COBALT 27 CAPITAL CORP.

(*formerly* ARAK RESOURCES LTD.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED JULY 31, 2017

(EXPRESSED IN CANADIAN DOLLARS)

Introduction

The following management's discussion & analysis ("MD&A") of the financial condition and results of the operations of Cobalt 27 Capital Corp. (*formerly* Arak Resources Ltd.), (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 July 31, 2017. This MD&A was written to comply with the requirements of National Instruments 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three months ended July 31, 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's 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 September 27, 2017, unless otherwise indicated.

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

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

Company Highlights

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

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

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

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

In June 2017, the Company augmented the expertise of its Advisory Board with the appointment of Dr. Patil and Mr. Ted Miller. Dr. Patil is the former Chief Executive Officer of LG Chem Power Inc., the North American subsidiary of the lithium-ion battery maker LG Chem, Korea. Mr. Miller is Ford's Senior Manager of Energy Storage and Materials Strategy and Research with responsibility for research and development for all Ford hybrid, plug-in hybrid and battery electric vehicles. Their input as Advisory Board members has been and will continue to be invaluable as Cobalt 27 executes its growth strategy.

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-V. 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 mineral resource 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 mines or early stage exploration and development of mineral properties containing cobalt.

On April 6, 2017, the Company changed its name to Cobalt 27 Capital Corp. and commenced trading under its new name and stock trading symbol KBLT. Effective November 29, 2016, the Company consolidated its common shares on a 10:1 basis. Effective April 10, 2017, the Company completed a 3:1 forward split of its common shares. In addition, on June 23, 2017, the date of closing of the Offering, the Company consolidated its common shares on a 20:1 basis. All references in this MD&A have been adjusted to reflect these share consolidations and forward split.

Other Company Highlights

Preliminary short form shelf prospectus

On August 30, 2017, the Company filed a preliminary short form base shelf prospectus to qualify the distribution of common shares, debt securities, subscription receipts, warrants, share purchase contracts and or units of the Company having aggregate proceeds of up to $500,000,000 during the 25 month period that the prospectus remains valid. The receipt for the final short form base shelf prospectus has not been issued, so final terms including the aggregate amount of securities issuable thereunder, have not been finalized and are subject to change. The short form base shelf prospectus allows the Company to offer and sell securities to the public without filing a separate prospectus for each offering over the specified time period.

Other share issuances

During the three months ended July 31, 2017, 99,681 warrants and agent's warrants were exercised for gross proceeds of $664,972.

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

RSU plan and stock option grant

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

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

In addition, the Company granted an aggregate of 1,210,000 incentive stock options and RSU's to certain of its officers, employees, directors, advisors and consultants. The incentive stock options granted are exercisable at $9.00 per share for a period of 5 years expiring August 7, 2022.

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 has led to an inflection point where the electric vehicle is now entering the mainstream at a more economically attractive price point. The Company believes now could be the beginning of a paradigm shift in automobile transportation. A shift that the Company believes will be fueled in part by a relatively unknown metal in increasingly scarce supply - cobalt.

Plan of Operations

The Company intends to apply a disciplined investing and operating approach to execute its business plan through two strategies: growing its physical cobalt holdings; and pursuing the acquisition of cobalt-related streams and royalties. In time, the Company may consider paying a dividend on its common shares, although there is no current intention to declare and pay dividends. The Company will initially have a debt-free statement of financial position; however, this position may be reviewed should the Board become aware of available and commercially prudent financing arrangements. The Company intends to further fund working capital through cash proceeds from the Offering and cash flows from potential streams and royalties. The Company estimates annual operating expenses of approximately $2,000,000.

Physical Cobalt

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

The Company currently holds 1,488.3 tonnes of premium-grade cobalt and 672.6 tonnes of standard-grade cobalt at a fair value of $173,737,671. All of the physical cobalt is held in four LME bonded warehouses in the U.S. and Europe.

Cobalt Royalty and Streaming

The Company is actively pursuing streaming and royalty acquisitions, and non-binding discussions with potential streaming counterparties are ongoing. The focus is on streaming opportunities that could provide the Company with material near-term cash flow, direct leverage to the cobalt price and exploration and production upside. In addition, the Company believes the acquisition of the existing Royalty Contracts provide long-term optionality on the price of cobalt; however there is no guarantee that (i) the applicable mineral properties will ever be placed into production, or (ii) that material quantities of cobalt will be contained in product extracted from the property.

Subsequent to the closing of the Offering, the Company entered into eight agreements to acquire royalties on exploration-stage mineral properties containing cobalt (the "Royalty Contracts") in consideration for a total of 127,778 common shares valued at $1,150,000. On July 4, 2017, the Company completed seven of the eight Royalty Contracts. As at September 27, 2017, 33,333 of the above issued common shares (valued at $300,000) were held in escrow pending the fulfillment of several obligations by the vendor on one of its Royalty Contracts. The royalties relate to cobalt as a by-product associated with polymetallic and base metals exploration properties.

Each Royalty Contract entered into by the Company provides:

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

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

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

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

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

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

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Stream ROFR
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Professor & Waldman Properties [1]	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
North Canol Properties [1]	Golden Ridge Res. 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.

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 ($)	Profit or (Loss)	
		Total ($)	Per Share [2][3] ($)
2017-July 31	-	(7,171,509)[1]	(0.64)
2017-April 30	-	(895,887)	(2.74)
2017-January 31	-	(18,617)	(0.06)
2016-October 31	-	(34,838)	(0.11)
2016-July 31	-	(8,638)	(0.05)
2016-April 30	-	(382,261)	(2.09)
2016-January 31	-	(52,076)	(0.28)
2015-October 31	-	(80,302)	(0.44)

(1) Net loss of $7,171,509 consisted primarily of a mark-to-market adjustment for inventories 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.

(2) Basic and diluted per share basis.

(3) 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 mineral resource 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 July 31, 2017 compared to the three months ended July 31, 2016

The Company incurred a loss of $7,171,509 during the three months ended July 31, 2017 as compared to a loss of $8,638 for the three months ended July 31, 2016. The increase in net loss of $7,162,871 resulted from the following significant variances:

- During the three months ended July 31, 2017, an amount of $6,596,643 has been recorded for the mark-to-market adjustment for inventories due entirely to the strengthening of the Canadian dollar relative to the United States dollar, which is the currency in which cobalt is priced. The Company did not hold any cobalt inventories in the comparable period in 2016.

- The increase in consulting fees of $129,820 for the three months ended July 31, 2017 compared to the same period in 2016 resulted from consulting services required to advance the Company's new business focus of cobalt acquisition.
- The increase in marketing and promotion expense of $126,821 for the three months ended July 31, 2017 compared to the same period in 2016 resulted from roadshow expenses and marketing efforts to promote the Company's Offering that closed on June 23, 2017.

- During the three months ended July 31, 2017, directors' fees totaled $57,980 compared to $nil for the three months ended July 31, 2016. For the 2017 period, newly appointed directors were compensated for their duties while in 2016 the former directors agreed to forgo both payment and accrual of fees.

- During the three months ended July 31, 2017, general and administrative expenses totaled $43,310 compared to $1,607 for the three months ended July 31, 2016. General and administrative expenses include rent expense, insurance, office expenses and miscellaneous expenses. The increase of $41,703 resulted from the Company's relocation of its head office to Toronto from Vancouver and its administrative expenses related to commencement of full operation on its new business direction.

- During the three months ended July 31, 2017, the Company recorded a foreign exchange loss of $120,375 compared to $nil for the three months ended July 31, 2016 due to fluctuations in the exchange rates of the US dollar, British Pound Sterling and European Euro. The Company makes certain payments in US dollar, British Pound Sterling and European Euro.

Liquidity and Financial Position

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. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. This may be further complicated by the limited liquidity for the Company's shares, restricting access to some institutional investors. The Company's growth and success is dependent on external sources of financing which may not be available on acceptable terms.

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.

During fiscal 2018, the Company's corporate head office costs are estimated to average $500,000 per quarter. Head office costs include salaries, warehousing and insurance costs, consulting fees, professional fees, regulatory fees, marketing and promotion costs and general and administrative costs.

The Company's cash at July 31, 2017 is anticipated to be sufficient to fund the remaining estimated operating expenses of $1,500,000 for fiscal 2018, and the payment of accounts payable and accrued liabilities of $165,425. As of July 31, 2017, the Company had working capital of $14,999,231 which is adequate to fund its new business strategy. Subsequent to July 31, 2017, the Company filed a preliminary short form base shelf prospectus to raise additional funding of up to $500,000,000 during the 25-month period that the prospectus remains valid (See "Other Company Highlights").

Cash flows

Operating Activities

Cash used in operating activities was $516,421 for the three months ended July 31, 2017.

Investing Activities

During the three months ended July 31, 2017, the Company used cash to purchase $78,654,069 of cobalt inventory and $60,000 of short-term deposits.

Financing Activities

Cash provided by financing activities was $93,708,996 for the three months ended July 31, 2017. Financing activities consisted of proceeds of $98,319,780 from the Offering, $6,300,000 from the exercise of over-allotment and $687,029 from the exercise of warrants, agent's warrants and stock options. These proceeds were offset by $11,597,813 of share issuance costs and deferred financing 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.

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

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

	Three Months Ended July 31, 2017 ($)	**Three Months Ended July 31, 2016 ($)**
Consulting fees and salaries (1)(2)	121,239	6,000
Directors fees (2)	57,980	nil
Total	**179,219**	**6,000**

(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 $45,965 as at July 31, 2017 (April 30, 2017 - $nil).

Major shareholders

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

	Number of common shares	**Percentage of outstanding shares**
Pala Investments Limited	4,646,908	18.73%
Green Energy Metals Fund, LP	3,811,037	15.36%

The remaining 65.91% of the shares are widely held, which includes various small holdings which are owned by directors and officers of the Company. The holdings can change at any time at the discretion of the owners, except for Pala Investments Limited, directors and officers of the Company who are subject to a six month lock-up agreement following the closing of the Offering.

Share Capital

As of the date of this MD&A, the Corporation had 24,816,965 common shares outstanding, of which 33,333 were in escrow.

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

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

Financial Instruments

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

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

Level 2: Valuations based on directly or indirectly observable inputs for the asset or liability, other than quoted Level 1 prices such as quoted interest 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 July 31, 2017, the Company's financial instruments consist of cash, short-term deposits and accounts payable and accrued liabilities. Cash and short-term deposits are stated at fair value and classified within Level 1. The fair values of accounts payable and accrued liabilities approximate their carrying values because of the short term nature of these instruments.

Financial risks

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

Credit Risk
Credit risk is the risk of loss due to a counter-party's inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Company. The Company's credit risk exposure includes the carrying amounts of cash and short-term deposits. To limit the credit risk exposure on its cash and short-term deposits, the Company holds all of its cash and short-term deposits in credit worthy financial institutions.

Liquidity risk

Financial liquidity represents the Company's ability to fund future operating activities. The Company may generate cash from the lending, relocation, or sale of cobalt, or the sale of additional equity securities as well as through debt financing. The Company will fund its ongoing operations with its existing cash balance and has the ability to sell some of its inventory in 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 cobalt inventories, 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, British Pound Sterling and European Euro.

As at July 31, 2017, the Company has estimated that a 5% increase or decrease in the United States dollars, British Pound Sterling and European Euro, all other variables remaining constant, would result in a corresponding decrease or increase in net loss and comprehensive loss of $8,729,445.

(c) Price risk

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

As at July 31, 2017, the Company has estimated that a 5% increase or decrease in the price of cobalt, all other variables remaining constant, would result in a corresponding decrease or increase in net loss and comprehensive loss of $8,686,884.

Changes in Accounting Policies

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

(i) Basis of consolidation

The unaudited condensed interim consolidated financial statements include the accounts of Cobalt 27 and its wholly-owned subsidiaries: Cobalt 27 Capital (Europe) Ltd. and Cobalt 27 Capital (US) Ltd.

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

(ii) Foreign currency translation

The presentation and functional currency of the Company is the Canadian dollar.

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing at the reporting date are recognized in profit or loss. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Inventories

The acquisition of physical holdings of cobalt is accounted for at cost on the date that significant risks and rewards to the metal pass to the Company. Subsequent to initial recognition, the Company's physical holdings of cobalt is measured at fair value less costs to sell, in accordance with IAS 2 Inventories, paragraph 3(b). The fair value is determined by the average bid and ask prices as quoted from Metal Bulletin, then converted to Canadian dollars using the period-end foreign exchange noon rate from the Bank of Canada. Mark-to-market gains and losses are recognized through profit or loss.

(iv) Royalty contracts

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

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

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after May 1, 2017. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(a) Financial Instruments ("IFRS 9")

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

In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. The final version of IFRS 9 is effective for periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of adopting this standard.

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

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of adopting this standard.

(c) Leases ("IFRS 16")

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

Disclosure of Internal Controls

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

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

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risk Factors

The Company's financial condition, results of operation and business are subject to certain risks, which may negatively affect them. A detailed discussion of these risks can be found on pages 17 to 23 of our Annual MD&A for the financial year ended April 30, 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".

Additional Information

Additional information concerning the Company is available on SEDAR at **www.sedar.com**.

Cautionary Note Regarding Forward-Looking Information

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

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

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

- market prices of cobalt;
- future global economic and financial conditions;
- future commodity prices, demand for cobalt and the product mix of such demand and levels of activity in the battery metals industry and in such other areas in which the Company may operate, and supply of cobalt and the product mix of such supply; and
- the accuracy and veracity of information and projections sourced from third parties respecting, among other things, future industry conditions and demand for cobalt.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and included elsewhere in this MD&A, including:

- volatility in market prices and demand for cobalt;
- effects of competition and pricing pressures;
- risks related to interest rate fluctuations and foreign exchange rate fluctuations;
- changes in general economic, financial, market and business conditions in the industries in which cobalt is used;
- changes in the technologies pertaining to the use of cobalt;
- alternatives to and changing demand for cobalt;
- potential conflicts of interests;
- actual results differing materially from management estimates and assumptions;
- commodity price hedging instruments; and
- the other factors discussed under "*Risk Factors*".

This list of factors should not be construed as exhaustive.