Company has raised approximately $298 million of aggregate gross proceeds from the issue of common shares pursuant to the Shelf Prospectus. The short form base shelf prospectus allows the Company to offer and sell securities to the public without filing a separate prospectus for each offering over the specified time period.

Change in financial reporting year end

During the eight months ended December 31, 2017, the Company changed its year-end from April 30th to December 31st to better align its financial reporting with that of comparable companies within the mining and commodities sector. The Company's transition period is the eight months ended December 31, 2017 and the comparative period is the 12 months ended April 30, 2017.

Other share issuances

During the eight months ended December 31, 2017, 102,681 warrants and agent's warrants were exercised for gross proceeds of $668,472.

During the eight months ended December 31, 2017, 5,117 stock options were exercised for gross proceeds of $22,157.

RSU plan and stock option grant

On August 8, 2017, the Company announced that it has adopted a Restricted Share Unit Plan (the "RSU Plan"), subject to TSX-V and disinterested shareholder approval. The RSU Plan provides for the acquisition of the Company's common shares by the issuance of Restricted Share Units ("RSU's") to eligible participants for the purpose of advancing the interests of the Company and its shareholders, through the motivation, attraction and retention of officers, employees, directors and consultants of the Company.

The maximum aggregate number of shares reserved for issuance under the RSU Plan, together with the Company's existing Stock Option Plan (as approved by its shareholders on May 18, 2017), shall not exceed a combined total of 10% of the Company's issued and outstanding shares. In addition, the RSU Plan sets out certain other restrictions in respect of grants to certain participants under the RSU Plan in accordance with the rules of the TSX-V. No common shares shall be issued until the Company has received TSX-V and disinterested shareholder approval of the RSU Plan.

On August 7, 2017, the Company granted 510,000 incentive stock options and 700,000 RSU's to certain of its officers, employees, directors, advisors and consultants. The incentive stock options granted are exercisable at $9.00 per share for a period of 5 years expiring August 7, 2022.

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

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 intends to apply a disciplined investing and operating approach to execute its business plan through two strategies: growing its physical cobalt holdings; and pursuing the acquisition of cobalt-related streams and royalties. In time, the Company may consider paying a dividend on its common shares, although there is no current intention to declare and pay dividends. The Company currently has a debt-free balance sheet; however, this position may be reviewed should the Board become aware of available and commercially prudent financing arrangements. The Company intends to further fund working capital through cash proceeds on the balance sheet and cash flows from potential streams and royalties.

Physical Cobalt

The initial strategy of Cobalt 27 was to invest in physical holdings of cobalt and not to actively speculate with regard to short-term changes in cobalt prices. This strategy is 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 is to achieve appreciation in the value of its cobalt 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 dispose of some physical cobalt. 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 1,969.3 tonnes of premium-grade cobalt and 712.6 tonnes of standard-grade cobalt at a fair value of $270,834,028 as at December 31, 2017. All of the physical cobalt is held in four LME bonded warehouses in the U.S. and Europe.

Cobalt Royalty and Streaming

The Company is actively pursuing streaming and royalty acquisitions, and discussions with potential streaming counterparties are ongoing. The focus is on streaming opportunities that could provide the Company with material near-term cash flow, direct leverage to the cobalt price and exploration and production upside. In addition, the Company believes its current royalty portfolio of eight royalties provide shareholders with long-term optionality on the price of cobalt as well as nickel; however 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.

Subsequent to the closing of the Company's initial public offering, the Company entered into eight agreements to acquire royalties on exploration-stage mineral properties containing cobalt (the "Royalty Contracts") in consideration for a total of 127,778 common shares valued at $1,150,000. On July 4, 2017, the Company completed seven of the eight Royalty Contracts.

As at the date of this MD&A, 33,333 of the above issued common shares (valued at $300,000) were cancelled due to the termination of one of its Royalty Contracts.

Each Royalty Contract entered into by the Company provides:

(i) the Company with a cobalt net smelter return royalty ("Co NSR") from the property owner or operator, pertaining to a particular mineral property, for a fixed price which will be paid by the Company through the issuance of common shares;

(ii) the Company with a right of first refusal to acquire a cobalt metals stream with respect to the same mineral property;

(iii) a two kilometer area of interest around the property boundaries;

(iv) the property owner with an option to buy back the royalty at a pre-determined price if it has entered into a cobalt stream agreement with the Company; and

(v) the Company with a registered interest against title to the underlying mineral property, where possible.

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

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Stream ROFR
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

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

Dumont Royalty

On February 22, 2018, the Company announced its 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"), which contains the world's largest undeveloped, permitted, and construction-ready reserves of nickel and cobalt, located in the geopolitically secure and mining-friendly Abitibi region of the Canadian province of Québec.

The Company paid $10 million and issued 537,057 common shares as consideration for the 1.75% NSR. The 1.75% NSR royalty contains a US$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.

The Dumont NSR royalty was the Company's first investment in its wholly-owned subsidiary, Electric Metals Streaming Corp. ("Electric Metals Streaming"), which will also hold Cobalt 27's future streaming and royalty investments and is incorporated in the Province of Ontario. Cobalt 27 is currently negotiating additional cobalt streaming and royalty agreements where cobalt is mined as a byproduct metal and intends to finalize the first of several cobalt streaming agreements over the next year.

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

	Eight Months Ended December 31, 2017	Fiscal Year Ended April 30, 2017	Fiscal Year Ended April 30, 2016
Total Revenue	$nil	$nil	$nil
Net Income (Loss)	$17,430,574	($957,980)	($576,993)
Basic Income (Loss) per share	$0.86	($2.93)	($3.15)
Basic Income (Loss) per share	$0.86	($2.93)	($3.15)
	As at December 31, 2017	**As at April 30, 2017**	**As at April 30, 2016**
Total Assets	$325,945,458	$756,240	$8,958
Non-Current Liabilities	$10,110,482	$nil	$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:

Three Months Ended	Net Revenues ($)	Income or (Loss) Total ($)	Per Share - Basic[5] ($)	Per Share - Diluted[5] ($)
2017-December 31[4]	-	18,202,855[1]	0.68	0.68
2017-October 31	-	6,399,228[2]	0.26	0.26
2017-July 31	-	(7,171,509)[3]	(0.64)	(0.64)
2017-April 30	-	(895,887)	(2.74)	(2.74)
2017-January 31	-	(18,617)	(0.06)	(0.06)
2016-October 31	-	(34,838)	(0.11)	(0.11)
2016-July 31	-	(8,638)	(0.05)	(0.05)
2016-April 30	-	(382,261)	(2.09)	(2.09)

(1) Net income of $18,202,855 consisted primarily of unrealized gains on investments in cobalt of $32,576,614 offset by share based compensation of $1,701,605, deferred income tax of $8,710,482, consulting fees and salaries of $1,698,034, foreign exchange loss of $1,342,195, transport and storage expense of $301,482 and other operational expenditures.

(2) Net income of $6,399,228 consisted primarily of unrealized gains on investments in cobalt of $11,919,406 offset by share based compensation of $3,509,162, deferred income tax of $1,400,000, consulting fees and salaries of $149,669, marketing and promotion expense of $113,712 and other operational expenditures.

(3) Net loss of $7,171,509 consisted primarily of unrealized losses on investments in cobalt of $6,596,643, consulting fees and salaries of $135,820, marketing and promotion expense of $126,821, foreign exchange loss of $120,375 and other operational expenditures.

(4) Represents the two months ended December 31, 2017

(5) 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

The Company has 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.

Eight months ended December 31, 2017 compared to the year ended April 30, 2017

The Company realized a net income of $17,430,574 during the eight months ended December 31, 2017 as compared to a net loss of $957,980 for the year ended April 30, 2017. The increase in net income of $18,388,554 resulted from the following significant variances:

- During the eight months ended December 31, 2017, an amount of $37,899,377 has been recorded as unrealized gain on investments in cobalt due to the increase in the price of cobalt which more than offset a strengthening of the Canadian dollar relative to the United States dollar, which is the currency in which cobalt is priced. The Company did not hold any investments in cobalt in the comparable period in 2016.

- During the eight months ended December 31, 2017, the Company recorded share based compensation of $5,210,767 compared to $527,630 in the comparative period. During the current period, the Company issued 510,000 stock options and 700,000 RSUs compared to 158,867 stock options and no RSUs granted during the year ended April 30, 2017.

- During the eight months ended December 31, 2017, the Company recorded deferred tax expense of $10,110,482 for temporary tax differences in relation to cobalt investments. There was no deferred tax expense in the year ended April 30, 2017.

- The increase in consulting fees and salaries of $1,690,593 for the eight months ended December 31, 2017 compared to the year ended April 30, 2017 resulted from consulting services and management compensation for the advancement of the Company's new business focus of cobalt acquisition.

- The increase in marketing and promotion expense of $362,696 for the eight months ended December 31, 2017 compared to the year ended April 30, 2017 resulted from roadshow expenses and marketing efforts to promote the Company's equity raising endeavours as well as increase market presence of the Company.

- During the eight months ended December 31, 2017, directors' fees totaled $149,383 compared to $nil for the year ended April 30, 2017. For the December 31, 2017 period, newly appointed directors were compensated for their duties while in the April 30, 2017 period, the former directors agreed to forgo both payment and accrual of fees.

- During the eight months ended December 31, 2017, general and administrative expenses totaled $148,364 compared to $76,572 for the year ended April 30, 2017. General and administrative expenses include rent expense, insurance, office expenses and miscellaneous expenses. The increase of $71,792 resulted from the Company's relocation of its head office to Toronto from Vancouver and its administrative expenses related to commencement of full operation on its new business direction.

- During the eight months ended December 31, 2017, the Company recorded a foreign exchange loss of $1,456,504 compared to $nil for the year ended April 30, 2017 due to fluctuations in the exchange rates of the US dollar, British Pound Sterling and European Euro. The Company pays for physical cobalt in US dollars and makes certain payments in US dollar, British Pound Sterling and European Euro.

- The increase in transport and storage of $452,631 for the eight months ended December 31, 2017 compared to the year ended April 30, 2017 resulted from transportation, insurance and warehousing cost associated with the Company's physical cobalt.

Due to the change in business activity, the Company has not presented three month analysis of the results of operations as we do not believe they provide meaningful information to the readers of this MD&A.

Liquidity and Financial Position

As of December 31, 2017, the Company had working capital of $51,756,378 which management believes is adequate to fund its business strategy. However, the Company currently has no operations 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. Subsequent to December 31, 2017, the Company raised an additional $200 million of gross proceeds from a private placement.

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

Cash flows

Operating Activities

Cash used in operating activities was $3,650,123 for the eight months ended December 31, 2017.

Investing Activities

During the eight months ended December 31, 2017, the Company used cash to purchase $128,900,303 of investments in cobalt and $248,102 of investment in Minerva Intelligence Inc.

Financing Activities

Cash provided by financing activities was $185,768,601 for the eight months ended December 31, 2017. Financing activities consisted of proceeds of $202,427,280 from the offerings and exercise of over-allotments and $690,629 from the exercise of warrants, agent's warrants and stock options. These proceeds were offset by $17,349,308 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 of Director.

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

	Eight Months Ended December 31, 2017 ($)	Year Ended April 30, 2017 ($)
Consulting fees and salaries (1)(2)	1,949,418	130,023
Directors fees (2)	149,383	nil
Share based compensation	4,776,922	258,612
Total	**6,875,723**	**388,635**

(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 $1,602,975 as at December 31, 2017 (April 30, 2017 - $nil).

Major shareholders

To the knowledge of the directors and senior officers of the Company, as of the date of this MD&A, no person or company beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all of the common shares of the Company other than as set out below:

	Number of common shares	Percentage of outstanding shares
Pala Investments Limited	7,362,820	14.05%

The remaining 85.95% of the shares are widely held, which includes various small holdings which are owned by directors and officers of the Company. The percentage holdings of shareholders can change at any time at the shareholder's discretion.

Share Capital

As of the date of this MD&A, the Corporation had 52,407,897 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
March 31, 2022	153,750	$4.33
August 7, 2022	510,000	$9.00
January 10, 2023	485,000	$11.80
	1,148,750	

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

Expiry date	Number of warrants	Exercise price
March 21, 2022	3,750	$1.20

As of the date of this MD&A, there were 875,000 RSUs outstanding.

Financial Instruments

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, 2017, the Company's financial instruments consist of cash and cash equivalents, investment, investments in cobalt and accounts payable and accrued liabilities. Cash and cash equivalents are stated at fair value and classified within Level 1. Investment is stated at fair value and classified within Level 3. Investments in cobalt are classified within Level 2. The fair values of accounts payable and accrued liabilities approximate their carrying values because of the short term nature of these instruments.

Financial risks

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

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

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

Market risk

(a) Interest rate risk

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

(b) Foreign currency risk

Foreign currency risk arises from transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's functional currency is Canadian dollars. In calculating the value of investments in cobalt, the Company uses average bid and ask cobalt prices published by Metal Bulletin which are denominated in United States dollars. The Company expects to incur some expenses in the United States dollars and European Euro.

As at December 31, 2017, the Company has estimated that a 5% increase or decrease in the United States dollars, all other variables remaining constant, would result in a corresponding decrease or increase in net loss and comprehensive loss of $15,097,548.

(c) Price risk

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

As at December 31, 2017, the Company has estimated that a 5% increase or decrease in the price of cobalt, all other variables remaining constant, would result in a corresponding decrease or increase in net loss and comprehensive loss of $13,539,025.

Changes in Accounting Policies

The following accounting policies were adopted during the period ended December 31, 2017 due to the changes to the Company's corporate structure and nature of operations.

(i) 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 and converted to Canadian dollars using the month-end foreign exchange noon rate. Related fair value increment gains and losses are recorded in the consolidated statements of income (loss) and comprehensive income (loss) as "Unrealized gains (losses) 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, the 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.

(ii) 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.

(iii) Share based compensation

The Company follows the fair value method of accounting for the issuance of stock options and restricted share unit ("RSU") granted to officers, employees, directors, advisors and consultants. The 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 RSUs is determined by the quoted market price of the Company's stock. Share based compensation is amortized to earnings over the vesting period of the related option or RSU.

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.

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 have not yet been adopted and are being evaluated to determine their impact on the Company.

(a) Financial Instruments ("IFRS 9")

In July 2014, the IASB published the final version of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. The Company will adopt IFRS 9 as of January 1, 2018. Management has determined the adoption of IFRS 9 will not have a material impact on the Company's financial statements.

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

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The Company will adopt IFRS 15 as of January 1, 2018. Management has determined the adoption of IFRS 15 will not have a material impact on the Company's financial statements.

(c) Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective for periods beginning on or after January 1, 2019. Earlier application is permitted. The Company is in the process of assessing the impact of adopting this standard.

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

The Company currently 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

Cobalt is typically purchased in US currency. However, the Company maintains its accounting records, reports its financial position and results, pays certain operating expenses and has its shares listed on an exchange, in Canadian currency. 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 Canadian currency will be affected by the changes in the value of the Canadian 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 Position will be held in third-party storage facilities in different cities. There is no guarantee that the Physical Position 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 Physical Position.

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 Position 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 Physical Position is to be 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 four storage facilities, with more than one-half 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. 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 and management of physical cobalt, and holding royalties. In the future, the Company intends to pursue acquisitions outside this area, including acquiring streams and direct interests in cobalt properties. 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**.