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				
	Number	Amount	Reserves	Deficit	Total
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.

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").

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.

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.

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.

(Expressed in Canadian Dollars)

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

(Expressed in Canadian Dollars)

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.

(Expressed in Canadian Dollars)

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.

(Expressed in Canadian Dollars)

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

(Expressed in Canadian Dollars)

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).

(Expressed in Canadian Dollars)

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.

(Expressed in Canadian Dollars)

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).

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.

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**

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.