

**POWER GROUP PROJECTS CORP.**  
(formerly Cobalt Power Group Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JANUARY 31, 2019 AND JANUARY 31, 2018**

*(Expressed in Canadian Dollars)*

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Power Group Projects Corp. (formerly Cobalt Power Group Inc.)

### *Opinion*

We have audited the consolidated financial statements of Power Group Projects Corp. (formerly Cobalt Power Group Inc.), (the Company), which comprise the consolidated statement of financial position as at January 31, 2019 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year ended January 31, 2019 in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$7,578,939 during the year ended January 31, 2019 and, as of that date, the Company has an accumulated deficit of \$22,276,112. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Matter - Restated Comparative Information*

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented:

- for the year ended January 31, 2018 has been restated.
- as at February 1, 2018 has been derived from the statement of financial position as at January 31, 2017 (not presented herein)

Our opinion is not modified in respect of this matter.

The financial statements for the years ended January 31, 2018 and 2017 (not presented herein but from which the comparative information as at February 1, 2018 has been derived), excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those financial statements on May 31, 2018.

As part of our audit of the financial statements for the year ended January 31, 2019, we also audited the adjustments that were applied to restate certain comparative information:

- for the year ended January 31, 2018
- as at February 1, 2018.

In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements:

- for the year ended January 31, 2018
- for the year ended January 31, 2017 (not presented herein)
- as at February 1, 2018

#### *Other Information*

Management is responsible for the other information. The other information comprises Management's discussion and analysis but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Jakovcic.

RSM Canada LLP

Chartered Professional Accountants  
Licensed Public Accountants  
May 31, 2019  
Toronto, Ontario

**POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)**  
**Consolidated Statements of Financial Position**  
**As at January 31, 2019, January 31, 2018 and February 1, 2017**  
**(Expressed in Canadian dollars)**

	2019	2018 (Restated – Note 3)	February 1, 2017 (Restated – Note 3)
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 1,299,272	\$ 2,651,773	\$ 190,809
Prepaid expenses and sundry receivable	181,806	73,209	24,187
	<b>1,481,078</b>	2,724,982	214,996
<b>Capital assets</b>	<b>15,886</b>	-	-
	<b>\$ 1,496,964</b>	\$ 2,724,982	\$ 214,996
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 258,619	\$ 53,630	\$ 26,967
Flow through premium liability (Note 10)	100,000	21,435	-
	<b>358,619</b>	75,065	26,967
<b>Shareholders' Equity</b>			
<b>Share capital</b> (Note 7)	<b>21,754,825</b>	16,641,783	4,217,310
<b>Contributed surplus</b> (Note 7)	<b>1,659,632</b>	555,307	360,570
<b>Deficit</b>	<b>(22,276,112)</b>	(14,547,173)	(4,389,851)
	<b>1,138,345</b>	2,649,917	188,029
	<b>\$ 1,496,964</b>	\$ 2,724,982	\$ 214,996

Nature of Business, Continuance of Operations and Going Concern (Note 1)  
Subsequent Events (Note 14)

**Approved by the Board**

"John Dyer"  
**Director (Signed)**

"Brian Murray"  
**Director (Signed)**

**POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**For the years ended January 31**  
**(Expressed in Canadian dollars)**

	2019	2018 (Restated – Note 3)
<b>Expenses</b>		
Consulting (Note 8)	\$ 736,088	\$ 1,089,844
Exploration and evaluation expenditures	4,947,458	8,245,780
Insurance	13,485	12,500
Office	62,419	46,329
Professional fees	195,315	154,667
Promotion and entertainment	19,960	66,487
Rent	82,375	60,650
Salaries (Note 8)	237,490	210,026
Share-based compensation (Note 7(d),8)	1,319,279	170,827
Shareholder communications	47,839	105,060
Transfer agent and regulatory fees	48,400	42,923
Travel	40,626	132,121
Depreciation	2,724	-
	<b>7,753,458</b>	<b>10,337,214</b>
<b>Loss from Operations</b>	<b>(7,753,458)</b>	<b>(10,337,214)</b>
<b>Other Expenses (Income)</b>		
Foreign exchange loss (gain)	(461)	12,874
Gain on settlement of flow through premium liability	(21,435)	(188,565)
Interest income	(2,623)	(4,201)
	<b>(24,519)</b>	<b>(179,892)</b>
<b>Net Loss and Comprehensive Loss for the year</b>	<b>\$ (7,728,939)</b>	<b>\$ (10,157,322)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.52)</b>	<b>\$ (1.62)</b>
<b>Weighted average number of common shares outstanding</b>	<b>14,771,007</b>	<b>6,278,901</b>

**POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the years ended January 31**  
**(Expressed in Canadian dollars)**

	Number of common shares	Share capital	Contributed surplus	Deficit (Restated – Note 3)	Total
<b>Balance at January 31, 2017</b>	<b>3,306,775</b>	<b>\$4,217,310</b>	<b>\$360,570</b>	<b>\$(4,389,851)</b>	<b>\$188,029</b>
Shares issued for cash	4,052,654	4,452,650	-	-	4,452,650
Flow-through premium liability	-	(210,000)	-	-	(210,000)
Shares issued for exploration and evaluation expenditures	3,215,000	6,844,000	-	-	6,844,000
Shares issued for cash on the exercise of warrants	1,401,771	1,630,914	-	-	1,630,914
Shares issued for cash on the exercise of options	37,500	88,800	(40,050)	-	48,750
Shares issued for finders' fees	24,975	79,920	-	-	79,920
Share issuance costs	-	(461,811)	63,960	-	(397,851)
Stock-based compensation	-	-	170,827	-	170,827
Loss for the year	-	-	-	(10,157,322)	(10,157,322)
<b>Balance at January 31, 2018</b>	<b>12,038,675</b>	<b>\$16,641,783</b>	<b>\$555,307</b>	<b>\$(14,547,173)</b>	<b>\$2,649,917</b>
Shares issued for cash	480,000	1,067,000	49,000	-	1,116,000
Flow-through premium liability	-	(100,000)	-	-	(100,000)
Shares issued for exploration and evaluation expenditures	2,720,000	3,278,000	-	-	3,278,000
Shares issued for cash on the exercise of warrants	274,887	338,800	(5,560)	-	333,240
Shares issued for cash on the exercise of options	347,000	638,347	(283,097)	-	355,250
Share issuance costs	-	(109,105)	24,703	-	(84,402)
Share-based compensation	-	-	1,319,279	-	1,319,279
Loss for the year	-	-	-	(7,728,939)	(7,728,939)
<b>Balance at January 31, 2019</b>	<b>15,860,562</b>	<b>\$21,754,825</b>	<b>\$1,659,632</b>	<b>\$(22,276,112)</b>	<b>\$1,138,345</b>

**POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)**  
**Consolidated Statements of Cash Flows**  
**For the years ended January 31**  
**(Expressed in Canadian dollars)**

	2019	2018 (restated – Note 3)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (7,728,939)	\$ (10,157,322)
Items not affecting cash		
Depreciation	2,724	-
Shares issued for exploration and evaluation expenditures	3,278,000	6,844,000
Share-based compensation	1,319,279	170,827
Gain on settlement of flow through premium liability	(21,435)	(188,565)
	<b>(3,150,371)</b>	<b>(3,331,060)</b>
Net changes in non-cash working capital		
Prepaid expenses and sundry receivables	(108,597)	(49,022)
Accounts payable and accrued liabilities	204,989	26,663
<b>Net cash used in operating activities</b>	<b>(3,053,979)</b>	<b>(3,353,419)</b>
<b>Investing activities</b>		
Capital assets	(18,610)	-
<b>Cash used in investing activities</b>	<b>(18,610)</b>	<b>-</b>
<b>Financing activities</b>		
Issuance of common shares (net of share issuance costs)	1,031,598	5,814,383
Proceeds from exercise of warrants	333,240	-
Proceeds from exercise of options	355,250	-
<b>Cash provided by financing activities</b>	<b>1,720,088</b>	<b>5,841,383</b>
<b>Net change in cash</b>	<b>(1,352,501)</b>	<b>2,460,964</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,651,773</b>	<b>190,809</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,299,272</b>	<b>\$ 2,651,773</b>

Cash and cash equivalents is comprised of the following:

	2019	2018
Cash	\$ 1,299,272	\$ 2,101,023
Cash equivalents	-	550,750
	<b>\$ 1,299,272</b>	<b>\$ 2,651,773</b>

**1. NATURE OF BUSINESS, CONTINUANCE OF OPERATIONS AND GOING CONCERN**

a) Nature of Operations

Power Group Projects Corp. (formerly 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 “PGP”.

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.

b) Continuance of Operations

These 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 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 year ended January 31, 2019, the Company incurred a net and comprehensive loss of \$7,728,939 (January 31, 2018 - \$10,157,322) and as at January 31, 2019 had an accumulated deficit of \$22,276,112 (January 31, 2018 - \$14,547,173). These circumstances create a material uncertainty that casts significant doubt on the ability of the Company to continue as a going concern. To date, the operations of the Company have 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.

**2. BASIS OF PRESENTATION**

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”). These consolidated financial statements were authorized for issue by the Board of Directors on May 31, 2019.

**2. BASIS OF PRESENTATION (Continued)**

b) Basis of Consolidation

These consolidated financial statements of the Company include the transactions and balances of its subsidiaries, Canadian Cobalt Projects Inc., Little Trout Cobalt Development Corp., Ontario Cobalt Property Developers Inc. and Western Cobalt Corp., which are wholly-owned subsidiaries incorporated in Ontario, Canada. The Company consolidates its subsidiaries on the basis that it controls the subsidiaries. In determining whether the Company controls each subsidiary, management is required to assess the definition of control in accordance with IFRS 10 - Consolidated Financial Statements. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity as to obtain benefits from its activities. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation.

c) Basis of Measurement

These 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 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 subsidiaries 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 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 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 5 for Critical Accounting Estimates and Judgments made by management in the application of IFRS.

**3. CHANGE IN ACCOUNTING POLICY**

During the year ended January 31, 2019, the Company voluntarily changed its accounting policy for exploration and evaluation expenditures in accordance with IFRS 6 - Exploration for and Evaluation of Mineral Resources. Previously, the Company deferred (capitalized) these expenditures, including acquisition costs, until such time the mineral properties moved beyond the exploration and evaluation stage, were sold or were determined to be impaired.

Under the new policy the Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit. Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the Company's activities. The accounting policy change has been applied retrospectively.

In accordance with IAS1 – Presentation of Financial Statements and IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Company has restated its consolidated statement of financial position beginning February 1, 2017.

**POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)**  
**Notes to the Consolidated Financial Statements**  
**January 31, 2019**  
**(Expressed in Canadian dollars)**

**3. CHANGE IN ACCOUNTING POLICY (Continued)**

The consolidated financial statement impact, as at February 1, 2017, is as follows:

**Consolidated Statements of Financial Position**

	As previously reported	Effect of change in accounting policy	As restated
Exploration and evaluation assets	\$ 355,472	\$ (355,472)	\$ -
Total assets	570,468	(355,472)	214,996
Deficit	(4,034,379)	(355,472)	(4,389,851)
Total liabilities and shareholder's deficiency	570,468	(355,472)	214,996

The consolidated financial statement impact, as at and for the year ended January 31, 2018, is as follows:

**Consolidated Statements of Financial Position**

	As previously reported	Effect of change in accounting policy	As restated
Exploration and evaluation assets	\$ 8,601,252	(8,601,252)	\$ -
Total assets	11,326,234	(8,601,252)	2,724,982
Deficit	(5,945,921)	(8,601,252)	(14,547,173)
Total liabilities and shareholder's deficiency	11,326,234	(8,601,252)	2,724,982

**Consolidated Statements of Operations and Comprehensive Loss for the year ended January 31, 2018**

	As previously reported	Effect of change in accounting policy	As restated
Exploration and evaluation expenditures	\$ -	\$ 8,245,780	\$ 8,245,780
Operating expenses	2,091,434	8,245,780	10,337,214
Net loss and comprehensive loss for the year	1,911,542	8,245,780	10,157,322
Basic and fully diluted loss per share	0.30	1.32	1.62

**Consolidated Statements of Cash Flows for the year ended January 31, 2018**

	As previously reported	Effect of change in accounting policy	As restated
Cash flows used in operating activities	\$ (1,942,903)	\$ (1,410,516)	\$ (3,353,419)
Cash flows used in investing activities	(1,410,516)	1,410,516	-

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these consolidated financial statements set out below have been applied consistently to all periods presented 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 January 31, 2019, the Company held \$Nil (2018 - \$545,000) in cash equivalents.

##### **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 Expenditures**

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

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.

##### **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 option pricing 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.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **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 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.

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.

##### **Financial Instruments**

On February 1, 2018, the Company adopted the new rules under IFRS 9 retrospectively in accordance with transition provisions. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

Financial instruments are classified into one of the following three measurement categories: fair value through profit or loss ("FVTPL"), amortized cost and fair value through other comprehensive income ("FVTOCI"). Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Transaction costs on financial instruments classified as FVTPL are expensed as incurred. Transaction costs related to financial instruments measured at amortized cost are included in the carrying amounts of the financial instruments and amortized over the life of the instrument by the effective interest rate method.

Upon initial recognition, all financial instruments are recorded on the consolidated statements of financial position at their fair value. After initial recognition, the financial instruments are measured at their fair value or amortized cost (using the effective interest method). Changes in the fair value of FVTPL financial instruments are recognized in operations for the year.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfer the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company completed a detailed assessment of its financial assets and liabilities as at February 1, 2018 and determined that there were no material adjustments to the amounts recognized in the consolidated financial statements on adoption of the new standard. There was no material impact due to this change in accounting policy. The Company does not undertake hedging activities or hold complex financial assets or liabilities as envisioned in IFRS 9.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Instruments (Continued)**

Below is a summary showing the classification and measurement basis of the Company's financial instruments as at February 1, 2018 as a result of adoption of IFRS 9.

	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts payable	Amortized cost	Amortized cost

**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 decommissioning provision obligations.

The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates. As at January 31, 2019, there are \$nil (2018 - \$nil) decommissioning provisions.

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.

**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.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Share Capital (Continued)**

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 other 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.

**Recent Accounting Pronouncements**

The following is a future change in accounting policy not yet effective as at January 31, 2019.

**Leases – IFRS 16**

IFRS 16, Leases (“IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of the adoption of IFRS 16 on its consolidated financial statements.

**Share-based payments – IFRS 2**

IFRS 2, Share-based Payments (“IFRS 2”) - In June 2016, the IASB issued final amendments to IFRS 2, which clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share based payment that changes the classifications of the transaction from cash-settled to equity settled. The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

**5. USE OF ESTIMATES AND JUDGMENTS**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**5. USE OF ESTIMATES AND JUDGMENTS (Continued)**

Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are as follows:

(i) Share-based compensation expense:

The Company uses the Black-Scholes option pricing model to determine the fair value of options in order to calculate share-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based compensation expense.

(ii) Valuation of broker warrants:

The Company uses the Black-Scholes option pricing model to calculate the fair value of broker warrants issued in connection with the Company's private placements. The Black-Scholes model requires six key inputs to determine a value for a broker warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the broker warrant or a higher volatility number used would result in an increase in the broker warrant fair value.

The significant areas of judgment considered by management in preparing the consolidated financial statements are as follows:

(i) Going concern:

The Company's management has made an assessment of the Company's ability to continue as a going concern and the consolidated financial statements continue to be prepared on a going concern basis. The Company has no sources of revenue and remains dependent on its ability to obtain financing which may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

(ii) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

## **6. EXPLORATION AND EVALUATION**

### **Blueberry Cobalt Property**

On July 9, 2018, the Company acquired the Blueberry Lake group of claims in the Cassels Township of Ontario, Canada. The Blueberry Lake property consisted of four claims and 46 claim units and is approximately 800 hectares of highly prospective geology for cobalt, copper and silver mineralization and the claims are contiguous with Cobalt Power Group's TriEast project. The Company paid \$94,000 for the claims with the vendor retaining a 2.5% net smelter royalty on the noted claims. The purchaser may buy out 1.5% of this royalty at any time during a five-year period from commencement of commercial production for the sum of \$1,000,000.

### **Cliff Lake**

Consisting of 55 claims and approximately 1,460 hectares of highly prospective geology for cobalt, copper and silver mineralization, the Company acquired the Cliff Lake property during August of 2018. Located west of the Trans-Canada highway in the Municipality of Temagami in northeastern Ontario, the claims are contiguous with Power Group Project's TriEast claim block.

The Company agreed to pay the sum of \$200,000 for the claims. The vendor retains a 2.5% net smelter royalty on the claims and the Company has the option of buying out 1.5% of this royalty at any time during a five-year production period for the sum of \$1,000,000.

### **Little Trout**

The Company acquired Little Trout Cobalt Development Corp. ("Little Trout"), a privately-held mineral exploration company in the South Lorraine Township of Ontario, Canada on July 5, 2018. Located approximately 2.5 km southwest of the historic town of Silver Centre and approximately 27 km south of the town of Cobalt, Ontario, the Little Trout property consists of four claims and 50 claim units comprising 776 hectares of highly prospective geology for cobalt and copper mineralization and are contiguous with the Company's Smith-Cobalt project. The purchase was accomplished by the Company acquiring all of the issued and outstanding shares in Little Trout in exchange for the issuance, at closing, to the shareholders of Little Trout of the sum of \$192,375 cash payment along with the benefit of 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.

### **Ontario Cobalt**

The Company acquired Ontario Cobalt Property Developers Inc. ("Ontario Cobalt") on June 4, 2018, a privately-held mineral exploration company which held 14 strategically-located mineral claims in the Gillies Limit Township of Ontario. The purchase was accomplished by the Company acquiring all of the issued and outstanding shares of Ontario Cobalt in exchange for the issuance of 1,500,000 common shares of the Company to the existing shareholders of Ontario Cobalt. At closing, the shareholders of Ontario Cobalt received a 2.5% net smelter royalty, of which one-and-one-half percent (1.5%) may be purchased by the Company at any time that is on or before the seventh (7<sup>th</sup>) anniversary of the Effective Date in consideration of a \$1,000,000 cash payment.

**6. EXPLORATION AND EVALUATION (Continued)**

**Western Cobalt**

On June 15, 2018, the Company acquired Western Cobalt Corp. ("Western Cobalt"), a privately-held mineral exploration company that held nine strategically-located mineral claims in the eastern Athabasca basin of Saskatchewan, Canada. The properties comprise approximately 20,130 acres (8,146 hectares) of highly prospective geology. The purchase was accomplished by Cobalt Power Group acquiring all of the issued and outstanding shares in Western Cobalt in exchange for the issuance of 1,220,000 common shares of the Company to the existing shareholders of Western Cobalt. At closing, the shareholders of Western Cobalt received the benefit of 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.

**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 2,995,000 common shares. The vendors also received a 1.5% net smelter royalty, 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 150,000 common shares.

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.

**Option and Joint Venture Agreement**

The Company has entered into an agreement with a shareholder whereby the shareholder has the right at their discretion to option and joint venture one of the Company's mineral properties. See Note 7(b)(vii).

**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 15,000 shares at a value of \$15,000 towards the acquisition of certain mineral property interests.

**7. SHARE CAPITAL (Continued)**

*b) Issued and Outstanding*

- 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 1,300,000 units at a price of \$0.80 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 \$1.60 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 39,900 broker warrants with a value of \$31,661. Each brokers' warrant is exercisable at price of \$1.60 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 400,000 flow-through shares at a price of \$1.20 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 17,166 broker warrants with a value of \$11,319. Each brokers' warrant is exercisable at price of \$1.60 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 required payment of 30,000 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 required a payment of \$20,000 and issuance of 40,000 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 and issuance of 40,000 common shares (issued at a value of \$54,000) six months following the acceptance date of the TSX:V.
- 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 required a payment of \$1,000 and issuance of 20,000 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 488,654 units at a price of \$1.30 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 \$3.00 per share, for a period of two years following the date of closing.

**7. SHARE CAPITAL (Continued)**

*b) Issued and Outstanding (Continued)*

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, 75,000 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 500,000 shares at a price of \$1.60 per share. As compensation for the placement, the Company paid cash finder's fees of \$33,000. In addition, the Company issued 20,625 broker warrants with a value of \$20,980. Each brokers' warrant is exercisable at price of \$1.60 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%. The Company recorded a flow-through premium liability of \$50,000 of which \$28,565 has been recognized in flow through income since the qualify expenditures have been incurred.
- x) On December 8, 2017, the Company issued 2,995,000 common shares to acquire Canadian Cobalt Projects Inc.
- xi) On January 11, 2018, the Company closed a non-brokered private placement of 1,364,000 units for gross proceeds of \$1,500,400. The non-brokered private placement consisted of the placement of 1,364,000 units at a price of \$1.10 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 \$2.80 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 \$3.20 per share for a total of 24,975 common shares of the Company.

**POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)**  
**Notes to the Consolidated Financial Statements**  
**January 31, 2019**  
**(Expressed in Canadian dollars)**

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**7. SHARE CAPITAL (Continued)**

*b) Issued and Outstanding (Continued)*

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) 280,000 units of the Company at a price of \$2.20 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 \$3.50 per share for a period of two years following the date of issuance. The total value assigned to the warrants was \$49,000; and (ii) 200,000 flow-through common shares at a price of \$2.50 per flow-through common share for gross proceeds of \$500,000. The Company paid a 6% cash commission of \$60,360, transaction costs of \$24,042 and issued 25,800 broker warrants. Of the 25,800 broker warrants issued, each of 13,800 broker warrants entitles the holder thereof to purchase one common share at an exercise price of \$2.20 per share for a period of two years following the date of issuance and each of 12,000 broker warrants entitles the holder thereof to purchase one common share at an exercise price of \$2.50 per share for a period of two years following the date of issuance. The fair value of the broker warrants was \$11,150 and \$13,553 respectively and were 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%.

*c) Warrants*

A summary of the changes in the share purchase warrants for the years ended January 31, 2019 compared to the year ended January 31, 2018 are as follows:

	Number	Weighted Average Exercise Price
<b>Balance at January 31, 2017</b>	<b>1,238,778</b>	<b>\$1.01</b>
Issued	1,670,290	\$2.29
Exercised	(1,401,771)	\$1.16
Expired	(10,000)	\$0.75
<b>Balance at January 31, 2018</b>	<b>1,497,298</b>	<b>\$2.30</b>
Issued	165,800	3.32
Exercised	(274,887)	1.21
Expired	(275,459)	1.55
<b>Balance at January 31, 2019</b>	<b>1,112,752</b>	<b>\$2.90</b>
<b>Exercisable at January 31, 2019</b>	<b>1,112,752</b>	<b>\$2.90</b>

**POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)**  
**Notes to the Consolidated Financial Statements**  
**January 31, 2019**  
**(Expressed in Canadian dollars)**

**7. SHARE CAPITAL (Continued)**

*c) Warrants*

As at January 31, 2019, the breakdown of the share purchase warrants outstanding is as follows:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Number Exercisable on January 31, 2019</b>	<b>Expiry Date</b>
244,327	3.00	244,327	August 31, 2019
20,625	1.60	20,625	October 20, 2019
682,000	2.80	682,000	January 10, 2020
140,000	3.50	140,000	March 7, 2020
13,800	2.20	13,800	March 7, 2020
12,000	2.50	12,000	March 7, 2020
<b>1,112,752</b>		<b>1,112,752</b>	

*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 March 21, 2017, the Company issued 160,000 options exercisable at \$1.30 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 \$1.10.

On April 30, 2018, the Company issued 1,000,000 options exercisable at \$1.90 per share. The options, which all vested immediately, are valid for a period of 2 years from the grant date. For these options, the Company recorded \$1,319,279 in share-based compensation. The Black Scholes assumptions used for the share-based expense was a risk-free rate of 1.89%, an expected volatility rate of 114%, an annual dividend rate of 0% and an expected life of 2 years. The weighted average fair value per option is \$1.319.

Stock options for the years ended January 31, 2019 and 2018 are:

	<b>Number</b>	<b>Weighted Average Exercise Price</b>
<b>Balance at January 31, 2017</b>	<b>297,000</b>	<b>\$0.94</b>
Issued	160,000	\$1.30
Exercised	(37,500)	\$1.30
<b>Balance at January 31, 2018</b>	<b>419,500</b>	<b>\$1.05</b>
Issued	1,000,000	1.90
Exercised	(347,000)	1.02
<b>Balance at January 31, 2019</b>	<b>1,072,500</b>	<b>\$1.85</b>
<b>Exercisable at January 31, 2019</b>	<b>1,072,500</b>	<b>\$1.85</b>

**POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)**  
**Notes to the Consolidated Financial Statements**  
**January 31, 2019**  
**(Expressed in Canadian dollars)**

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**7. SHARE CAPITAL (Continued)**

*d) Stock Options (Continued)*

The weighted average share price at the time options were exercised was \$1.94 (2018 - \$2.85)

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.

As at January 31, 2019, the breakdown of the stock options outstanding is as follows:

<b>Options Outstanding - Exercisable</b>	<b>Price per Option</b>	<b>Expiry Date</b>
14,000	0.75	September 9, 2020
12,000	1.10	October 27, 2021
46,500	1.30	March 21, 2022
1,000,000	1.90	April 30, 2020
<b>1,072,500</b>		

**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.

At January 31, 2018, included in accounts payable and accrued liabilities is \$1,898 (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.

For the year ended January 31, 2019, \$3,500 (2018 - \$Nil) was paid in rent to a company controlled by an officer of the Company.

For the year ended January 31, 2019, \$Nil (2018 - \$179,684) was expensed towards the Smith Cobalt project for services rendered by companies controlled by directors.

The Company incurred the following compensation for key management personnel and the companies directly controlled by them.

<b>Year ended January 31</b>	<b>2019</b>	<b>2018</b>
Consulting	<b>\$ 405,129</b>	\$ 124,800
Salaries	<b>246,841</b>	203,596
Share-based compensation	<b>1,319,279</b>	117,444
	<b>\$ 1,971,249</b>	\$ 445,840

**9. CORPORATE ACQUISITIONS**

**Canadian Cobalt Projects Inc.**

On December 8, 2017, the Company agreed to purchase all the issued and outstanding common shares of Canadian Cobalt Projects Inc., which is the registered holder of 33 mineral claims located in the South Lorrain Township, Ontario. Pursuant to the acquisition, the Company issued one common share for each of the outstanding common shares of Canadian Cobalt Projects Inc. resulting in the issuance of 2,995,000 common shares of the Company. The operations and changes in cash flow of Canadian Cobalt Projects Inc., have been included from the date control was acquired (i.e. December 8, 2017). As Canadian Cobalt Projects Inc., 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 Canadian Cobalt Projects Inc., at their fair value. The total purchase price \$6,589,000 was allocated entirely to exploration and evaluation expenditures.

**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 with claims located in the Gillies Limit Township of Ontario. The acquired business was purchased for \$1,875,000 paid by the issuance of 1,500,000 common shares of the Company, valued at \$1.25 per share. The Company also paid \$235,000 for liabilities of Ontario Cobalt. 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 total purchase price of \$2,110,000 was allocated entirely to exploration and evaluation expenditures.

**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 with claims located in the eastern Athabasca basin of Saskatchewan. The acquired business was purchased for \$1,403,000 paid by the issuance of 1,220,000 common shares of the Company, valued at \$1.15 per share. The Company also paid \$150,000 for liabilities of Western Cobalt. As at January 31, 2019, the \$150,000 was accrued and not yet paid. 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 Western Cobalt at their fair value. The total purchase price of \$1,403,000 was allocated entirely to exploration and evaluation expenditures.

**Little Trout Cobalt Development Corp.**

On July 5, 2018, the Company announced the closing of an agreement to purchase all of the issued and outstanding common shares of Little Trout Cobalt Development Corp. ("Little Trout"), a privately-held mineral exploration company with claims located in the South Lorrain Township of Ontario, Canada. The acquired business was purchased for \$37,000. The Company also paid \$150,000 for liabilities of Little Trout. The shareholders of Little Trout 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 Little Trout did not meet the definition of a business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby the Company paid cash consideration in return for the net assets of Little Trout at their fair value. The total purchase price of \$187,000 was allocated entirely to exploration and evaluation expenditures.

**10. FLOW THROUGH SHARE LIABILITIES**

Flow through liabilities include the deferred premium portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through issues.

<b>Balance, January 31, 2017</b>	<b>\$ -</b>
Liability incurred on flow through shares issued on March 8, 2017	160,000
Liability incurred on flow through shares issued on October 20, 2017	50,000
Settlement of liability through renouncement in Q4 2018	(188,565)
<b>Balance at January 31, 2018</b>	<b>21,435</b>
Settlement of liability through renouncement in Q1 2019	(21,435)
Liability incurred on flow through shares issued on March 7, 2018	100,000
<b>Balance at January 31, 2019</b>	<b>\$ 100,000</b>

On March 8, 2017, the Company closed a non-brokered private placement financing. In total, 400,000 flow-through common shares ("FT Shares") were issued at a price of \$0.12 per FT Share for gross proceeds of \$480,000. A flow through share premium liability of \$160,000 was recorded on the financing. As at January 31, 2019, all funds have been spent.

On October 20, 2017, the Company closed a non-brokered private placement financing. In total, 500,000 flow-through common shares ("FT Shares") were issued at a price of \$0.16 per FT Share for gross proceeds of \$800,000. A flow through share premium liability of \$50,000 was recorded on the financing. As at January 31, 2019, all funds have been spent.

On March 7, 2018, the Company closed a non-brokered private placement financing. In total, 200,000 FT Shares were issued at a price of \$0.25 per FT Share for gross proceeds of \$500,000. A flow through share premium liability of \$100,000 was recorded on the financing. As at January 31, 2019, none of these funds had been spent.

**11. 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.

## **11. CAPITAL RISK MANAGEMENT (Continued)**

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 claims. 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 year ended January 31, 2019. 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.

## **12. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risk. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### (a) Fair values

For the Company's financial instruments, including receivables, accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity.

### (b) Currency risk

The Company currently does not have any significant exposure to foreign currency risk.

### (c) Credit risk

Credit risk arises from cash held with banks and financial institutions, and credit exposure to clients, including outstanding receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. To reduce credit risk, cash is held at major financial institutions.

### (d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company tries to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Currently, the Company's source of funding is from the issuance of equity securities for cash, primarily through private placements. As at January 31, 2019, the Company had cash of \$1,299,272 (2018 - \$2,651,773) and accounts payable and accrued liabilities of \$258,619 (2018 - \$53,630).

**POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)**  
**Notes to the Consolidated Financial Statements**  
**January 31, 2019**  
**(Expressed in Canadian dollars)**

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**13. INCOME TAXES**

(a) Rate Reconciliation

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>January 31, 2019</b>	January 31, 2018 – Restated (Note 3)
Loss before income taxes	<b>\$ (7,728,939)</b>	\$ (10,157,322)
Statutory rate	<b>27.0%</b>	27.0%
Income tax provision at statutory rate	<b>(2,086,814)</b>	(2,742,477)
Effect of income of:		
Flow through share premium	<b>(5,787)</b>	50,913
Share-based compensation	<b>356,205</b>	46,123
Other	<b>(99,661)</b>	(37,591)
Share issue costs	<b>(22,789)</b>	(85,841)
CEE renounced in the year	<b>5,787</b>	253,001
Change in deferred taxes not recognized	<b>1,853,058</b>	2,515,872
Provision for income taxes	<b>\$ -</b>	\$ -

(b) Deferred Income Taxes

The following deferred tax assets (liabilities) are not recognized in the consolidated financial statements due to the unpredictability of future income:

	<b>January 31, 2019</b>	January 31, 2018 – Restated (Note 3)
Resource properties	<b>\$ 3,836,516</b>	\$ 2,546,990
Non-capital losses carried forward	<b>1,602,194</b>	1,032,920
Share issue costs and other	<b>109,934</b>	120,701
Equipment, intangibles and other assets	<b>12,286</b>	7,261
Less: Deferred taxes not recognized	<b>(5,560,930)</b>	(3,707,872)
	<b>\$ -</b>	\$ -

**POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)**  
**Notes to the Consolidated Financial Statements**  
**January 31, 2019**  
**(Expressed in Canadian dollars)**

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**13. INCOME TAXES (Continued)**

The Company estimates that it will have approximately \$5,935,000 of non-capital losses carried forward which may be utilized to reduce Canadian taxable income in future years. To the extent they are not utilized, the non-capital losses carried forward expire as follows:

Expiry	Non-capital losses
2030	13,000
2031	84,000
2032	191,000
2033	300,000
2034	279,000
2035	224,000
2036	475,000
2037	593,000
2038	2,018,000
2039	1,758,000
	<hr/>
	5,935,000

**14. SUBSEQUENT EVENTS**

On February 7, 2019 the Company announced that its common shares will trade on the TSX Venture Exchange under its new name Power Group Projects Corp. (new trading symbol: PGP) at the market open on February 8, 2019 following a 10:1 consolidation of its outstanding shares. As a result of the share consolidation, the Company now has 15,860,562 common shares outstanding. All share amounts presented in these financial statements have been retroactively adjusted to reflect the 10:1 share consolidation.