

**CobalTech Mining Inc.  
(Formerly Big North Graphite Corp.)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three months ended January 31, 2017**

These unaudited condensed consolidated interim financial statements of CobalTech Mining Inc. for the three months ended January 31, 2017 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

Expressed in Canadian Dollars

As at January 31, 2017

	Notes	January 31, 2017	October 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,647,940	\$ 390,125
Amounts receivable and prepayments	5	93,746	43,112
		<b>1,741,686</b>	<b>433,237</b>
<b>Non-current assets</b>			
Equipment	6	3,304	473
Exploration and Evaluation Assets	7	2,059,691	-
		<b>2,062,995</b>	<b>473</b>
<b>TOTAL ASSETS</b>		<b>\$ 3,804,681</b>	<b>\$ 433,710</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 501,461	\$ 285,049
Due to related parties	11	-	26,060
<b>TOTAL LIABILITIES</b>		<b>501,461</b>	<b>311,110</b>
<b>EQUITY (DEFICIT)</b>			
Share capital	9	10,887,050	6,804,505
Shares to be issued	9	12,788	12,788
Share-based payment reserve	9,10	1,090,125	437,512
Foreign currency translation reserve	9	19,064	17,200
Deficit		(8,705,807)	(7,149,406)
<b>TOTAL EQUITY (DEFICIT)</b>		<b>3,303,220</b>	<b>122,599</b>
<b>TOTAL LIABILITIES AND EQUITY (DEFICIT)</b>		<b>\$ 3,804,681</b>	<b>\$ 433,710</b>

Going concern (Note 1)

Subsequent events (Note 14)

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

	Note	Three Months Ended	
		January 31, 2017	January 31, 2016
<b>Expenses</b>			
Amortization	6	220	39
Consulting fees	11	576,055	15,675
Professional fees	11	35,313	6,531
Office expense		13,409	1,700
Filing, listing and transfer agent fees		48,765	2,491
Insurance		1,386	(3,409)
Management fees	11	12,500	4,500
Share-based payment	10	433,758	-
Shareholder communication and promotion		119,870	7,142
Travel		2,383	8,036
Vehicle		-	228
		1,556,379	42,933
<b>Other items</b>			
Foreign exchange gain/(loss)		(23)	13
		(23)	(13)
<b>Net loss</b>		<b>\$ (1,556,402)</b>	<b>\$ (42,920)</b>
<b>Other comprehensive income</b>			
Other comprehensive income that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		1,864	(1,180)
<b>Total comprehensive loss</b>		<b>\$ (1,554,538)</b>	<b>\$ (41,740)</b>
<b>Loss per share - basic and diluted</b>		<b>\$ (0.05)</b>	<b>\$ (0.005)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>		<b>29,637,285</b>	<b>8,548,556</b>

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIT) (UNAUDITED)

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

		<i>Share capital</i>							
	<i>Notes</i>	<i>Number of shares</i>	<i>Amount</i>	<i>Shares To be issued</i>	<i>Share-based payment reserve</i>	<i>Foreign currency translation reserve</i>	<i>Deficit</i>	<i>Total</i>	
<b>Balance at October 31, 2015</b>		8,548,556	5,671,105	12,788	437,512	9,260	(6,297,190)	(166,525)	
Net loss for the period		-	-	-	-	-	(42,290)	(42,290)	
Other comprehensive income		-	-	-	-	1,180	-	1,180	
Total comprehensive loss		-	-	-	-	1,180	-	(208,265)	
Private placement shares to be issued	10	-	-	50,000	-	-	-	50,000	
<b>Balance at January 31, 2016</b>		8,548,556	\$ 5,671,105	\$ 62,788	\$ 437,512	\$ 10,440	\$ (6,340,110)	\$ 158,265	
<b>Balance at October 31, 2016</b>		47,550,437	\$ 6,804,505	\$ 12,788	\$ 437,512	\$ 17,200	\$ (7,149,406)	\$ 122,599	
Net loss for the period		-	-	-	-	-	(1,556,401)	(1,556,401)	
Other comprehensive loss		-	-	-	-	1,864	-	1,864	
Total comprehensive loss		-	-	-	-	19,064	-	(1,431,938)	
Private placement, net	10	14,600,000	2,686,400	-	-	-	-	2,686,400	
Shares issued for property acquisition	10	8,500,000	1,615,000	-	-	-	-	1,615,000	
Finder's warrants issued	10	-	(218,855)	-	218,855	-	-	-	
Option issuance		-	-	-	433,758	-	-	433,758	
<b>Balance at January 31, 2017</b>		70,650,437	\$10,887,050	\$ 12,788	\$ 1,090,125	\$ 19,064	\$ (8,705,807)	\$ 3,303,219	

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

	Three Months Ended	
	January 31, 2017	January 31, 2016
<b>Operating activities</b>		
Loss for the year	\$ (1,556,401)	\$ (42,920)
Adjustments for:		
Amortization	220	39
Share-based payment	433,758	-
Changes in non-cash working capital items:		
Amounts receivable and prepayments	(50,634)	16,599
Accounts payable and accrued liabilities	20,160	(9,586)
Due to related parties	(26,060)	32,720
<b>Net cash flows used in operating activities</b>	<b>(1,178,957)</b>	<b>(3,148)</b>
<b>Investing activities</b>		
Purchase of equipment	(3,051)	-
Evaluation and exploration assets	(248,441)	-
<b>Net cash flows from investing activities</b>	<b>(251,492)</b>	<b>-</b>
<b>Financing activities</b>		
Shares to be issued for cash	-	50,000
Shares issued for cash, net of shares issue costs	2,686,400	-
<b>Net cash flows from financing activities</b>	<b>2,686,400</b>	<b>50,000</b>
Increase (decrease) in cash	1,255,951	46,852
Effect of exchange rates on cash holdings in foreign currencies	1,864	1,179
Cash, beginning	390,125	2,685
<b>Cash, ending</b>	<b>\$ 1,647,940</b>	<b>\$ 50,716</b>
 <b>Supplemental cash flow information</b>		
Shares issued for properties	\$ 1,615,000	\$ -
Finder's warrants issued	218,855	-

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

## 1. CORPORATE INFORMATION

CobalTech Mining Inc. (Formerly Big North Graphite Corp.) (the "Company") is an exploration stage company incorporated under the laws of British Columbia and its principal business activities include the exploration and development of mineral properties in Canada. The Company's shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "CSK". The Company's head office is located at 8th Floor, 543 Granville St., Vancouver, British Columbia, Canada.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at January 31, 2017 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

## 2. BASIS OF PREPARATION

### a. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

	Country of incorporation	Percentage owned*	
		January 31, 2017	October 31, 2016
Grafito La Barranca de Mexico S.A. de C.V.	Mexico	100%	100%
Grafitera La Colorada de Mexico, S.A. de C.V.	Mexico	50%	50%

\*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

On July 3, 2015, the Company forewent its 97.5% ownership of Grafito de Mexico, S.A. de C.V. as part of the process in returning the El Tejon property. The financial results of Grafito de Mexico, S.A. de C.V. were included up to July 3, 2015 (Note 8).

### b. Statement of compliance

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transaction that are significant to an understanding of changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended October 31, 2016.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on April 3, 2017.

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

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## 2. BASIS OF PREPARATION (Cont'd)

### c. Basis of measurement

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Standards, amendments, and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after November 1, 2014 or later periods. The following new standards, amendments and interpretations, that have not been early adopted in these financial statements, will or may have an effect on the Company's future results and financial position:

- IFRS 9 Financial Instruments. This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Other standards, amendments and interpretations with future effective dates are not expected to have a material impact on the Company's consolidated financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

### Estimates

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of equipment, the recoverability of the carrying value of deferred acquisition costs, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

### Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- The determination of whether an acquisition constitutes a business combination or an acquisition of assets;
- the classification / allocation of expenditures as deferred acquisition costs or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiaries.

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

## 5. AMOUNTS RECEIVABLE AND PREPAYMENTS

	January 31, 2017	October 31, 2016
Sales tax receivable	\$ 87,676	\$ 35,656
Prepayments	6,070	7,456
	\$ 93,746	\$ 43,112

## 6. EQUIPMENT

	Computer equipment
<b>Cost:</b>	
November 1, 2015 and 2016	\$ 1,410
Additions	3,051
January 31, 2016	4,461
<b>Amortization:</b>	
November 1, 2015	779
Charge for the year	158
October 31, 2016	\$ 937
Charge for the three month period	220
January 31, 2017	1,157
<b>Net book value:</b>	
October 31, 2016	\$ 473
January 31, 2017	\$ 3,304

## 7. Exploration and Evaluation Assets

In October 2016, the Company announced it had entered into a Property Purchase Agreement with TrioResources AG Inc. with respect to the acquisition of certain assets and undertaking and the related production facilities and equipment of the past-producing Duncan Kerr Property located in the Cobalt region of Northeastern Ontario, Canada. Pursuant to the terms of the Purchase Agreement, the Company issued to Trio Resources AG Inc. 8,500,000 common shares of the Company (issued for \$1,615,000 see Note 9) and agreed to staged payments of \$2,000,000 (of which \$150,000 has been paid). The Company is required to pay an \$650,000 by August 23, 2017 and \$1,200,000 by November 23, 2018. In addition, the company incurred consulting fees of \$70,665 and travel costs of \$27,776 relating to the property.

On January 23, 2017, the Company entered into a purchase and sale agreement with Darioush Consulting Corp for the purchase of six cobalt properties located in Quebec, Canada. Purchase price of the properties includes a cash payment of \$50,000 as well as 500,000 common shares of CobalTech Mining Inc. Payment terms are to be completed within 10 days from the date of the execution of this agreement.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2017	October 31, 2016
Accounts payable	\$ 438,802	\$ 188,367
Accrued liabilities	62,659	122,743
	\$ 501,461	\$ 311,110

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

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## 9. SHARE CAPITAL AND RESERVES

### a) Common shares

Authorized: Unlimited common shares without par value.

Issued: At January 31, 2016 there were 70,650,437 issued and fully paid common shares (October 31, 2016 - 47,550,438).

During the period ended January 31, 2017:

- On November 23, 2016 the Company issued 8,500,000 common shares at a price of \$0.19 for total acquisition costs of \$1,615,000 in connection with a property acquisition (Note 7). The shares are subject to a voluntary pooling agreement, and will be released over a period of 18 months from the closing date, with 33 1/3% being released every six months from the closing date. The Company agreed to pay cash finder's fee of \$196,250 over a period of 24 months from the closing date.
- On December 23, 2016 the Company closed a non-brokered private placement by issuing 14,600,000 units at a price of \$0.20 per unit for gross proceeds of \$2,920,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one additional share at a price of \$0.30 for a period of 12 months from the date of closing of the offering. Cash finder's fees in connection with the private placement totaled \$233,600 and 1,168,000 finders warrants were issued.

During the year ended October 31, 2016:

- On September 14, 2016, the Company closed a non-brokered private placement by issuing 10,000,000 units at a price of \$0.05 per unit for gross proceeds of \$500,000. Each unit consists of one common share and one share purchase warrant, each warrant will be exercisable into one additional share at a price of \$0.07 for period of one year from the closing of the private placement. In connection with the closing of the offering, the Company paid cash commission in the amount of \$12,950, being 7% of the aggregate proceeds raised from the sale of units to purchasers introduced by an eligible finder.
- On August 25, 2016, the company issued 4,001,881 shares with a fair value of \$160,075 to settle debt of \$200,094, resulting in a gain on debt settlement of \$40,019.
- On March 31, 2016, the Company closed the non-brokered private placement of 9,500,000 common shares of the Company at a price of \$0.02 per Share pursuant to a discretionary waiver of the \$0.05 minimum pricing requirement granted by the TSXV for gross proceeds of \$190,000. In connection with the closing of the Offering, the Company paid cash commission in the amount of \$11,975.60, being 7% of the aggregate proceeds raised from the sale of Shares to purchasers introduced by an eligible finder.
- On March 8, 2016, the Company closed a non-brokered private placement of 15,500,000 common shares at a price of \$0.02 per share were issued pursuant to a discretionary waiver of the \$0.05 minimum pricing requirement granted by the TSXV. These shares have been issued for aggregate gross proceeds of \$310,000.

### b) Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three months ended January 31, 2017 was based on the loss attributable to common shareholders of \$1,554,538 (2016 - \$42,920) and the weighted average number of common shares outstanding of 29,637,285 (2015 - 8,548,556). Diluted loss per share did not include the effect of 18,468,000 (2016 - 1,341,733) share purchase warrants and 2,237,500 (2016 - 328,500) stock options as the effect would be anti-dilutive.

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

## 9. SHARE CAPITAL AND RESERVES (Cont'd)

### c) Share purchase warrants

The changes in warrants outstanding during the three month period ended January 31, 2017 and the year ended October 31, 2016 are as follows:

	Three months ended January 31, 2017		Year ended October 31, 2016	
	Number of Warrants (Consolidated)	Weighted average exercise price	Number of Warrants (Consolidated)	Weighted average exercise price
Warrants outstanding, beginning	10,000,000	\$ 0.07	1,341,733	\$ 0.75
Warrants issued	8,468,000	0.25	10,000,000	0.07
Warrants exercised	-	-	-	-
Warrants expired	-	-	(1,341,733)	0.75
Warrants outstanding, ending	18,468,000	\$ 0.15	10,000,000	\$ 0.07

Details of warrants outstanding as at January 31, 2017 are as follows:

Exercise price	Expiry date	Weighted average contractual life	Number of warrants outstanding
\$0.07	September 14, 2017	0.59 years	10,000,000
\$0.30	December 23, 2017	0.87 years	8,468,000

Subsequent to the period ended January 31, 2017, warrants totaling 5,100,000 at an priced at \$0.07 were exercised.

### d) Reserves

Share-based payment reserve is used to recognize the value of stock option grants and share warrants prior to exercise.

The foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

## 10. SHARE BASED PAYMENTS

Pursuant to the policies of the TSXV, the Company may grant incentive stock options to its officers, directors, employees and consultants. TSXV policies permit the Company's directors to grant incentive stock options for the purchase of shares of the Company to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual (maximum of 2% to any consultant). The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the closing price of the Company's shares on the trading day immediately preceding the date on which the option is granted and publicly announced, less an applicable discount, and may not otherwise be less than \$0.10 per share. Options have a maximum term of ten years and terminate according to the terms which may be imposed by the Board of Directors. Vesting periods of options are determined at the time of granting of the options at the discretion of the board of directors.

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

## 10. SHARE BASED PAYMENTS

The changes in options during the three month period ended January 31, 2017, and the year ended October 31, 2016 are as follows:

	Three months ended January 31, 2017		Year ended October 31, 2016	
	Number of options (Consolidated)	Weighted average exercise price	Number of options (Consolidated)	Weighted average exercise price
Options outstanding, beginning	237,500	\$ 1.10	328,500	\$ 1.13
Options granted	2,000,000	0.20	-	-
Options expired/cancelled	(80,000)	(1.00)	(91,000)	1.00
Options outstanding, ending	2,157,500	\$ 0.27	237,500	\$ 1.10

Details of options outstanding as at January 31, 2017 are as follows:

Exercise price	Expiry date	Weighted average contractual life	Number of options outstanding
\$2.20	March 20, 2017	0.03	20,000
\$1.00	June 18, 2017	0.09	35,000
\$1.00	January 9, 2018	0.05	10,000
\$1.00	October 8, 2018	0.51	62,500
\$1.00	March 31, 2019	0.30	30,000
\$0.20	January 22, 2022	4.98	2,000,000
			2,157,500

## 11. RELATED PARTY TRANSACTIONS

### a) Related party balances

	January 31, 2017	October 31, 2016
Payable to a company controlled by an officer of the Company	\$ -	\$ 15,560
Payable to directors and officers of the Company	-	10,500
	\$ -	\$ 26,060

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

### b) Summary of related party transactions

	January 31, 2017	January 31, 2016
Professional fees to a company controlled by an officer of the Company	\$ 4,000	\$ 4,000
Management fees to a company controlled by an officer of the Company	12,500	4,500
Consulting fees to directors of the Company	5,000	11,500
	\$ 21,500	\$ 20,000

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

## 11. RELATED PARTY TRANSACTIONS

### c) Key management compensation

	January 31, 2017	October 31, 2016
Consulting	\$ 5,000	\$ 60,000
Management fees	12,500	18,000
Option issuance	325,318	-
	\$ 342,818	\$ 78,000

## 12. FINANCIAL INSTRUMENTS RISK AND CAPITAL MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk
- Foreign Exchange Risk

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

### *General Objectives, Policies and Processes:*

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

### a) Interest Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be low.

### b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist of cash. The Company has \$1,647,940 of cash as at January 31, 2017 (October 31, 2016 - \$390,125). The cash is held at a large Canadian bank and the Company considers the credit risk to be minimal.

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

## 12. FINANCIAL INSTRUMENTS RISK AND CAPITAL MANAGEMENT (Cont'd)

### c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 12 months. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditures. Liquidity risk is considered to be high.

### d) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company is not exposed to foreign exchange risk.

### Capital Management:

The Company considers its cash, common shares, warrants and stock options as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business. The Company is not exposed to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

### Classification of financial instruments:

Financial assets included in the statement of financial position are as follows:

	January 31, 2017	October 31, 2016
Fair value through profit and loss:		
Cash	\$ 1,647,940	\$ 390,125
	\$ 1,647,940	\$ 390,125

Financial liabilities included in the statement of financial position are as follows:

	January 31, 2017	October 31, 2016
Non-derivative financial liabilities:		
Accounts payable	\$ 438,802	\$ 188,368

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's financial instruments classified as level 1 are cash.

# CobalTech Mining Inc. (Formerly Big North Graphite Corp.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three month period ended January 31, 2017

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## 13. SEGMENTED REPORTING

### Operating segments

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expense, whose operating results are reviewed regularly by the Company's chief operating decision maker, and for which discrete financial information is available. The Company has determined that it has one reportable operating segment, the acquisition and exploration of mineral properties, all of which occurs within Canada.

## 14. SUBSEQUENT EVENTS

- a) On February 15, 2017, the Company entered in to purchase and sale agreement with 9920455 Canada Inc. to purchase 100% interest in seven mineral claims located in Cobalt, Ontario. Consideration for the mineral claims is \$250,000 and 5,000,000 common shares of CobalTech Mining Inc. within 10 days from the date of this agreement.
- b) On February 10, 2017, the Company entered into a letter of intent ("LOI") with 36569 Yukon Inc. for the purchase of a fully permitted cobalt processing facility located in northern Ontario. Consideration for the acquisition of the plant is \$5,500,000. A \$50,000 non-refundable due diligence fee was paid on the signing of the LOI for an initial period of 30 days. The due diligence period may be extended for two additional 30 day periods for a non-refundable deposit of \$100,000 per period. As at audit report date, the Company has paid \$50,000 due diligence fees and \$200,000 for extension of due diligence period.
- c) On December 6, 2016, the Company entered into a secured loan agreement with ParkWest Advisors LLC for a senior secured term loan in the amount of \$8,000,000 USD to be closed on January 31, 2017. Interest is to be paid quarterly and accrued at 11.5%. Additional fees include \$50,000 for due diligence which is 100% deductible from the closing fee and a closing fee of 3% of the total amount of the term loan. Subsequent to January 31, 2017, the Company elected to not complete the financing.
- d) On March 6, 2017, the Company entered into a debt settlement agreement to settle an aggregate of \$1,356,000 debt owed, in consideration of an aggregate 3,390,000 common shares of the Company. The issuance of of shares is subject to TSX-V approval, and once issued, the shares will be subject to a 4 month hold period pursuant to applicable securities laws.
- e) On March 16, 2017, the Company acquired the Werner Lake East Cobalt Property in Ontario. The property consists of 9 mineral claims adjoining Global Energy Metals Corp's Werner Lake Cobalt Project and including the Werner Lake East Mineral Occurrence Areas. Consideration for the mineral claims is 1,000,000 common shares of the Company.