



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2018 AND 2017

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management and approved by the Audit Committee. The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established for a review of interim financial statements by an entity's auditors.

COBALT POWER GROUP INC.Condensed Interim Consolidated Statements of Financial Position (*unaudited*)
(Expressed in Canadian Dollars)

As at	October 31, 2018	January 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,555,167	\$ 2,651,773
GST receivable	163,045	73,209
Prepaid expenses	21,620	-
	1,739,832	2,724,982
Non-current assets		
Fixed assets	15,886	-
Exploration and evaluation assets (note 5, 6)	13,363,619	8,601,252
	\$ 15,119,337	\$ 11,326,234
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 116,381	\$ 53,630
Flow through premium liability	-	21,435
	116,381	75,065
Shareholders' equity		
Share capital (note 7)	21,506,782	16,641,783
Reserves	2,490,010	555,307
Deficit	(8,993,836)	(5,945,921)
Total shareholders' equity	15,002,956	11,251,169
	\$ 15,119,337	\$ 11,326,234

Nature and Continuance of Operations (note 1)
Commitment (note 11)

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

COBALT POWER GROUP INC.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss *(unaudited)*

(Expressed in Canadian Dollars)

	Three months ended October 31,		Nine months ended October 31,	
	2018	2017	2018	2017
Operating Expenses				
Consulting (note 8)	\$ 115,011	\$ 95,200	\$ 671,168	\$ 723,744
Insurance	4,263	-	9,475	12,500
Office	4,907	6,658	20,498	31,558
Professional fees	33,894	25,306	129,690	60,618
Promotion and entertainment	3,476	32,027	18,831	97,751
Rent	24,525	5,250	58,025	15,250
Salaries (note 8)	-	37,000	237,190	100,073
Share-based compensation (notes 7 and 8)	-	-	1,910,000	170,827
Shareholder communications	(9,564)	5,951	38,456	41,488
Transfer agent and regulatory fees	5,638	11,267	35,329	32,812
Travel	5,751	39,021	40,626	68,541
Depreciation	1,444	-	2,724	-
	189,345	257,680	3,172,012	1,355,162
Non-operating (income) expenses				
Foreign exchange (gain)/loss	699	12,372	(0)	12,874
Flow through income	(41,888)	(16,304)	(121,435)	(160,000)
Other income	-	-	-	-
Interest income	(189)	(1,482)	(2,661)	(2,394)
Net and comprehensive loss for the year	\$ 147,967	\$ 252,266	\$ 3,047,915	\$ 1,205,642
Basic and fully diluted loss per share	(0.00)	(0.00)	(0.02)	(0.02)
Weighted average number of shares outstanding	158,605,628	56,483,730	144,003,807	52,907,301

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

COBALT POWER GROUP INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity *(Unaudited)*

(Expressed in Canadian Dollars)

	Shares	Amount	Reserves	Deficit	Total Shareholders' Equity
Balance - January 31, 2017	33,067,755	\$ 4,217,310	\$ 360,570	\$ (4,034,379)	\$ 543,501
Shares issued for cash	31,985,788	3,380,106	-	-	3,380,106
Flow-through premium liability	-	(210,000)	-	-	(210,000)
Shares issued for exploration assets	1,650,000	172,500	-	-	172,500
Shares issued for finders' fees	150,000	15,000	-	-	15,000
Share issuance costs	-	(283,693)	63,960	-	(219,733)
Share-based compensation	-	-	170,827	-	170,827
Retained earnings adjustment	-	-	-	1,032	1,032
Net loss for the year	-	-	-	(1,205,642)	(1,205,642)
Balance - October 31, 2017	66,853,543	7,291,223	595,357	(5,238,989)	2,647,591
Balance - January 31, 2018	120,386,753	16,641,783	555,307	(5,945,921)	11,251,169
Shares issued for cash	10,224,500	1,719,840	-	-	1,719,840
Flow-through premium liability	-	(100,000)	-	-	(100,000)
Shares issued for exploration assets	27,200,000	3,278,000	-	-	3,278,000
Shares issued for cash on the exercise of warrants	84,375	13,500	-	-	13,500
Shares issued for cash on the exercise of options	710,000	71,150	-	-	71,150
Share issuance costs	-	(117,491)	24,703	-	(92,788)
Share-based compensation	-	-	1,910,000	-	1,910,000
Net loss for the period	-	-	-	(3,047,915)	(3,047,915)
Balance - October 31, 2018	158,605,628	\$ 21,506,782	\$ 2,490,010	\$ (8,993,836)	\$ 15,002,955

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

COBALT POWER GROUP INC.Condensed Interim Consolidated Statements of Cash Flows *(Unaudited)*
(Expressed in Canadian Dollars)

For the nine months ended October 31,	2018	2017
Operating activities		
Net loss for the year	\$ (3,047,915)	\$ (1,205,642)
<i>Items not affecting cash</i>		
Depreciation	2,724	-
Flow through premium liability	(21,435)	50,000
Share-based compensation	1,934,703	170,827
	(1,131,924)	(984,815)
<i>Changes in non-cash working capital items</i>		
GST receivable	(89,836)	(69,836)
Prepaid expenses	(21,620)	-
Accounts payable and accrued liabilities	62,751	184,822
Net cash used in operating activities	(1,180,628)	(869,829)
Investing activities		
Fixed assets	(18,610)	-
Exploration and evaluation assets	(1,484,367)	(1,136,678)
Cash used in investing activities	(1,502,977)	(1,136,678)
Financing activities		
Proceeds from share issuances, net	1,586,999	3,137,873
Cash provided by financing activities	1,586,999	3,137,873
Increase in cash and cash equivalents	(1,096,606)	1,131,366
Cash and cash equivalents - beginning of year	2,651,773	190,809
Cash and cash equivalents - end of year	\$ 1,555,167	\$ 1,322,175

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

COBALT POWER GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements (*unaudited*)

For the three and nine months ended October 31, 2018 and 2017

(Expressed in Canadian Dollars or unless otherwise stated)

1. NATURE AND CONTINUANCE OF OPERATIONS

a) Nature of Operations

Cobalt Power Group Inc. (the “**Company**”) was incorporated under the BC Business Corporations Act on December 14, 2009 and is listed on the TSX Venture Exchange (“**TSX:V**”) under the symbol “CPO”.

The Company maintains its head office at 65 Queen Street West, Suite 520, Toronto, Ontario M5H 2M5. The registered office of the Company is located at 2582 Sechelt Drive, North Vancouver, British Columbia V7H 1N8.

The Company’s principal business activity is the acquisition and exploration of resource properties. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended October 31, 2018 were approved and authorized for issue by the Board of Directors on December 21, 2018.

b) Continuance of Operations

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

During the nine months ended October 31, 2018, the Company incurred a net and comprehensive loss of \$3,047,915 (October 31, 2017 - \$1,205,642) and as at October 31, 2018 had an accumulated deficit of \$8,993,836 (January 31, 2018 - \$5,945,921). To date, the operations of the Company have solely been funded through the issuance of common shares. Continued operations are dependent on the Company’s ability to complete future equity financings. In the event that the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the statement of financial position. Due to many external factors, including commodity prices and equity market conditions, it is not possible to predict whether future financing will be successful or available at all. The Company estimates that it has sufficient working capital to meet its planned expenditures for the next twelve months.

COBALT POWER GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements (*unaudited*)

For the three and nine months ended October 31, 2018 and 2017

(*Expressed in Canadian Dollars or unless otherwise stated*)

2. BASIS OF PRESENTATION

a) Statement of Compliance

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

This interim financial report does 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 transactions that are significant to an understanding of the 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 annual financial statements of the Company for the year ended January 31, 2018.

The accounting policies applied in preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company’s financial statements for the year ended January 31, 2018, with the exception of certain amendments to accounting standards issued by the IASB. These amendments did not have a significant impact on the Company’s unaudited condensed interim consolidated financial statements.

The Company’s interim results are not necessarily indicative of its results for a full year.

b) Basis of Consolidation

These condensed interim consolidated financial statements of the Company include the transactions and balances of its subsidiaries, Canadian Cobalt Projects Inc., Ontario Cobalt Property Developers Inc. and Western Cobalt Corp. which was a wholly-owned subsidiary incorporated in Ontario, Canada. The Company consolidates its subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation.

c) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value.

In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company and its subsidiary is the Canadian dollar, being the currency of the economic environment of the Company’s operations. The functional currency is also the presentation currency.

The preparation of these condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are

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based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. See Note 4 for Critical Accounting Estimates and Judgments made by management in the application of IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements set out below have been applied consistently in all material respects.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. As of October 31, 2018, the Company held \$NIL (January 31, 2018 - \$545,000) in cash equivalents.

Short Term Investments

Short term investments include investments that are convertible to known amounts of cash and have a maturity of one year or less. As at October 31, 2018 and January 31, 2018, the Company had no short-term investments.

Basic and Diluted Loss per Share

Basic earnings per share are computed by dividing the net and comprehensive loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if the dilutive securities were exercised or converted to common shares. The dilutive effect of the options and warrants are computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

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Notes to the Condensed Interim Consolidated Financial Statements (*unaudited*)

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Exploration and evaluation costs for mineral properties

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized. Mineral exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extraction of the mineral resources has been determined, the property is considered to be a property under development and is classified as such. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off through impairment.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

Facts and circumstances that indicate a test for impairment as defined in *IFRS 6 Exploration and Evaluation Assets* include the following:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and that the entity has decided to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full, from a successful development or by a sale.

The recoverability of the amounts capitalized for the undeveloped mineral property is dependent upon the determination of economically recoverable mineral resources, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, the title to its properties are in good standing.

Management's capitalization of exploration and evaluation costs and assumptions regarding the future recoverability of such costs are subject to significant estimation uncertainties. Management's assessment of recoverability is based on, among other things, the probability of future economic benefits including: geological and metallurgical information, history of conversion of mineral deposits to proven and probable reserves, estimated commodity prices and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future, which has the potential to materially affect the carrying value and the ultimate recoverability of the amounts recorded for said mineral properties.

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Mining Tax Credits

Mining tax credits are recorded in the condensed interim consolidated financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These mining tax credits are earned by incurring allowable exploration expenditures set forth by the respective provincial governments and are recorded as a reduction of the related exploration and evaluation assets.

Share-Based Payments

Equity-settled share-based payments for directors, officers, employees and consultants are measured at fair value using the Black-Scholes option valuation model at the stock option grant date and recorded as an expense in the financial. The fair value determined at the grant date of the equity-settled share-based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of the number of shares that will eventually vest. Consideration paid by optionees on exercise of stock options together with their fair values is credited to share capital.

Compensation expense on stock options granted to consultants is measured at the earlier of the completion of performance and the date the options are vested at the fair value of the goods and services received and are recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Income Taxes

Income tax expense comprises of current and deferred tax. Current and deferred taxes are recognized in the statement of operations except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the condensed interim consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is to be settled. At the end of each reporting year end the Company reassesses unrecognized deferred tax assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

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(*Expressed in Canadian Dollars or unless otherwise stated*)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to do so and when the deferred tax balances relate to the same taxation authority.

Impairment of Long-lived Assets

The Company's assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated and an impairment adjustment is made.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of operations for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill, which the Company has none recorded, is never reversed.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Financial assets are classified into one of four categories: Financial assets at fair value through profit or loss ("**FVTPL**"), Held-to-maturity investments, available for sale ("**AFS**") financial assets and loans and receivable.

The Company has classified cash and cash equivalents as FVTPL.

COBALT POWER GROUP INC.

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(*Expressed in Canadian Dollars or unless otherwise stated*)

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been negatively and measurably impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows of the asset, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

Impairment losses on loans and receivables carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities through FVTPL, or other financial liabilities, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's other financial liabilities include accounts payables and accrued liabilities. Subsequent to initial recognition, accounts payable and accrued financial liabilities are measured at amortized cost using the effective interest method.

Decommissioning Provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the decommissioning provision in the period incurred. Provisions are determined by discounting the risk-adjusted expected future cash flows to take into consideration risks and uncertainties involving the transaction. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The decommissioning cost is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognition in the statement of operations.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. Currently, the Company has no decommission provision obligations.

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(Expressed in Canadian Dollars or unless otherwise stated)

The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of operations for the period in which they are incurred.

Translation of Foreign Currencies

The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate as of the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate as of the date when the fair values were determined and are not subsequently re-translated.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized as profit or loss in the statement of operations in the period which they arise.

Share Capital

Share issue costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are charged to operations.

Value of warrants

Proceeds from unit placements are allocated between shares and warrants using the residual method whereby the shares are recorded at fair value and any residual is allocated to the warrant. The value of compensatory warrants issued to brokers is determined by using the Black-Scholes model.

Flow-through shares

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. Any premium, being the excess of the proceeds over the market value of the common shares, is recorded as a liability. At the later of the renouncing and the incurrence of the expenditure, the Company de-recognizes the liability, and the premium amount is recognized as income in the statement of operations. The Company may be subject to a Part XII.6 tax on flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

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Notes to the Condensed Interim Consolidated Financial Statements (*unaudited*)

For the three and nine months ended October 31, 2018 and 2017

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Recently Adopted Accounting Policies

These condensed interim consolidated financial statements reflect the adoption of IFRS 9 - Financial Instruments and IFRS 15 - Revenue from contracts with customers. The adoption of these new standards did not have a significant impact on the Company's financial results.

Recent Accounting Pronouncements

The following is a future change in accounting policy not yet effective as at October 31, 2018:

(a) IFRS 16 – Leases – The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Company is assessing the impact of this standard.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of income and expenses during the reporting period. The preparation of these condensed interim consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Critical Accounting Estimates

The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Impairment

Assets, especially exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the recoverable amount requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

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(*Expressed in Canadian Dollars or unless otherwise stated*)

Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees and consultants by referencing the calculated fair value of the equity instruments as of the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and the dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

Rehabilitation Provisions

Management's best estimates regarding the rehabilitation provisions are based on the current economic environment and future cash flows. Changes in estimates of contamination, restoration standards and restoration activities result in changes to provisions from period to period. Actual rehabilitation provisions will ultimately depend on future market prices of rehabilitation obligations.

Critical Judgments Used in Applying Accounting Policies:

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which is based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is impaired in the statement of operations during the period the new information becomes available.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title to said properties. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Income taxes

Significant judgment is required in determining the provision for future income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however; the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

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In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. Utilization of the tax losses depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

5. ACQUISITIONS

Ontario Cobalt Property Developers Inc.

On June 4, 2018, the Company announced the closing of an agreement to acquire Ontario Cobalt Property Developers Inc. ("Ontario Cobalt") a privately-held mineral exploration company. The acquired business was purchased for \$1,875,00, paid by the issuance of 15,000,000 common shares, valued at \$0.125 per share. The shareholders of Ontario Cobalt will also receive a 2.5% net smelter return royalty, of which 1.5% may be purchased by the Company at any time, on or before the seventh anniversary of the closing date, in consideration of a \$1,000,000 cash payment. As Ontario Cobalt did not meet the definition of a business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby the Company is considered to issue shares in return for the net assets of Ontario Cobalt at their fair value. The purchase price of \$1,875,000 was allocated entirely to exploration assets.

The purchase consideration has been allocated to the identified net assets on a preliminary basis taking into account management's best estimates of their individual fair values as at the acquisition date. The preliminary determination of these fair values is subject to a high level of measurement uncertainty due to the complexity of the acquisition and the inherently uncertain nature of exploration properties. Management has commenced, but not yet completed, its final determination of the fair values. The difference between the preliminary determination and the final amounts may be materially different.

Western Cobalt Corp.

On June 15, 2018, the Company announced the closing of an agreement to purchase all of the issued and outstanding common shares of Western Cobalt Corp. ("Western Cobalt"), a privately-held mineral exploration company. The acquired business was purchased for \$1,403,00, paid by the issuance of 12,200,000 common shares, valued at \$0.115 per share. The shareholders of Western Cobalt will receive a 2.5 % net smelter royalty, of which 1.5 % may be purchased by the Company at any time on or before the fifth anniversary of the closing date, in consideration of a \$1,500,000 cash payment. As Western Cobalt did not meet the definition of a business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby the Company is considered to issue shares in return for the net assets of Ontario Cobalt at their fair value. The purchase price of \$1,403,000 was allocated entirely to exploration assets.

The purchase consideration has been allocated to the identified net assets on a preliminary basis taking into account management's best estimates of their individual fair values as at the acquisition date. The preliminary determination of these fair values is subject to a high level of measurement uncertainty due to the complexity of the acquisition and the inherently uncertain nature of exploration properties. Management has commenced, but not yet completed, its final determination of the fair values. The difference between the preliminary determination and the final amounts may be materially different.

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6. EXPLORATION AND EVALUATION ASSETS

Description	Balance, January 31, 2018	Additions for the nine months	Write offs for the nine months	Balance October 31, 2018
Acquisition Cost				
Blueberry Cobalt (A)	\$ -	\$ 94,000	\$ -	\$ 94,000
Brownell Lake (B)	1	-	-	1
Cliff Lake (C)		200,000	-	200,000
Laurier Graphite (D)	1	-	-	1
Little Trout (A)	-	187,000	-	187,000
Ontario Cobalt(E)	-	2,110,000	-	2,110,000
Smith-Cobalt (F)	7,092,380	-	-	7,092,380
Western Cobalt (G)	-	1,403,000	-	1,403,000
	7,092,382	3,994,000	-	11,086,382
Expenditures				
Smith-Cobalt (F)	1,508,870	768,367	-	2,277,237
	1,508,870	768,367	-	2,277,237
Total	\$ 8,601,252	\$ 4,762,367	\$ -	\$ 13,363,619

Description	Balance, January 31, 2017	Additions for the Year	Write offs for the Year	Balance January 31, 2018
Acquisition Cost				
Brownell Lake (B)	\$ 1	\$ -	\$ -	\$ 1
Laurier Graphite (D)	1	-	-	1
Smith-Cobalt (F)	141,250	6,951,130	-	7,092,380
	141,252	6,951,130	-	7,092,382
Expenditures				
Smith-Cobalt (F)	214,220	1,294,650	-	1,508,870
	214,220	1,294,650	-	1,508,870
Total	\$ 355,472	\$ 8,245,780	\$ -	\$ 8,601,252

A) Blueberry and Little Trout

On July 5, 2018, the Company announced the acquisition of the Little Trout group of claims in the South Lorraine Township of Ontario, Canada. The Little Trout property consists of 46 claim units comprising approximately 776 hectares of highly prospective geology for cobalt and copper mineralization. The claims are contiguous with Cobalt Power's Canadian Cobalt project. The purchase was accomplished by Cobalt Power acquiring all of the issued and outstanding shares in Little Trout Cobalt Development Corp. In exchange for the issuance, at closing, to the shareholders of Little Trout the sum of \$192,375 and the benefit of a 2.5% net smelter royalty, of which 1.5% may be purchased by Cobalt Power at any time on or before the fifth anniversary of the closing date in consideration of a \$1,500,000 cash payment.

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]B) Brownell Lake Property

The Company held an option to acquire a 100% interest in eight contiguous mining claims located southeast of La Ronge, Saskatchewan.

The option consisted of three separate options in which the Company could acquire on an incremental basis up to a 100% interest in the property by making staged payments and incurring exploration expenditures.

The Company acquired a 30% interest in the property as a result of paying \$75,000, issuing 750,000 common shares and incurring exploration expenditures of \$250,000. However, the second and third options to acquire a further interest in the property lapsed due to missing deadline requirements. At fiscal year ended 2016, the Brownell property was impaired down to \$1 due to obligations not being fully executed.

C) Cliff Lake

On August 22, 2018, the Company announced the acquisition of the Cliff Lake Property, consisting of 73 claim units comprising approximately 1,460 hectares of highly-prospective geology for cobalt, copper, and silver mineralization. The Cliff Lake properties are located west of the Trans-Canada highway in the Municipality of Temagami in Northeastern Ontario area and the claims are contiguous with Cobalt Power's TriEast claim block.

D) Laurier Graphite Property

On May 16, 2012, the Company entered into a property option agreement to acquire an undivided 100% interest in mineral claims located in the Laurier Township, south east of North Bay, Ontario. The optionor has a 2% NSR reservation on the property.

Consideration for the acquisition comprised of staged payments aggregating \$100,000 and the issuance of 375,000 common shares which were paid and issued.

Due to the lack of exploration activity on the property, the Company impaired the property down to \$1 at January 31, 2017.

E) Ontario Cobalt Property Developers

On February 13, 2018, the Company announced that it had signed a share purchase agreement to acquire Ontario Cobalt property Developers Inc, a privately-held mineral exploration company holding 14 strategically located mineral claims in Gillies Limit Township, Ontario. The properties encompass approximately 2,944 ha (7,275 acres) of highly prospective mineral lands in the Cobalt Camp. The geological setting of the Properties exhibits all of the critical features of Co-Ag mineralization in the region (diabase dyke, Coleman member sediments, major faulting).

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F) Smith-Cobalt Property

On October 23, 2017, the Company entered into an agreement to acquire thirty-three patented mining claims, located near Cobalt, Ontario through the acquisition of Canadian Cobalt Projects Inc. Consideration for the acquisition comprised of the issuance of 29,950,000 common shares. The vendors also received a 1.5% NSR, 75% of which may be purchased by the Company for \$1,000,000 in cash.

On September 2, 2016, the Company entered into a property option agreement to acquire nine patented mining claims, located near Cobalt, Ontario. Consideration for the acquisition comprised of staged payments aggregating \$25,000 and the issuance of 1,500,000 common shares (see note 6) as follows:

- i) Cash Consideration*
 - \$5,000 upon entering into the agreement **(paid)**;
 - \$20,000 upon receipt of regulatory approval **(paid)**.

- ii) Issuance of Common Shares*
 - 750,000 upon receipt of regulatory approval **(issued)**;
 - 750,000 upon the first anniversary of the signing (September 2, 2017) **(issued)**;

The agreement is subject to a 2% NSR. The Company has the right to purchase one-half of the NSR (1%) for \$1,000,000. In addition, the Company also agreed to continue payment on the remaining mortgage owed on the property, up to the amount of \$16,000 (paid).

On September 12, 2016 the Company acquired an additional 3 mineral claims contiguous to the 9 patented Smith-Cobalt Mining claims. Consideration for the acquisition comprised of staged payments aggregating \$25,000 and the issuance of 500,000 common shares completed during the year ended January 31, 2017 (paid and issued).

G) Western Cobalt

On June 15, 2018, the Company announced the closing of an agreement to purchase all of the issued and outstanding common shares of Western Cobalt Corp. (“Western Cobalt”), a privately-held mineral exploration company that holds nine strategically-located mineral claims in the eastern Athabasca basin of Saskatchewan, Canada. The Western Cobalt properties comprise approximately 20,130 acres (8,146 hectares) of highly prospective geology.

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7. SHARE CAPITAL

a) *Authorized*

An unlimited number of common shares without par value.

b) *Issued and Outstanding*

- i) On February 6, 2017, the Company issued 150,000 shares at a value of \$15,000 towards the acquisition of certain mineral property interests.
- ii) On February 28, 2017 the Company closed the first non-brokered private placement for gross proceeds of \$1,040,000. The non-brokered private placement consisted of 13,000,000 units at a price of \$0.08 per unit. Each unit consisted of one common share of the Company and one-half transferable share purchase warrant with one full warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.16 per share for a period of eighteen months following the date of closing. As compensation for the placement, the Company paid cash finders' fees of \$29,496. In addition, the Company issued 399,000 broker warrants with a value of \$31,661. Each brokers' warrant is exercisable at price of \$0.16 per share to purchase one additional common share of the Company for a period of eighteen months from the date of closing. The fair value of the broker warrants was determined using the Black-Scholes option pricing model with a risk-free rate of 0.74%, an expected life of 18 months, a volatility of 130% and a dividend rate of 0%.
- iii) On March 8, 2017, the Company closed the second non-brokered private placement for gross flow-through proceeds of \$480,000. The non-brokered flow-through placement consisted of 4,000,000 flow-through shares at a price of \$0.12 per flow-through share. As compensation for the placement of the units, the Company paid cash finders' fees of \$20,599. In addition, the Company issued 171,660 broker warrants with a value of \$11,319. Each brokers' warrant is exercisable at price of \$0.16 per share to purchase one additional common share of the Company for a period of eighteen months from the date of closing. The fair value of the broker warrants was determined using the Black-Scholes option pricing model with a risk-free rate of 0.82%, an expected life of 18 months, a volatility of 130% and a dividend rate of 0%. The Company recorded a flow-through premium liability of \$160,000 which has been recognized in flow through income since the qualifying expenditures have been incurred.
- iv) On March 22, 2017, the Company signed an offer to purchase a patented land claim in the Lorrain Township of Ontario, Canada. The land claim is contiguous to the Company's Smith Cobalt Project. The offer requires payment of 300,000 common shares (**issued at a value of \$27,000**) for a 100% interest in the patented land claim.
- v) On March 27, 2017, the Company signed an option to purchase a 100% interest in the Bende and Kingston patented mining claims in the Coleman and Bucke Townships of Ontario. The option requires a payment of \$20,000 (**paid**) and issuance of 400,000 common shares (**issued at a value of \$36,000**) on the date the agreement is accepted for filing by the TSX:V, followed by an additional payment of \$20,000 (**paid**) and issuance of 400,000 common shares (**issued at a value of \$54,000**) six months following the acceptance date of the TSX:V.

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- vi) On April 17, 2017 the Company signed an option to purchase a mining claim, located in the Larder Lake mining division in the Lorrain Township, Ontario. The property is contiguous with the southwest section of the Company's Smith Cobalt project. The option requires a payment of \$1,000 **(paid)** and issuance of 200,000 common shares **(issued at a value of \$18,000)** of the Company.
- vii) On August 25, 2017, the Company closed the non-brokered private placement with Hochschild Mining Holdings Limited ("Hochschild") for gross proceeds of \$635,250. The non-brokered private placement consisted of 4,886,538 units at a price of \$0.13 per unit. Each unit consisted of one common share of the Company and one-half non-transferable share purchase warrant with each one full warrant being exercisable to purchase one additional common share of the Company at a price of \$0.30 per share, for a period of two years following the date of closing.
- By virtue of the private placement, Hochschild has received the following rights:
- The right to option and joint venture one of the Company's properties with the property to be selected in the two years following the initial investment by Hochschild, and at Hochschild's sole discretion to determine;
 - The right to appoint a director to the Board of the Company following the closing, and as long as Hochschild holds a minimum of 5% of the issued and outstanding shares of Cobalt and;
 - The right to top up its shareholder holdings in the Company in order to maintain its percentage interest in the outstanding share capital of the Company. The exercise of the top up right is optional and may be exercised through further private placements, to be made at a price equal to the average 20-day volume weighted market price of the Company's common shares, as traded on the TSX:V, subject to the application of the minimum pricing policies of the TSX:V.
- viii) On September 15, 2017, 750,000 shares were issued at a value of \$105,000 for the final payment owing on the initial property agreement for the Smith-Cobalt property.
- ix) On October 20, 2017, the Company closed the non-brokered flow-through private placement for gross proceeds of \$800,000. The non-brokered flow-through private placement consisted of 5,000,000 shares at a price of \$0.16 per share. As compensation for the placement, the Company paid cash finder's fees of \$33,000. In addition, the Company issued 206,250 broker warrants with a value of \$20,980. Each brokers' warrant is exercisable at price of \$0.16 per share to purchase one additional common share of the Company for a period of two years from the date of closing of the private placement. The fair value of the broker warrants was determined using the Black-Scholes option pricing model with a risk-free rate of 1.49%, an expected life of 2 years, a volatility of 130% and a dividend rate of 0%. As at April 30, 2018, the Company is required to incur additional qualified expenditures of about \$239,000 in order to complete its flow through expenditures requirements.
- x) On December 8, 2017, the Company issued 29,950,000 common shares to acquire Canadian Cobalt Projects Inc. (see note 8)
- xi) On January 11, 2018, the Company closed a non-brokered private placement of 13,640,000 units for gross proceeds of \$1,500,400. The non-brokered private placement consisted of the placement

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of 13,640,000 units at a price of \$0.11 per unit. Each unit consisted of one common share of the Company and one-half transferable share purchase warrant with one full warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.28 per share for a period of two years following the date of closing. As compensation for the placement of the units, the Company agreed to pay finders' fees equal to \$79,920. The finder opted to convert his cash commissions into shares of the Company at a price of \$0.32 per share for a total of 249,750 common shares of the Company.

- xii) On March 7, 2018, the Company closed a non-brokered private placement for aggregate gross proceeds of \$1,116,000 through the issuance and combination of (i) 2,800,000 units of the Company at a price of \$0.22 per unit for gross proceeds of \$616,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to purchase a common share at an exercise price of \$0.35 per share for a period of two years following the date of issuance; and (ii) 2,000,000 flow-through common shares at a price of \$0.25 per flow-through common share for gross proceeds of \$500,000. The Company paid a cash commission of \$60,360 and issued 258,000 broker warrants. Of the 258,000 broker warrants issued, each of 138,000 broker warrants entitles the holder thereof to purchase one common share at an exercise price of \$0.22 per share for a period of two years following the date of issuance and each of 120,000 broker warrants entitles the holder thereof to purchase one common share at an exercise price of \$0.25 per share for a period of two years following the date of issuance. The fair value of the broker warrants was determined using the Black-Scholes option pricing model with a risk-free rate of 1.77%, an expected life of 2 years, a volatility of 110% and a dividend rate of 0%. As at April 30, 2018, the Company is required to incur additional qualified expenditures of \$500,000 in order to complete its flow through expenditures requirements

c) Warrants

A summary of the changes in the share purchase warrants for the nine months ended October 31, 2018 compared to the year ended January 31, 2018 are as follows:

	Nine Months ended October 31, 2018		Year ended January 31, 2018	
	Amount	Weighted Average Exercise Price	Amount	Weighted Average Exercise Price
Balance - Beginning of Year	14,972,977	\$ 0.230	12,387,783	\$ 0.101
Issued	1,658,000	0.332	16,702,904	0.229
Exercised	(2,748,875)	0.122	(14,017,710)	(0.116)
Expired	(2,754,583)	0.160	(100,000)	(0.075)
Balance, end of period	11,127,519	\$ 0.289	14,972,977	\$ 0.230

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As at October 31, 2018, the breakdown of the share purchase warrants outstanding is as follows:

Amount of Warrants	Price Per Warrant	Amount	
		Exercisable On October 31, 2018	Expiry Date
2,443,269	0.30	2,443,269	31-Aug-19
206,250	0.16	206,250	20-Oct-19
6,820,000	0.28	6,820,000	10-Jan-20
1,400,000	0.35	1,400,000	07-Mar-20
138,000	0.22	138,000	07-Mar-20
120,000	0.25	120,000	07-Mar-20
11,127,519		11,127,519	

d) Stock Options

The Company has a fixed stock option plan which follows the policies of the TSX:V regarding stock option awards granted to directors, officers, employees and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan. The options can be granted for a maximum of 5 years and vest as determined by the Board of Directors.

On April 30, 2018, the Company granted 10,000,000 stock options to officers, directors and consultants of the Company. The options are exercisable at \$0.19 per common share for a term of 2 years from the date of grant. For these options, the Company recorded \$1,910,000 in share-based compensation. The Black Scholes assumptions used for the share-based expense was a risk-free rate of 1.2%, an expected volatility rate of 130%, an annual dividend rate of 0% and an expected life of 2 years. The weighted average fair value per option is \$0.19.

On March 21, 2017, the Company issued 1,600,000 options exercisable at \$0.13 per share. The options, which all vested immediately, are valid for a period of 5 years from the grant date. For these options, the Company recorded \$170,827 in share-based compensation. The Black Scholes assumptions used for the share-based expense was a risk-free rate of 1.18%, an expected volatility rate of 130%, an annual dividend rate of 0% and an expected life of 5 years. The weighted average fair value per option is \$0.11.

Stock options for the nine months ended October 31, 2018 and the year ended January 31, 2018 are summarized below:

	Nine Months Ended October 31, 2018		Year Ended January 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance - Beginning of Year	4,195,000	\$ 0.105	2,970,000	\$ 0.094
Granted	10,000,000	0.190	1,600,000	0.130
Exercised	(3,470,000)	0.102	(375,000)	0.130
Balance, end of period	10,725,000	\$ 0.185	4,195,000	\$ 0.105

Compensation costs attributable to the granting and vesting of share options are measured at fair value and expensed with a corresponding increase to share-based payment reserve. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital.

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Options Issued to Directors, Employees and Consultants

The fair value measured at the grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, expected forfeitures, the term of the option, the share price at the grant date, expected volatility of the underlying shares, the dividend yield and the risk-free interest rate of the option.

As at October 31, 2018, the breakdown of the stock options outstanding is as follows:

Options		
Outstanding - Exercisable	Price Per Option	Expiry Date
140,000	\$ 0.075	09-Sep-20
120,000	0.110	27-Oct-21
465,000	0.130	21-Mar-22
10,000,000	0.190	30-Apr-20
10,725,000	\$0.185	

8. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling of the Company's activities, and include both executive and non-executive directors and officers, as well as entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel. The following is a summary of key management personnel compensation:

	Nine Months Ended	
	October 31, 2018	October 31, 2017
Consulting	\$ 172,746	\$ 265,934
Salaries	-	100,012
Share-based compensation	-	170,827
	\$ 172,746	\$ 536,773

At October 31, 2018, included in accounts payable and accrued liabilities is \$NIL (January 31, 2018 – \$1,640) owing to companies controlled by either a director or an officer. These amounts payable are non-interest bearing, unsecured and have neither specific terms nor a date of repayment.

At October 31, 2018, \$70,583 (January 31, 2018 - \$179,684) was capitalized towards the Smith Cobalt project for services rendered by companies controlled by directors.

9. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, share options and warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board does not establish quantitative returns on capital criteria for management.

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The mineral properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. Additional sources of funding, which may not be available on favourable terms, if at all, include: share equity and debt financings; equity, debt or property level joint ventures; and sale of interests in existing assets. In order to carry out the planned exploration and development and pay for operating expenses, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine months ended October 31, 2018. The Company is not subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments; all held within major Canadian financial institutions.

10. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES

Fair Value

The carrying value of accounts payable and accrued liabilities approximate their fair value due to the immediate or short period to maturity. Cash and cash equivalents are measured at fair value using level 1 inputs.

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

Level 3 - Significant unobservable (no market data available) inputs which are supported by little or no market activity.

Risk Management

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

a) Credit Risk

The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation. The Company does not have any asset-backed commercial instruments. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places cash and cash equivalents with the high credit quality financial institutions. The Company considers its exposure to credit risk to be insignificant.

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b) Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations. The Company manages liquidity risk and requirements by maintaining sufficient cash balances and or through additional financings to ensure that there is sufficient capital in order to meet short term obligations. As at October 31, 2018, the Company has cash and cash equivalents of \$1,555,167 (January 31, 2018 - \$2,651,773) and financial liabilities of \$116,381 (January 31, 2018 - \$53,630) which have contractual maturities of 30 days or less, aside from the flow through premium liability. The Company will require additional sources of equity, joint venture partnership or debt financing to fund ongoing operations and the exploration and development of its mineral properties.

In the event that the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the statement of financial position. It is not possible to predict, due to many external factors including commodity prices and equity market conditions, as to whether future financing will be successful or available at all.

c) Market Risk

i) *Interest Rate Risk*

The Company manages its interest rate risk by obtaining commercial deposit interest rates available in the market by the major Canadian financial institutions on its cash and short-term investments. The Company is not exposed to significant interest rate risk.

ii) *Foreign Exchange Risk*

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year. The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes. As at October 31, 2018 the Company held US \$Nil in cash (January 31, 2018, US \$6,707) and had no liabilities which were denominated in currencies other than the Canadian dollar.

iii) *Commodity Price Risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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11. COMMITMENT

The Company entered into a premises lease agreement on November 30, 2017. The Company estimates the total obligation remaining under the premises lease to be approximately \$160,000.

Future minimum annual lease commitments under the operating lease are as follows:

Less than one year	\$	48,000
1-2 years		38,400
3-5 years		73,600
over 5 years		-
	\$	<u>160,000</u>

12. SUBSEQUENT EVENT

On November 23, 2018 the Company announced its intention to proceed with a share consolidation of its issued and outstanding common shares. Shareholders will receive one post-consolidation common share for every twelve pre-consolidation common shares held by them. In addition, the Company name will change to Power Group Projects Corp. The share consolidation will be subject to at the approval of the TSX Venture Exchange.