

**POWER GROUP PROJECTS CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE-MONTHS ENDED OCTOBER 31, 2020 AND 2019**

**(Expressed in Canadian Dollars)**

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## NOTICE TO READER

The accompanying unaudited condensed interim financial statements of Power Group Projects Corp. (the "Company") for the nine months ended October 31, 2020 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited interim consolidated financial statements have not been reviewed by an auditor.

Vancouver, British Columbia

December 28, 2020

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**POWER GROUP PROJECTS CORP.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Expressed in Canadian dollars – unaudited)**

	October 31, 2020	January 31, 2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 42,496	\$ 317,410
Prepaid expenses and sundry receivable	7,672	31,008
	<b>50,169</b>	<b>348,418</b>
<b>Capital assets</b> (Note 5)	<b>10,000</b>	12,125
<b>Related party loans</b> (Note 8)	<b>97,538</b>	-
	<b>\$ 157,707</b>	<b>\$ 360,543</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 102,553	\$ 214,162
	<b>102,553</b>	<b>214,162</b>
<b>Shareholders' Equity</b>		
<b>Share capital</b> (Note 7)	<b>21,754,825</b>	21,754,825
<b>Contributed surplus</b> (Note 7)	<b>1,659,632</b>	1,659,632
<b>Deficit</b>	<b>(23,359,303)</b>	(23,268,076)
	<b>55,154</b>	<b>146,381</b>
	<b>\$ 157,707</b>	<b>\$ 360,543</b>

*Nature of Business, Continuance of Operations and Going Concern (Note 1)*

**Approved by the Board**

**"Aleem Nathwani"**  
 Director (Signed)

**"Yana Bobrovskaya"**  
 Director (Signed)

**POWER GROUP PROJECTS CORP.**  
**Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**  
**For the nine months ended,**  
**(Expressed in Canadian dollars – unaudited)**

	Three months ended		Nine months ended	
	October 31, 2020	October 31, 2019	October 31, 2020	October 31, 2019
<b>Expenses</b>				
Consulting (Note 8)	\$ 26,030	\$ 123,026	\$ 49,869	\$ 292,758
Depreciation (Note 5)	708	-	2,125	4,747
Exploration and evaluation expenditures	(33,750)	5,093	(69,842)	17,328
Insurance	1,915	5,615	3,715	21,306
Management fees (Note 8)	9,000	-	50,850	-
Office	924	1,238	3,423	42,078
Professional fees	19,409	30,409	19,409	130,873
Promotion and entertainment	-	68	-	4,684
Rent	10,000	-	13,780	30,306
Shareholder communications	-	2,750	1,586	20,995
Transfer agent and regulatory fees	1,670	7,470	16,312	24,958
Travel	-	-	-	120
	<b>35,906</b>	<b>176,479</b>	<b>91,227</b>	<b>590,153</b>
<b>Loss from Operations</b>	<b>(35,906)</b>	<b>(176,479)</b>	<b>(91,227)</b>	<b>(590,153)</b>
<b>Other Expenses (Income)</b>				
Foreign exchange (gain)	-	-	-	137
Interest	-	-	-	(5,318)
	<b>(35,906)</b>	<b>(176,479)</b>	<b>-</b>	<b>(5,181)</b>
<b>Net Loss and Comprehensive Loss for the period</b>	<b>\$ (35,906)</b>	<b>\$ (176,479)</b>	<b>\$ (91,227)</b>	<b>\$ (584,971)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding, basic and diluted</b>	<b>15,860,562</b>	<b>15,860,562</b>	<b>15,860,562</b>	<b>15,860,562</b>

**POWER GROUP PROJECTS CORP.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian dollars – unaudited)**

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	Number of common shares	Share capital	Contributed surplus	Deficit	<b>Total</b>
Balance at January 31, 2019	15,860,562	\$21,754,825	\$1,659,632	\$(22,276,112)	\$1,138,345
Loss for the period	-	-	-	(584,971)	(584,971)
Balance at October 31, 2019	15,860,562	\$21,754,825	\$1,659,632	\$(22,861,083)	\$553,374
Loss for the period	-	-	-	(406,993)	(406,993)
<b>Balance at January 31, 2020</b>	<b>15,860,562</b>	<b>\$21,754,825</b>	<b>\$1,659,632</b>	<b>\$(23,268,076)</b>	<b>\$146,381</b>
<b>Loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(91,227)</b>	<b>(91,227)</b>
<b>Balance at October 31, 2020</b>	<b>15,860,562</b>	<b>\$21,754,825</b>	<b>\$1,659,632</b>	<b>\$(23,359,303)</b>	<b>\$55,154</b>

**POWER GROUP PROJECTS CORP.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the nine-month period ended October 31,**  
**(Expressed in Canadian dollars – unaudited)**

	2020	2019
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (91,227)	\$ (584,971)
Items not affecting cash		
Depreciation	2,125	4,747
	<b>(89,102)</b>	<b>(580,225)</b>
Net changes in non-cash working capital		
Prepaid expenses and sundry receivables	23,335	(127,999)
Accounts payable and accrued liabilities	<b>(111,609)</b>	48,027
<b>Net cash used in operating activities</b>	<b>(177,376)</b>	<b>(660,197)</b>
<b>Investing activities</b>		
Loans to related parties	<b>(97,538)</b>	-
<b>Cash used in investing activities</b>	<b>(97,538)</b>	-
<b>Net change in cash</b>	<b>(274,914)</b>	<b>(306,231)</b>
<b>Cash, beginning of period</b>	<b>317,410</b>	<b>1,299,272</b>
<b>Cash, end of period</b>	<b>\$ 42,496</b>	<b>\$ 639,075</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 393 University Ave, Ste 1810, Toronto, Ontario M5G 1E6. 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.

Since January 31, 2020, the spread of COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Almost all of the Company's personnel work from home and the Company continues to manage its affairs via virtual business platforms.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of the COVID-19 pandemic, nor its impact on the financial position and results of the Company for future periods.

b) Continuance of Operations and Going Concern

These unaudited interim condensed consolidated financial statements (“interim 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 interim 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.

The Company incurred a comprehensive loss for the period ended October 31, 2020 of \$91,227 (2019: \$590,153). As at October 31, 2020, the Company had cash of \$42,496 (January 31, 2020: \$317,410), working capital (deficit) surplus of \$(52,384) (January 31, 2020: \$134,256) and an accumulated deficit of \$23,359,303 (January 31, 2020: \$23,268,076) since inception and expects to incur further losses in the development of its business. The Company's ability to continue operations in the normal course of business is dependent upon establishing sufficient cash flows from their exploration projects or on the receipt of additional debt or equity financing. The nature and significance of these conditions, along with the continuing losses and accumulated deficit, cast significant doubt about the appropriateness of the going concern. These interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the interim financial statements. Such adjustments could be material.

## **2. BASIS OF PRESENTATION**

### **a) Statement of Compliance**

These 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, 2020.

The accounting policies applied in preparation of these interim financial statements are consistent with those applied and disclosed in the Company’s financial statements for the year ended January 31, 2020, 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 interim financial statements.

The Company’s interim results are not necessarily indicative of its results for a full year. These interim financial statements are expressed in Canadian dollars, the Company’s functional currency and presentation currency, and have been prepared on a historical cost basis. The accounting policies set out in Note 3 of the Audited Consolidated Financial Statements at January 31, 2020 have been applied consistently to all periods presented in these interim financial statements.

These interim financial statements were approved for issuance by the Board of Directors on December 28, 2020.

### **b) Basis of Consolidation**

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

In addition, these interim 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.

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

c) Basis of Measurement (Continued)

The preparation of these interim 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 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 interim financial statements set out below have been applied consistently to all periods presented in all material respects.

**Basic and Diluted Loss per Share**

Basic earnings per share are computed by dividing the net and comprehensive loss for the period by the weighted average number of common shares outstanding during the period. 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.

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

**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 statements. 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.

**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 derecognizes 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.

#### **4. USE OF ESTIMATES AND JUDGMENTS**

The preparation of the interim 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.

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.

(iii) Collectability of related party receivables:

Management makes an assessment of whether the related party receivables are collectable for each recipient based on payment history and financial condition. These estimates are continuously evaluated and updated.

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.

**POWER GROUP PROJECTS CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**October 31, 2020**  
**(Expressed in Canadian dollars – unaudited)**

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

(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.

**5. PROPERTY AND EQUIPMENT**

	Trailer	Furniture and Equipment	Computer Equipment	Field Equipment	Total
<b>Cost</b>					
Balance at January 31, 2019	\$ 7,001	\$ 3,500	\$ 8,109	\$ 26,220	\$ 44,830
Additions	-	-	-	-	-
Balance at January 31, 2020	7,001	3,500	8,109	26,220	44,830
Additions	-	-	-	-	-
<b>Balance at October 31, 2020</b>	<b>\$ 7,001</b>	<b>\$ 3,500</b>	<b>\$ 8,109</b>	<b>\$ 26,220</b>	<b>\$ 44,830</b>
<b>Accumulated Depreciation</b>					
Balance at January 31, 2019	\$ 1,167	\$ 486	\$ 1,071	\$ 26,220	\$ 28,944
Amortization for the year	1,750	603	1,408	-	3,761
Balance at January 31, 2020	2,917	1,089	2,479	26,220	32,705
Amortization for the period	919	361	845	-	2,125
<b>Balance at October 31, 2020</b>	<b>\$ 3,836</b>	<b>\$ 1,450</b>	<b>\$ 3,324</b>	<b>\$ 26,220</b>	<b>\$ 34,830</b>
<b>Carrying Amounts</b>					
As at January 31, 2019	\$ 5,834	\$ 3,014	\$ 7,038	\$ -	\$ 15,886
As at January 31, 2020	\$ 4,084	\$ 2,411	\$ 5,630	\$ -	\$ 12,125
<b>As at October 31, 2020</b>	<b>\$ 3,165</b>	<b>\$ 2,050</b>	<b>\$ 4,785</b>	<b>\$ -</b>	<b>\$ 10,000</b>

**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 Company 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.

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

**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.

These 55 claims expired during the nine months end October 31, 2020. The Company no longer holds the rights to this property.

**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.

During the nine months ended October 31, 2020, the Company entered into an agreement with RJK Exploration Ltd. ("RJK") to pursue kimberlite targets that RJK may identify on the Company's claims in the Cobalt, Ontario area. The term of the agreement will be for a period of three years from the date of acceptance. RJK will pay a fee of \$12,000 cash per year for three years for a total of \$36,000 to the Company to enter into an agreement whereby RJK will have the right to identify, sample and drill test with one diamond drill hole any identified potential kimberlite targets (Phase One).

Should RJK choose to continue exploration following Phase One on any identified target, then RJK and the Company will enter into a Participating Joint-Operating Agreement whereby RJK would have a 60% interest and the Company would have a 40% interest. RJK would then provide the Company with a Phase Two exploration budget, at which time, the Company will have 60 days to agree to participate.

RJK will create a Mining Management Committee for the purposes of allowing all parties to better understand the exploration plans. This includes review of budgets, proposed work and the hiring of consultants. Should the Company decide not to participate then it will be reduced to a carried 1.5% GORR of which fifty percent (0.75%) can be purchased for a cash payment of \$1,000,000.

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

**Ontario Cobalt (Continued)**

Should RJK find mineralized zones other than kimberlites during Phase One, the structure of the agreement would revert to 50% for RJK and 50% for the Company with RJK being the operator. RJK would then provide the Company with a Phase Two exploration budget, at which time, the Company would have 60 days to agree to participate. Should the Company agree to participate, a Management Mining Committee would be established. If the Company decides not to participate, then it will be reduced to a 1.5% NSR of which 50% (0.75%) may be purchased for \$1,000,000.

Subject to Phase Two and exploration by RJK a two kilometer area of interest surrounding the identified target, subject to claim availability, would be made available by the Company for exploration and development. Should the Company or any of its agents find economic minerals other than diamonds, then these claims on notice to RJK would be exempt from RJK having an interest.

**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.

These 9 claims expired during the nine months ended October 31, 2020. The Company no longer holds the rights to this property.

**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 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.

**POWER GROUP PROJECTS CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**October 31, 2020**  
**(Expressed in Canadian dollars – unaudited)**

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**7. SHARE CAPITAL**

a) *Authorized*

An unlimited number of common shares without par value.

b) *Warrants*

A summary of the changes in the share purchase warrants for the nine months ended October 31, 2020 compared to the year ended January 31, 2020 are as follows:

	Number	Weighted Average Exercise Price
<b>Balance at January 31, 2019</b>	1,112,752	\$2.90
Expired	(946,952)	2.83
<b>Balance at January 31, 2020</b>	<b>165,800</b>	<b>\$2.90</b>
Expired	<b>(165,800)</b>	<b>\$3.32</b>
<b>Balance at October 31, 2020</b>	-	\$-
<b>Exercisable at October 31, 2020</b>	-	\$-

c) *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.

There were no stock option issuances for the nine-months period ended October 31, 2020.

Stock options for the nine months ended October 31, 2020:

	Number	Weighted Average Exercise Price
<b>Balance at January 31, 2019 and January 31, 2020</b>	<b>1,072,500</b>	<b>\$1.85</b>
Expired	<b>(1,014,000)</b>	<b>\$1.88</b>
<b>Balance at October 31, 2020</b>	<b>58,500</b>	<b>\$1.26</b>
<b>Exercisable at October 31, 2020</b>	<b>58,500</b>	<b>\$1.26</b>

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**7. SHARE CAPITAL (Continued)**

*c) Stock Options*

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

As at October 31, 2020, the breakdown of the stock options outstanding is as follows:

<b>Options Outstanding - Exercisable</b>	<b>Price per Option</b>	<b>Expiry Date</b>
12,000	1.10	October 27, 2021
46,500	1.30	March 21, 2022
<b>58,500</b>		

**8. RELATED PARTY TRANSACTIONS**

Related parties include key management personnel and companies under the control of key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board and corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer.

At October 31, 2020, included in accounts payable and accrued liabilities is \$10,515 (January 31, 2020 – \$6,125) 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 period ended October 31, 2020, \$Nil (October 31, 2019 - \$Nil) was paid in rent to a company controlled by an officer of the Company.

For the period ended October 31, 2020, \$(69,842) (October 31, 2019 - \$Nil) were reversed towards the Smith Cobalt project for services rendered by companies controlled by former directors.

During the period ended October 31, 2020 and 2019, key management compensation consisted of the following:

<b>For the periods ended</b>	<b>October 31, 2020</b>	<b>October 31, 2019</b>
Consulting and management fees	<b>\$ 80,521</b>	\$ 55,379
	<b>\$ 80,521</b>	\$ 55,379

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**8. RELATED PARTY TRANSACTIONS (Continued)**

In addition to the amounts disclosed above, the Company has also made loans to third-party corporations that, at the time, shared common key management personnel. During the period ended October 31, 2020 the Company made loans consisting of the following:

<u>For the periods ended</u>	<u>October 31, 2020</u>	<u>January 31, 2020</u>
Gold Rush Cariboo Corp.	\$ 49,665	\$ 277,990
SBD Capital Corp.	33,937	254,246
Pedro Resource Ltd.	13,936	87,197
	<b>\$ 97,538</b>	<b>\$ 619,433</b>

These loans are non-interest bearing and have no fixed terms of repayment. As at January 31, 2020, due to economic uncertainty, the Company recorded a provision for bad debts in the amount of \$619,433.

**9. CORPORATE 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 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 October 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.

## **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.

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<b>Balance at January 31, 2019</b>	<b>100,000</b>
Settlement of liability through renouncement in Q1 2020	100,000

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<b>Balance at July 31, 2020 and January 31, 2020</b>	<b>\$ -</b>
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On October 20, 2017, the Company closed a non-brokered private placement financing. In total, 5,000,000 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, 2,000,000 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, 2020, all funds have 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.

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.

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

There were no changes in the Company's approach to capital management during the nine months ended October 31, 2020. 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 cash, related party 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 the risk that the counterparty of related party receivables will default on its contractual obligations resulting in a financial loss to the Company. 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 October 31, 2020, the Company had cash of \$42,496 (January 31, 2020 - \$317,410) and accounts payable and accrued liabilities of \$102,553 (January 31, 2020 - \$214,162).

## **13. SUBSEQUENT EVENTS**

The Company has entered into a definitive share purchase agreement (the "Share Purchase Agreement") with Pallplat Metals Inc. ("Pallplat") and the shareholders of Pallplat to acquire all of the issued and outstanding common shares in the capital of Pallplat (the "Acquisition"). Pallplat is a private company formed under the laws of Ontario, whose sole asset is a letter of intent (the "LOI") with the Prospectus Alliance Syndicate, whereby Pallplat has the option to earn a 100% interest in the Muddy Gullies project in Newfoundland, Canada (the "Property"). As consideration for the Acquisition, the Company will issue an aggregate of 11,700,000 common shares in the capital of the Company (each, a "Common Share") to the shareholders of Pallplat. The completion of the Acquisition remains subject to the approval of all regulatory and other approvals, including the approval of the TSXV. Please see news release dated November 12, 2020 for more information.