



COBALT 27 CAPITAL CORP.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**THREE MONTHS ENDED MARCH 31, 2018
AND THREE MONTHS ENDED APRIL 30, 2017**

**(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

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

	As at March 31, 2018	As at December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 194,615,964	\$ 53,506,749
Amounts receivable and other assets (Note 3)	1,342,373	506,579
	195,958,337	54,013,328
Non-Current Assets		
Investments in cobalt (Note 5)	368,616,629	270,834,028
Royalty contracts (Note 6)	20,895,013	850,000
Investment (Note 4)	248,102	248,102
Total Assets	\$ 585,718,081	\$ 325,945,458
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 952,806	\$ 2,256,950
Non-Current Liabilities		
Deferred tax liabilities	28,238,591	10,110,482
Total Liabilities	29,191,397	12,367,432
Shareholders' Equity		
Share capital (Note 7)	488,670,841	293,587,515
Reserves	12,164,899	6,443,192
Retained Earnings	55,690,944	13,547,319
Total Shareholders' Equity	556,526,684	313,578,026
Total Liabilities and Shareholders' Equity	\$ 585,718,081	\$ 325,945,458

Subsequent Events (Note 13)

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

COBALT 27 CAPITAL CORP.**Condensed Interim Consolidated Statements of Net and Comprehensive Income (Loss)****(Expressed in Canadian Dollars)****(Unaudited)**

	Three Months Ended March 31, 2018	Three Months Ended April 30, 2017
Increase in Market Value of Investments		
Unrealized gain on investments in cobalt (Note 5)	\$ 67,464,201	\$ -
Operating Expenses		
Consulting fees and salaries (Note 9)	204,594	247,430
Directors fees (Note 9)	60,833	-
Foreign exchange loss	217,516	-
General and administrative	181,074	70,285
Marketing and promotion	120,534	-
Professional fees	307,029	21,590
Regulatory fees	56,124	22,927
Share based compensation (Notes 7(e)(f))	5,721,707	527,630
Transport and storage	323,056	-
Impairment of exploration and evaluation assets	-	6,036
Total Operating Expenses	7,192,467	895,898
Income (Loss) before taxes	60,271,734	(895,898)
Deferred tax expense	(18,128,109)	-
Net and Comprehensive Income (Loss) for the period	\$ 42,143,625	\$ (895,898)
Basic Income (Loss) Per Share (Note 8)	\$ 1.09	\$ (1.16)
Diluted Income (Loss) Per Share (Note 8)	\$ 1.08	\$ (1.16)
Weighted Average Number of Common Shares Outstanding - Basic (Note 8)	38,665,971	772,238
Weighted Average Number of Common Shares Outstanding - Diluted (Note 8)	38,938,688	772,238

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

COBALT 27 CAPITAL CORP.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended March 31, 2018	Three Months Ended April 30, 2017
Operating Activities		
Net income (loss) for the period	\$ 42,143,625	\$ (895,898)
Adjustments for:		
Unrealized gains on investments in cobalt	(67,464,201)	-
Share based compensation	5,721,707	527,630
Impairment of exploration and evaluation assets	-	6,036
Deferred tax expense	18,128,109	-
Non-cash working capital items:		
Amounts receivable and other assets	(835,794)	(81,707)
Accounts payable and accrued liabilities	(1,068,710)	(315,706)
Net cash used in Operating Activities	(3,375,264)	(759,645)
Investing Activities		
Purchase of investments in cobalt	(30,318,400)	-
Purchase of royalty contract	(12,929,008)	-
Evaluation and exploration expenditures	-	(98)
Net cash used in Investing Activities	(43,247,408)	(98)
Financing Activities		
Common shares issued for cash	200,147,839	1,531,660
Share issuance costs	(12,415,952)	(29,852)
Deferred financing costs	-	(135,916)
Loans repaid	-	(72,628)
Net cash provided by Financing Activities	187,731,887	1,293,264
Net increase in Cash and Cash Equivalents	141,109,215	533,521
Cash and Cash Equivalents, Beginning of period	53,506,749	3,155
Cash and Cash Equivalents, End of period	\$ 194,615,964	\$ 536,676
Supplemental Information		
Common shares issued for Royalty Contracts	\$ 7,116,005	\$ -
Issuance of units for finder's fees	\$ -	\$ 42,000

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

COBALT 27 CAPITAL CORP.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)****(Unaudited)**

	Share Capital		Reserves	Deficit	Total
	Number	Amount			
Balance, January 31, 2017	183,019	\$ 1,787,113	\$ 721,790	\$ (2,987,357)	\$ (478,454)
Issuance of common shares for cash (Note 7(b)(i))	696,450	650,020	-	-	650,020
Issuance of common shares for finder fees (Note 7(b)(i))	45,000	42,000	-	-	42,000
Share issue costs	-	(71,852)	-	-	(71,852)
Issuance of common shares on exercise of warrants (Note 7(b)(ii))	734,700	881,640	-	-	881,640
Share-based payments (Note 7(e)(i))	-	-	527,630	-	527,630
Net loss for the period	-	-	-	(895,898)	(895,898)
Balance, April 30, 2017	1,659,169	3,288,921	1,249,420	(3,883,255)	655,086
Balance, December 31, 2017	34,314,017	\$ 293,587,515	\$ 6,443,192	\$ 13,547,319	\$ 313,578,026
Issuance of common shares for cash (Note 7(b)(iii))	17,556,828	200,147,839	-	-	200,147,839
Share issue costs	-	(12,180,518)	-	-	(12,180,518)
Issuance of common shares for Royalty Contracts (Notes 6 and 7(b)(iv))	537,057	7,116,005	-	-	7,116,005
Share-based payments (Notes 7(e)(ii) and 7(f))	-	-	5,721,707	-	5,721,707
Net income for the period	-	-	-	42,143,625	42,143,625
Balance, March 31, 2018	52,407,902	\$ 488,670,841	\$ 12,164,899	\$ 55,690,944	\$ 556,526,684

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

COBALT 27 CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Operations

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

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

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

2. Significant Accounting Policies

Statement of compliance

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

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 29, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the eight months ended December 31, 2017 except as noted below.

Changes in accounting policies

(i) IFRS 9, Financial Instruments

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

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

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

2. Significant Accounting Policies (Continued)*Changes in accounting policies (continued)**(i) IFRS 9, Financial Instruments (continued)*

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

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

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

Financial assets

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

- Financial assets recorded at FVTPL

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

- Amortized cost

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

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

- Financial assets recorded at FVTOCI

Financial asset previously classified as available-for-sale satisfied the conditions for classification as financial assets at FVTOCI and the Company elected to irrevocably designate them at FVTOCI. This cost exemption is not available under IFRS 9. At the date of adoption, the Company held one equity investment at cost, which had a fair value of \$248,102 as at January 1, 2018.

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

2. Significant Accounting Policies (Continued)*Changes in accounting policies (continued)**(i) IFRS 9, Financial Instruments (continued)***Financial liabilities**

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

- Amortized cost

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

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

Transaction costs

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

Subsequent measurement

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

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

Derecognition

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

COBALT 27 CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant Accounting Policies (Continued)

Changes in accounting policies (continued)

(i) IFRS 9, Financial Instruments (continued)

Expected Credit Loss Impairment Model

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

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

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

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

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

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

- Royalty arrangements

Revenue from royalty arrangements is measured at the transaction price agreed in the royalty arrangement with the operator of each property. The transaction price will reflect the gross value of the commodity sold less deductions that vary based on the terms of the royalty arrangement.

- Stream arrangements

For stream arrangements where the Company may acquire refined metal from an operator, the Company may sell the refined metal to third party financial institutions or brokers. The Company will transfer control over the commodity on the date the commodity is credited to the customer's metal account, which is the date that title to the commodity and the risks and rewards of ownership will transfer to the customer and the customer is able to direct the use of and obtain substantially all of the benefits from the commodity. The transaction price for these sales is fixed at the delivery date based on the spot price for the commodity and payment of the transaction price is generally due immediately when control has been transferred.

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

2. Significant Accounting Policies (Continued)*Changes in accounting policies (continued)**(ii) Revenue from Contracts with Customers ("IFRS 15") (continued)*

- Stream arrangements (continued)

For those stream arrangements where the Company may acquire the commodities in concentrate form from the operator, the Company will sell the concentrate under sales contracts with independent processing companies. The Company will transfer control over the concentrate at the time of shipment, which is when the risks and rewards of ownership and title pass to the independent processing company. The final prices for metals contained in the concentrate are determined based on the market price for the metals on a specified future date after shipment. Upon transfer of control at shipment, the Company records revenue and a corresponding receivable from these sales based on forward commodity prices at the time of shipment.

Variations between the price recorded at the transfer of control and the actual final price set under the contracts with the processing companies are caused by changes in market commodity prices, and result in an embedded derivative in the receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included as a component of stream revenue. IFRS 15 does not consider provisional price adjustments associated with concentrate sales to be revenue from contracts with customers as they arise from changes in market commodity prices.

Recent accounting pronouncements

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

Leases ("IFRS 16")

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

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

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

3. Amounts Receivable and Other Assets

	As at March 31, 2018	As at December 31, 2017
Sales tax receivable	\$ 82,622	\$ 99,773
Prepaid expenses	1,253,627	399,105
Advances	6,124	7,701
	\$ 1,342,373	\$ 506,579

COBALT 27 CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. Investment

In September 2017, the Company purchased 200,000 common shares of Minerva Intelligence Inc. ("Minerva") for US \$1.00 per common share for total cost of US\$200,000 (\$248,102). Minerva is a privately-held company and the Company's investment was initially recorded at cost, being the fair value at the time of acquisition which was determined from Minerva's recent equity financing.

5. Investments in cobalt

As of March 31, 2018, details of cobalt holdings are as follows:

Category of cobalt	Quantity of cobalt metric tonne (mt)	Cost	Fair value ⁽¹⁾
Premium grade	2,269.1	\$ 205,830,664	\$ 280,710,819
Standard grade	712.6	57,422,387	87,905,810
	2,981.7	\$ 263,253,051	\$ 368,616,629

Location	Facility	Quantity of cobalt (mt)	Cost	Fair value ⁽¹⁾
Baltimore	Steinweg	180.0	\$ 18,159,400	\$ 22,268,003
Rotterdam	Steinweg	2,559.7	225,229,005	316,461,013
Rotterdam	Vollers	100.0	8,603,468	12,371,113
Antwerp	Steinweg	142.0	11,261,178	17,516,500
		2,981.7	\$ 263,253,051	\$ 368,616,629

⁽¹⁾ Based on the Metal Bulletin average high grade price of US\$43.50 per pound and the Metal Bulletin average low grade price of US\$43.38 per pound as of March 31, 2018.

During the three months ended March 31, 2018, the unrealized gain on investments in cobalt of \$67,464,201 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.

6. Royalty Contracts

In June 2017, the Company entered into eight agreements to acquire royalties on exploration-stage mineral properties containing cobalt (the "Royalty Contracts") in consideration for a total of 127,778 common shares at a market price of \$9.00 valued at \$1,150,000. On July 4, 2017, the Company completed seven of the eight agreements. During the three months ended March 31, 2018, the Company and the Vendor of one of the Royalty Contracts mutually agreed to terminate the Royalty Contract and the 33,333 shares (valued at \$300,000) were returned to treasury and cancelled. The royalties relate to cobalt as a by-product associated with polymetallic and base metals exploration properties.

On March 29, 2018, the Company completed the acquisition of a 1.75% Net Smelter Return ("NSR") royalty on all future production over all metals from the Dumont Nickel-Cobalt Project (the "Dumont Project"), which contains undeveloped, permitted, and construction-ready reserves of nickel and cobalt, located in the Abitibi region of the Canadian province of Québec.

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

6. Royalty Contracts (Continued)

The Company paid USD\$10 million cash (\$12,896,400) and issued 537,057 common shares (valued at \$7,116,005, using the market value of the shares on March 29, 2018, the closing date of the transaction) as consideration for the 1.75% NSR. The 1.75% NSR royalty contains a 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.

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

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Carrying value	
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	27,778 shares valued at	\$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
						94,445 shares valued at	\$850,000
Dumont Project	8248567 Canada Limited	Québec	Exploration	Ni-Co	1.75% Co NSR		\$20,045,013
Total Royalty Contracts							\$20,895,013

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

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

7. Share Capital

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

b) Common shares issued:

- (i) On March 21, 2017, the Company completed a private placement of 696,450 units at \$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.
- (ii) During the three months 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.
- (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. Pursuant to the terms and conditions of an agency agreement, the Company agreed to pay a commission to the agents in an amount equal to 5.0% of the gross proceeds, \$10,007,392. In addition, the Company paid \$2,000,000 for financial advisory fees and \$173,126 in legal and professional fees.
- (iv) The Company issued 537,057 common shares in consideration for the Dumont Project royalty contract (see Note 6).

c) Warrants

The following table reflects the continuity of warrants for the three month periods ended March 31, 2018 and April 30, 2017:

	Number of warrants	Weighted average exercise price (\$)
Balance, January 31, 2017	94,950	6.67
Granted (note 7(b)(i))	696,450	1.20
Exercised (note 7(b)(ii))	(689,700)	1.20
Balance, April 30, 2017	101,700	6.30
Balance, December 31, 2017 and March 31, 2018	3,750	1.20

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

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

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

7. Share Capital (Continued)

d) Agent's Warrants

The following table reflects the continuity of agent's warrants for the three month periods ended March 31, 2018 and April 30, 2017:

	Number of warrants	Weighted average exercise price (\$)
Balance, January 31, 2017	5,707	6.67
Issued (note 7(b)(i))	45,000	1.20
Exercised (note 7(b)(ii))	(45,000)	1.20
Balance, April 30, 2017	5,707	6.67

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

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 three month periods ended March 31, 2018 and April 30, 2017:

	Number of stock options	Weighted average exercise price (\$)
Balance, January 31, 2017	16,500	10.00
Granted (i)	158,867	4.33
Expired/Forfeited	(16,500)	(10.00)
Balance, April 30, 2017	158,867	4.33
Balance, December 31, 2017	663,750	7.92
Granted (ii)	485,000	11.80
Balance, March 31, 2018	1,148,750	9.56

(i) On March 31, 2017, the Company granted a total of 158,867 stock options to certain directors, officers and consultants of the Company pursuant to the Company's stock option plan. The stock options are exercisable at a price of \$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 three months ended April 30, 2017, share based compensation of \$527,630 was recorded in the condensed interim consolidated statements of comprehensive income (loss).

(ii) On January 10, 2018, the Company granted a total of 485,000 stock options to certain directors, officers, advisors and consultants of the Company pursuant to the Company's stock option plan. The stock options are exercisable at a price of \$11.80 per share, expire on January 10, 2023 and vested immediately. The fair value of the stock options was estimated to be \$1,856,095 using the Black-Scholes option pricing model on the following assumptions: exercise price of \$11.80, risk free interest rate of 1.95%, an expected life of 2.5 years inclusive of an assumed forfeiture rate and an expected volatility of 50%. During the three months ended March 31, 2018, share based compensation of \$1,856,095 was recorded in the condensed interim consolidated statements of comprehensive income (loss).

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

7. Share Capital (Continued)

e) Stock options (continued)

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

Options outstanding and exercisable	Grant date fair value (\$)	Exercise price (\$)	Weighted average remaining contractual life (years)	Expiry date
153,750	510,635	4.33	4.00	March 31, 2022
510,000	1,427,490	9.00	4.36	August 7, 2022
485,000	1,856,095	11.80	4.78	January 10, 2023
1,148,750	3,794,220	9.56	4.49	

(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 three months ended March 31, 2018, the Company granted 175,000 RSUs to certain officers and a director, which vest immediately. On August 7, 2017, the Company granted 700,000 RSUs to certain officers which vest over three years on a monthly basis from the grant date. These RSUs were valued using the March 31, 2018 market value of common shares of \$13.25. Compensation for the three months ended March 31, 2018 was \$3,865,612.

As at March 31, 2018, there were 875,000 RSUs outstanding. The weighted average fair value of RSU's granted during the three months ended March 31, 2018 was \$13.25 per share.

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

8. Net Income (Loss) per Common Share

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

	Three Months Ended March 31, 2018	Three Months Ended April 30, 2017
Numerator:		
Net income (loss)	\$ 42,143,625	\$ (895,898)
Denominator		
Weighted average number of common shares - basic	38,665,971	772,238
Effect of dilutive securities	272,717	-
Weighted average number of common shares - diluted	38,938,688	772,238
Net income (loss) per share - basic	\$ 1.09	\$ (1.16)
Net income (loss) per share - diluted	\$ 1.08	\$ (1.16)

RSUs have not been included in this calculation as they are contingently issuable upon TSX-V and disinterested shareholder approval.

9. 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:

	Three Months Ended March 31, 2018	Three Months Ended April 30, 2017
Consulting fees and salaries ⁽¹⁾⁽²⁾	\$ 137,500	\$ 106,023
Directors fees ⁽²⁾	60,833	-
Share based compensation	5,224,197	258,612
	\$ 5,422,530	\$ 364,635

⁽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 \$20,622 as at March 31, 2018 (December 31, 2017 - \$1,602,975).

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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

10. Financial Instruments and Cobalt Investments

Fair value of financial instruments and cobalt investments

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

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

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

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

As of March 31, 2018, the Company's financial instruments consist of cash and cash equivalents, investment 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. The fair values of accounts payable and accrued liabilities approximate their carrying values because of the short term nature of these instruments.

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

11. 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.

COBALT 27 CAPITAL CORP.**Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

11. 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 March 31, 2018, the Company has estimated that a 5% increase or decrease in the value of United States dollar, all other variables remaining constant, would result in a corresponding decrease or increase in net income (loss) before taxes of \$13,032,582.

(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 March 31, 2018, the Company has estimated that a 5% increase or decrease in the price of cobalt, all other variables remaining constant, would result in a corresponding decrease or increase in net income (loss) before taxes of \$18,430,832.

12. 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 March 31, 2018	Canada	United States	Europe	Total
Current assets	\$195,958,337	\$ -	\$ -	\$195,958,337
Non-current assets	21,143,115	22,268,003	346,348,626	389,759,744
Total assets	\$217,101,452	\$ 22,268,003	\$346,348,626	\$585,718,081

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

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Three Months Ended March 31, 2018 and Three Months Ended April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

13. Subsequent Events

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

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

(ii) On May 17, 2018, the Company entered into a US\$80 million revolving term credit facility (the "Credit Facility") led by National Bank of Canada with a syndicate of financial institutions including Bank of Montreal and The Bank of Nova Scotia (the "Lenders"). The Credit Facility is to be used for general corporate purposes and investments in the mineral industry, including the acquisition of streams, royalties, and other interests.

The Credit Facility is secured by the Company's assets and has an initial term of two years, which is extendable by mutual consent of all Lenders and Cobalt 27. The initial drawdown under the Credit Facility is subject to the satisfaction or waiver of certain conditions precedent customary for a financing of this type.

(iii) On May 22, 2018, the Company's wholly-owned subsidiary Electric Metals Streaming Corp. ("Electric Metals Streaming") entered into a Metal Purchase and Sale Agreement ("MPA") with Ramu Nickel Limited ("RNL"), a wholly owned subsidiary of Highlands Pacific Limited ("Highlands"), for a cobalt-nickel stream on its attributable interest in the producing Ramu mine, located in Papua New Guinea ("PNG") (the "Ramu Cobalt Nickel Stream") and operated by MCC Ramu NiCo Limited. The Ramu Cobalt Nickel Stream is governed by the MPA, pursuant to which Cobalt 27 has agreed to acquire the right to purchase 55.0% of RNL's attributable share of the payable cobalt metal and 27.5% of RNL's attributable share of the payable nickel metal produced at Ramu, for the life of mine, in exchange for consideration including a US\$113 million (C\$145 million) upfront cash deposit payable to Highlands.

(iv) On May 22, 2018, the Company adopted a dividend policy providing for the payment of a quarterly cash flow-linked dividend, such dividends to commence when sufficient free cash flows are generated from streaming transactions.



COBALT 27 CAPITAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED MARCH 31, 2018

(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 three months ended March 31, 2018. 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 unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements, and the financial information contained in this MD&A, unless otherwise indicated, are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Information contained herein is presented as of May 29, 2018, unless otherwise indicated.

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

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.

The Company owns over 2,980 Mt of physical cobalt and manages a portfolio of ten royalties and is acquiring the world's first producing cobalt nickel stream on the world-class Ramu Nickel-Cobalt Mine.

Company Highlights

Equity financing

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 to the Agents.

Royalty contracts

On March 29, 2018, the Company acquired a 1.75% Net Smelter Return ("NSR") royalty on all future production over all metals from the Dumont Nickel-Cobalt Project (the "Dumont Project"). The Company paid US\$10 million and issued 537,057 common shares as consideration for the 1.75% NSR.

On May 7, 2018, the Company announced that it had agreed to acquire a 1.5% Gross Revenue Royalty ("GRR") on the Flemington Cobalt-Scandium-Nickel project ("Flemington Royalty") and a 1.7% GRR on the fully permitted and construction-ready Nyngan Scandium project ("Nyngan Royalty"). Cobalt 27 agreed to acquire the Flemington Royalty and Nyngan Royalty from Jervois Mining Limited ("Jervois") for total consideration of US\$4.5 million, to be comprised of US\$1.5 million in cash and US\$3 million in common shares of the Company payable on completion of the acquisition.

Credit facility

On May 17, 2018, the Company entered into a US\$80 million revolving term credit facility (the "Credit Facility") led by National Bank of Canada with a syndicate of financial institutions including Bank of Montreal and The Bank of Nova Scotia (the "Lenders"). The Credit Facility is to be used for general corporate purposes and investments in the mineral industry, including the acquisition of streams, royalties, and other interests.

The Credit Facility is secured by the Company's assets and has an initial term of two years, which is extendable by mutual consent of all Lenders and Cobalt 27. The initial drawdown under the Credit Facility is subject to the satisfaction or waiver of certain conditions precedent customary for a financing of this type.

Streaming transaction

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

Other Company Highlights

RSU plan and stock option grants

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

Dividend policy

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

In addition, the Company announced its intention to adopt a normal course issuer bid (the "NCIB"), which NCIB will be made in accordance with the requirements of the TSX-V once the Company has closed the Ramu Cobalt Nickel Stream. Cobalt 27 is implementing the NCIB as the Board believes that from time to time the market price of Cobalt 27's common shares may not reflect the underlying value of the Company and that the purchase of the Company's common shares for cancellation at such times is a prudent corporate measure that will both increase the proportionate interest in the Company of, and be advantageous to, all of the Company's remaining shareholders.

Cobalt Industry Overview

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

Plan of Operations

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

Physical Cobalt

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

The Company held 2,269.1 tonnes of premium-grade cobalt and 712.6 tonnes of standard-grade cobalt at a fair value of \$368,616,629 (based on cobalt prices on Metal Bulletin) as at March 31, 2018. All of the physical cobalt is held in four LME bonded warehouses in the U.S. and Europe.

Cobalt Royalty and Streaming

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

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Ramu Nickel-Cobalt Mine in Papua New Guinea, as described below. On the eight royalties, there is no guarantee that (i) the applicable mineral properties will ever be placed into production, or (ii) that material quantities of cobalt or nickel will be contained in product extracted from the property.

Current Royalties

Subsequent to the closing of the Company's initial public offering, the Company entered into eight agreements to acquire royalties on exploration-stage mineral properties containing cobalt in consideration for a total of 127,778 common shares then valued at \$1,150,000. On July 4, 2017, the Company completed the acquisition of seven of the eight royalties. As at the date of this MD&A, 33,333 of the above issued common shares (valued at \$300,000) have been cancelled due to the termination of one of such proposed royalty agreements.

On March 29, 2018, the Company completed the acquisition of a 1.75% NSR royalty on all future production over all metals from the Dumont Project, which contains undeveloped, permitted, and construction-ready reserves of nickel and cobalt, located in the Abitibi region of the Canadian province of Québec. The Dumont NSR royalty was the Company's first investment held by its wholly-owned subsidiary, Electric Metals Streaming. The Company paid USD\$10 million (\$12,896,400) and issued 537,057 common shares (valued at \$7,116,005) 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.

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

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Stream ROFR
Dumont Nickel Project	RNC Minerals	Quebec	Construction-ready	Ni-Co	1.75% Ni/Co NSR	No
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Professor & Waldman Properties ⁽¹⁾	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
North Canal 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.

Flemington Royalty

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

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

Ramu Cobalt Nickel Stream

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

Key terms of the transaction are as follows:

- Electric Metals Streaming has agreed to acquire the right to purchase 55.0% of RNL's attributable share of the payable cobalt metal and 27.5% of RNL's attributable share of the payable nickel metal produced at Ramu, for the life of mine, in exchange for a US\$113 million (C\$145 million) upfront cash deposit payable to Highlands. Highlands, which owns 100% of RNL, currently holds an effective 8.56% ownership interest in Ramu. However, Highlands will use proceeds from the transaction to increase its effective ownership interest in Ramu to 11.3% through the repayment of its share of outstanding Ramu construction and development loans. For clarity, the Ramu Cobalt Nickel Stream will be over RNL's pro forma 11.3% ownership interest in Ramu.
- In addition, Electric Metals Streaming will make ongoing payments of US\$4.00 per pound of payable cobalt and US\$1.00 per pound of payable nickel, each subject to annual inflation adjustments beginning on June 30, 2023.
- Electric Metals Streaming's Ramu Cobalt Nickel Stream will be secured by a first-priority ranking pledge over Highlands' shares in RNL and a guarantee by Highlands.
- In connection with the Ramu Cobalt Nickel Stream, Cobalt 27 has also agreed to complete a strategic equity investment in the Common Shares of Highlands, which will result in the Company owning an approximate 13.0% pro forma interest in Highlands (the "Equity Investment"). Subject to ASX and POMsoX approvals, Cobalt 27 will be provided with anti-dilution rights with respect to the Equity Investment. In connection with the Equity Investment, Cobalt 27 will also have the right to appoint a member to Highlands' board of directors, and accordingly, concurrent with the close of the Equity Investment, Anthony Milewski, Chairman and CEO of Cobalt 27, will be appointed to the board of directors of Highlands.

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- Electric Metals Streaming and Highlands have agreed that the proceeds from the US\$113 million stream are to be used by Highlands to fund repayment of Highlands' attributable Ramu construction and development loans. Highlands currently owns an 8.56% interest in Ramu which, through the repayment of its outstanding attributable balance of the Ramu loans, will immediately increase to 11.3%.
- In addition to the MPA, Electric Metals Streaming has entered into advanced discussions with two local stakeholders in PNG ("MRDC") who own an equity interest in Ramu to negotiate for a US\$87 million upfront cash deposit on the same terms as the MPA with a proportionate metal stream based on their attributable aggregate interest in Ramu. MRDC currently holds a collective 6.44% interest in Ramu, which would increase to 8.7% through the repayment of their proportionate share of outstanding Ramu construction and development loans.
- Highlands has retained the right to purchase an interest in the Ramu Cobalt Nickel Stream from Electric Metals Streaming of up to approximately US\$15 million for a period of 90 days following closing on the same terms as the Transaction. In the event that MRDC enters into a streaming agreement with Electric Metals Streaming, Highlands will have the right to purchase an additional interest in the Ramu Cobalt Nickel Stream from Electric Metals Streaming of up to approximately US\$10 million on the same terms.
- Highlands is the ideal project partner for Cobalt 27 due to its deep experience in the region having successfully operated in PNG for over 20 years.
- In order to further strengthen the partnership between Cobalt 27 and Highlands, Mr Craig Lennon, CEO of Highlands Pacific, has agreed to join Cobalt 27's Advisory Board. Mr. Lennon has been with Highlands for 17 years and is an expert in the region.

Off-Balance Sheet Arrangements

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

Selected Quarterly Information

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

Three Months Ended	Net Revenues (\$)	Income or (Loss)		
		Total (\$)	Per Share - Basic ⁽⁶⁾ (\$)	Per Share - Diluted ⁽⁶⁾ (\$)
2018-March 31	-	42,143,625 ⁽¹⁾	1.09	1.08
2017-December 31 ⁽⁵⁾	-	18,202,855 ⁽²⁾	0.68	0.68
2017-October 31	-	6,399,228 ⁽³⁾	0.26	0.26
2017-July 31	-	(7,171,509) ⁽⁴⁾	(0.64)	(0.64)
2017-April 30	-	(895,898)	(1.16)	(1.16)
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)

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- (1) Net income of \$42,143,625 consisted primarily of unrealized gains on investments in cobalt of \$67,464,201 offset by share based compensation of \$5,721,707, deferred income tax of \$18,128,109, professional fees of \$307,029, foreign exchange loss of \$217,516, transport and storage expense of \$323,056 and other operational expenditures.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) Represents the two months ended December 31, 2017
- (6) 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.

Three months ended March 31, 2018 compared to the three months ended April 30, 2017

The Company realized a net income of \$42,143,625 during the three months ended March 31, 2018 as compared to a net loss of \$895,898 for the three months ended April 30, 2017. The increase in net income of \$43,039,523 resulted from the following significant variances:

- During the three months ended March 31, 2018, the Company recognized \$67,464,201 in unrealized gain on investments in cobalt which are mainly attributable to the increase in the price of cobalt as well as the weakening of the Canadian dollar relative to the United States dollar. The Company did not hold any investments in cobalt in the comparable period in 2017.
- During the three months ended March 31, 2018, the Company recorded share based compensation of \$5,721,707 compared to \$527,630 in the comparative period. During the current period, the Company issued 485,000 stock options and 175,000 RSUs compared to 158,867 stock options and no RSUs granted during the three months ended April 30, 2017. Share based compensation for the current period is also impacted by the vesting of previously issued stock options and RSUs.
- During the three months ended March 31, 2018, the Company recorded deferred tax expense of \$18,128,109 for temporary tax differences in relation to cobalt investments. There was no deferred tax expense in the three months ended April 30, 2017.

- The increase in marketing and promotion expense of \$120,534 for the three months ended March 31, 2018 compared to the three months 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 three months ended March 31, 2018, directors' fees totaled \$60,833 compared to \$nil for the three months ended April 30, 2017. For the March 31, 2018 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 three months ended March 31, 2018, professional fees totaled \$307,029 compared to \$21,590 for the three months ended April 30, 2017 due to the Company's need for professional services to support execution of its business strategy.
- During the three months ended March 31, 2018, the Company recorded a foreign exchange loss of \$217,516 compared to \$nil for the three months 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 \$323,056 for the three months ended March 31, 2018 compared to the three months ended April 30, 2017 resulted from transportation, insurance and warehousing cost associated with the Company's physical cobalt.

Liquidity and Financial Position

As of March 31, 2018, the Company had working capital of \$195,005,531 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.

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 \$3,375,264 for the three months ended March 31, 2018 resulted from an increase in operating expenses due to the new business model, and a reduction in accounts payable.

Investing Activities

During the three months ended March 31, 2018, the Company used cash to purchase \$30,318,400 of investments in cobalt and \$12,929,008 relating to the Dumont royalty contract.

Financing Activities

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Cash provided by financing activities was \$187,731,887 for the three months ended March 31, 2018. Financing activities consisted of proceeds of \$200,147,839 from the private placement offset by \$12,415,952 of share issuance costs.

Related Party Transactions

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

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

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

	Three Months Ended March 31, 2018 (\$)	Three Months Ended April 30, 2017 (\$)
Consulting fees and salaries ⁽¹⁾⁽²⁾	137,500	106,023
Directors fees ⁽²⁾	60,833	nil
Share based compensation	5,224,197	258,612
Total	5,422,530	364,635

⁽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 \$20,622 as at March 31, 2018 (December 31, 2017 - \$1,602,975).

Share Capital

As of the date of this MD&A, the Corporation had 52,407,902 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 and Cobalt Investments

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

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

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

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

As of March 31, 2018, the Company's financial instruments consist of cash and cash equivalents, investment 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. The fair values of accounts payable and accrued liabilities approximate their carrying values because of the short term nature of these instruments.

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

Financial risks

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

Credit Risk

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

Liquidity risk

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

Market risk

(a) Interest rate risk

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

(b) Foreign currency risk

Foreign currency risk arises from transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's functional currency is 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 March 31, 2018, 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 income (loss) before taxes of \$13,032,582.

(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").

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As at March 31, 2018, the Company has estimated that a 5% increase or decrease in the price of cobalt, all other variables remaining constant, would result in a corresponding decrease or increase in net income (loss) before taxes of \$18,430,832.

Changes in Accounting Policies

(i) IFRS 9, Financial Instruments

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

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

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

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

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

Financial assets

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

- Financial assets recorded at FVTPL

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

- Amortized cost

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

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

- Financial assets recorded at FVTOCI

Financial asset previously classified as available-for-sale satisfied the conditions for classification as financial assets at FVTOCI and the Company elected to irrevocably designate them at FVTOCI. This cost exemption is not available under IFRS 9. At the date of adoption, the Company held one equity investment at cost, which had a fair value of \$248,102 as at January 1, 2018.

Financial liabilities

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

- Amortized cost

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

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

Transaction costs

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

Subsequent measurement

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

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

Derecognition

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

Expected Credit Loss Impairment Model

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

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

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

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

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

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

- **Royalty arrangements**

Revenue from royalty arrangements is measured at the transaction price agreed in the royalty arrangement with the operator of each property. The transaction price will reflect the gross value of the commodity sold less deductions that vary based on the terms of the royalty arrangement.

- **Stream arrangements**

For stream arrangements where the Company may acquire refined metal from an operator, the Company may sell the refined metal to third party financial institutions or brokers. The Company will transfer control over the commodity on the date the commodity is credited to the customer's metal account, which is the date that title to the commodity and the risks and rewards of ownership will transfer to the customer and the customer is able to direct the use of and obtain substantially all of the benefits from the commodity. The transaction price for these sales is fixed at the delivery date based on the spot price for the commodity and payment of the transaction price is generally due immediately when control has been transferred.

For those stream arrangements where the Company may acquire the commodities in concentrate form from the operator, the Company will sell the concentrate under sales contracts with independent processing companies. The Company will transfer control over the concentrate at the time of shipment, which is when the risks and rewards of ownership and title pass to the independent processing company. The final prices for metals contained in the concentrate are determined based on the market price for the metals on a specified future date after shipment. Upon transfer of control at shipment, the Company records revenue and a corresponding receivable from these sales based on forward commodity prices at the time of shipment.

Variations between the price recorded at the transfer of control and the actual final price set under the contracts with the processing companies are caused by changes in market commodity prices, and result in an embedded derivative in the receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included as a component of stream revenue. IFRS 15 does not consider provisional price adjustments associated with concentrate sales to be revenue from contracts with customers as they arise from changes in market commodity prices.

Recent Accounting Pronouncements

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

Leases ("IFRS 16")

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

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

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

Disclosure of Internal Controls

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

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

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed interim consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).
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The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risk Factors

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

Cautionary Note Regarding Forward-Looking Information

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

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

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

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- 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.