



COBALT 27 CAPITAL CORP.

(formerly ARAK RESOURCES LTD.)

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

THREE MONTHS ENDED JULY 31, 2017

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Cobalt 27 Capital Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

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

	As at July 31, 2017	As at April 30, 2017
Assets		
Current Assets		
Cash	\$ 15,015,182	\$ 536,676
Short-term deposits	60,000	-
Amounts receivable and other assets (Note 3)	89,474	83,648
Total Current Assets	15,164,656	620,324
Inventories (Note 4)	173,737,671	-
Royalty Contracts (Note 5)	850,000	-
Deferred financing cost	-	135,916
Total Assets	\$ 189,752,327	\$ 756,240
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 165,425	\$ 101,154
Total Liabilities	165,425	101,154
Shareholders' Equity		
Share capital (Note 6)	199,409,241	3,288,921
Reserves	1,232,425	1,249,420
Deficit	(11,054,764)	(3,883,255)
Total Shareholders' Equity	189,586,902	655,086
Total Liabilities and Shareholders' Equity	\$ 189,752,327	\$ 756,240

Nature of Operations (Note 1)
Subsequent Events (Note 11)

Approved on behalf of the Board:

"Frank Estergaard", Director _____

"Anthony Milewski", Director _____

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

COBALT 27 CAPITAL CORP.*(formerly ARAK RESOURCES LTD.)***Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

	Three Months Ended July 31,	
	2017	2016
Operating Expenses		
Consulting fees and salaries (Note 7)	\$ 135,820	\$ 6,000
Directors fees (Note 7)	57,980	-
Foreign exchange loss	120,375	-
General and administrative	43,310	1,607
Marketing and promotion	126,821	-
Professional fees	16,803	-
Regulatory fees	30,519	1,031
Transport and storage	43,238	-
Total operating expenses	(574,866)	(8,638)
Other income (loss):		
Mark-to-market adjustment for inventories	(6,596,643)	-
Net and Comprehensive Loss for the period	\$ (7,171,509)	\$ (8,638)
Basic and diluted loss per share	\$ (0.64)	\$ (0.05)
Weighted average number of common shares outstanding - basic and diluted	11,132,418	183,019

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

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

	Three Months Ended July 31,	
	2017	2016
Operating Activities		
Net loss for the period	\$ (7,171,509)	\$ (8,638)
Adjustments for:		
Mark-to-market adjustment for inventories	6,596,643	-
Non-cash working capital items:		
Amounts receivable and other assets	(5,826)	2,011
Accounts payable and accrued liabilities	64,271	17,076
Net cash (used in) provided by Operating Activities	(516,421)	10,449
Investing Activities		
Evaluation and exploration expenditures	-	(1,438)
Purchase of inventories	(78,654,069)	-
Short-term deposit	(60,000)	-
Net cash used in Investing Activities	(78,714,069)	(1,438)
Financing Activities		
Common shares issued for cash	104,619,780	-
Share issuance costs	(11,597,813)	-
Common shares issued on exercise of warrants	664,872	-
Common shares issued on exercise of stock options	22,157	-
Net cash provided by Financing Activities	93,708,996	-
Net change in Cash	14,478,506	9,011
Cash, Beginning of period	536,676	749
Cash, End of period	\$ 15,015,182	\$ 9,760
Supplemental Information		
Common shares issued for Inventories	\$ 101,680,245	\$ -
Common shares issued for Royalty Contracts	\$ 850,000	\$ -
Deferred financing costs included in share issuance costs	\$ 135,916	\$ -

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

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

	Share Capital		Reserves	Deficit	Total
	Number	Amount			
Balance, April 30, 2016	183,019	\$ 1,787,113	\$ 721,790	\$ (2,925,275)	\$ (416,372)
Net loss for the period	-	-	-	(8,638)	(8,638)
Balance, July 31, 2016	183,019	\$ 1,787,113	\$ 721,790	\$ (2,933,913)	\$ (425,010)
Balance, April 30, 2017	1,659,164	\$ 3,288,921	\$ 1,249,420	\$ (3,883,255)	\$ 655,086
Issuance of common shares for cash (Note 6(b)(i))	10,924,420	98,319,780	-	-	98,319,780
Issuance of common shares for inventories (Note 6(b)(i))	11,297,805	101,680,245	-	-	101,680,245
Share issuance costs	-	(11,733,729)	-	-	(11,733,729)
Issuance of common shares on exercise of over-allotment (Note 6(b)(ii))	700,000	6,300,000	-	-	6,300,000
Issuance of common shares for Royalty Contracts (Note 5)	127,778	1,150,000	-	-	1,150,000
Escrowed shares (Note 5)	-	(300,000)	-	-	(300,000)
Issuance of common shares on exercise of warrants (Note 6(b)(iii))	99,681	664,872	-	-	664,872
Issuance of common shares on exercise of options (Note 6(b)(iv))	5,117	39,152	(16,995)	-	22,157
Net loss for the period	-	-	-	(7,171,509)	(7,171,509)
Balance, July 31, 2017	24,813,965	\$ 199,409,241	\$ 1,232,425	\$ (11,054,764)	\$ 189,886,902

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

COBALT 27 CAPITAL CORP.

(formerly ARAK RESOURCES LTD.)

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended July 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Operations

Cobalt 27 Capital Corp. (*formerly* Arak Resources Ltd.), (the "Company" or "Cobalt 27") was incorporated in British Columbia on May 9, 2006. Its shares are listed on the TSX Venture Exchange ("TSXV"). 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 producing cobalt mines or early stage exploration and development of mineral properties containing cobalt.

On April 6, 2017, the Company changed its name to Cobalt 27 Capital Corp. and commenced trading under its new name and stock trading symbol KBLT. 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 the financial statements have been adjusted to reflect these share consolidations and forward split.

The head office is located at Suite 702 - 85 Richmond St. West, Toronto, Ontario, Canada. The registered and records offices are located at Suite 2900 – 595 Burrard Street, Vancouver, British Columbia, Canada.

These unaudited condensed interim consolidated financial statements of the Company for the three months ended July 31, 2017 were approved and authorized for issue by the Board of Directors on September 27, 2017.

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.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of September 27, 2017 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 year ended April 30, 2017 except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending April 30, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

COBALT 27 CAPITAL CORP.
(formerly ARAK RESOURCES LTD.)
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Three Months Ended July 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

2. Significant Accounting Policies (Continued)

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

These 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 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 interests relate, which are estimated using available information of proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement.

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2. Significant Accounting Policies (Continued)

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing 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.

COBALT 27 CAPITAL CORP.*(formerly ARAK RESOURCES LTD.)***Notes to Condensed Interim Consolidated Financial Statements**

Three Months Ended July 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)**3. Amounts Receivable and Other Assets**

	As at July 31, 2017	As at April 30, 2017
Sales tax receivable - (Canada)	\$ 23,574	\$ 9,973
Prepaid expenses	58,200	73,675
Advances	7,700	-
	\$ 89,474	\$ 83,648

4. Inventories

On closing of the Offering and shortly thereafter, the Company acquired 1,488.3 tonnes of premium-grade cobalt and 672.6 tonnes of standard-grade cobalt at a cost of \$180,334,314. As of July 31, 2017, details of the inventory of cobalt were as follows:

Category of cobalt	Quantity of cobalt metric tonne (mt)	Cost	Fair value ⁽¹⁾
Premium grade	1,488.3	\$ 126,992,354	\$ 121,251,500
Standard grade	672.6	53,341,960	52,486,171
	2,160.9	\$ 180,334,314	\$ 173,737,671

Location	Facility	Quantity of cobalt (mt)	Cost	Fair value ⁽¹⁾
Baltimore	Steinweg	1,499.9	\$ 127,237,762	\$ 121,811,177
Rotterdam	Steinweg	419.0	33,231,906	32,698,752
Rotterdam	Vollers	100.0	8,603,468	8,147,232
Antwerp	Steinweg	142.0	11,261,178	11,080,510
		2,160.9	\$ 180,334,314	\$ 173,737,671

⁽¹⁾ Based on the average bid and ask Metal Bulletin cobalt prices as of July 31, 2017, and US\$/C\$ exchange rate as at July 31, 2017.

During the three months ended July 31, 2017, an amount of \$6,596,643 has been accounted for the mark-to-market adjustment for inventories which is mainly attributable to the strengthening of the Canadian dollar relative to the United States dollar.

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5. Royalty Contracts

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 July 31, 2017, 33,333 of the above issued common shares (valued at \$300,000) were held in escrow pending the fulfillment of several obligations by the vendor on one of its Royalty Contracts. The value of the common shares held in escrow has been deducted from Share Capital in the Condensed Interim Consolidated Statements of Changes in Shareholders' Equity. The royalties relate to cobalt as a by-product associated with polymetallic and base metals exploration properties.

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

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

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

COBALT 27 CAPITAL CORP.**(formerly ARAK RESOURCES LTD.)****Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended July 31, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

6. Share Capital

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

b) Common shares issued:

- (i) On June 23, 2017, the Company closed an offering (the "Offering") for 22,222,225 common shares at a price (the "Offering Price") of \$9.00 per share for a value of \$200,000,025. The Offering was completed as follows: (a) 10,924,420 common shares for aggregate gross cash proceeds of \$98,319,780 (the "Cash Offering") and (b) 11,297,805 common shares for cobalt inventory contracts (the "Cobalt Contract Shares") for aggregate value of \$101,680,245 (the "Cobalt Shares Offering"). The number of Cobalt Contract Shares issued was equal to the agreed fair market value for the cobalt purchased pursuant to the terms of the Cobalt Contracts divided by the Offering Price of the common shares. The Company granted the underwriters an option (the "Over-Allotment Option"), exercisable in whole or in part at any time until 30 days following the closing of the Offering, to purchase from the Company at the Offering Price up to an additional 15% of the number of common shares sold under the Offering.

Pursuant to the terms and conditions of the Underwriting Agreement, the Company agreed to pay a cash fee to the underwriters in an amount calculated as 6.0% of the gross proceeds realized from the sale of common shares distributed under the Cash Offering and 6.0% of the value of the common shares distributed under the Cobalt Shares Offering, provided that the first \$70 million of Cobalt Contract Shares under the Offering and the sale of 2,270,000 Shares to Pala Investments will be subject to a 1.0% fee (the "Commissions"). These Commissions totaled \$7,478,502. The Company reimbursed the Underwriters' legal fees and other expenses incurred with respect to the Offering which totalled \$350,000. In addition, the Company paid \$3,000,000 for advisory fees and \$527,227 in legal and professional fees.

- (ii) On June 29, 2017, a portion of the over-allotment option granted by the Company to the underwriters in connection with the Offering was exercised. A total of 700,000 common shares were issued at a price of \$9.00 per share, for additional gross proceeds of \$6,300,000. The Company paid a 6% cash commission of \$378,000.
- (iii) During the three months ended July 31, 2017, 99,681 warrants and agent's warrants were exercised for gross proceeds of \$664,872.
- (iv) During the three months ended July 31, 2017, 5,117 stock options were exercised for gross proceeds of \$22,157. The grant date fair value of \$16,995 was transferred from reserves to share capital.

c) Warrants

The following table reflects the continuity of warrants for the periods ended July 31, 2017 and 2016:

	Number of warrants	Weighted average exercise price (\$)
Balance, April 30, 2016 and July 31, 2016	94,950	6.67
Balance, April 30, 2017	101,700	6.30
Exercised	(93,974)	6.67
Expired	(976)	6.67
Balance, July 31, 2017	6,750	1.20

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6. Share Capital (Continued)

c) Warrants (continued)

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

Number of warrants outstanding	Exercise price (\$)	Expiry date
6,750	1.20	March 21, 2022

d) Agent's Warrants

The following table reflects the continuity of agent's warrants for the periods ended July 31, 2017 and 2016:

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

e) Stock options

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, employees, directors, advisors and consultants. The exercise price is determined by the Board of Directors provided the minimum exercise price is set at the Company's closing share price on the day before the grant date. The options can be granted for a maximum term of ten years and vesting terms are determined by the Board of Directors at the date of grant.

The following table reflects the continuity of stock options for the periods ended July 31, 2017 and 2016:

	Number of stock options	Weighted average exercise price (\$)
Balance, April 30, 2016 and July 31, 2016	16,500	0.25
Balance, April 30, 2017	158,867	4.33
Exercised	(5,117)	4.33
Balance, July 31, 2017	153,750	4.33

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6. Share Capital (Continued)

e) Stock options (continued)

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

Options outstanding and exercisable	Grant date fair value (\$)	Exercise price (\$)	Weighted average remaining contractual life (years)	Expiry date
153,750	510,635	4.33	4.67	March 31, 2022

7. 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 Directors.

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

	Three Months Ended July 31,	
	2017	2016
Consulting fees and salaries ⁽¹⁾⁽²⁾	\$ 121,239	\$ 6,000
Directors fees ⁽²⁾	57,980	-
	\$ 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).

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7. Related party transactions (Continued)

Major shareholders

To the knowledge of the directors and senior officers of the Company as at July 31, 2017, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

Major shareholders	Number of common shares	Percentage of outstanding common 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.

8. Financial instruments

Fair value of financial instruments

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

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

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

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9. 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 of cobalt to generate additional cash if required. Although the Company may enter into commitments to purchase additional cobalt or acquire cobalt streams, royalties, and direct interests in mineral properties containing cobalt, those commitments are normally funded by use of the Company's available cash or are contingent on its ability to raise funds through the sale of additional equity securities or debt financing.

Market risk

(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.

Market risk (continued)

(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 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 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 value of 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.

(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 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.

10. Segmented information

The Company operates in a single reportable operating segment, being the acquisition of cobalt.

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(Unaudited)

11. Subsequent Events

(i) 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 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.

(ii) 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.