

**POWER GROUP PROJECTS CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE-MONTH PERIOD ENDED OCTOBER 31, 2021 AND 2020**

**(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, 2021 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 20, 2021

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

	October 31, 2021 <i>(unaudited)</i>	January 31, 2021 <i>(audited)</i>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 830,415	\$ 20,679
Amounts receivable	28,762	-
Prepaid expenses	4,650	5,603
Related party loans (Note 8)	-	153,962
	<b>863,827</b>	<b>180,244</b>
<b>Capital assets (Note 5)</b>	<b>7,684</b>	<b>9,292</b>
	<b>\$ 871,511</b>	<b>\$ 189,536</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 55,316	\$ 157,019
	<b>55,316</b>	<b>157,019</b>
<b>Shareholders' Equity</b>		
<b>Share capital (Note 7)</b>	<b>23,144,056</b>	<b>21,754,825</b>
<b>Contributed surplus (Note 7)</b>	<b>2,152,984</b>	<b>1,659,632</b>
<b>Deficit</b>	<b>(24,480,845)</b>	<b>(23,381,940)</b>
<b>Total shareholders' equity</b>	<b>816,195</b>	<b>32,517</b>
	<b>\$ 871,511</b>	<b>\$ 189,536</b>

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

*Subsequent Events (Note 9)*

**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)**

	Three months ended		Nine months ended	
	October 31, 2021	October 31, 2020	October 31, 2021	October 31, 2020
<b>Expenses</b>				
Depreciation (Note 5)	\$ 536	\$ 708	\$ 1,608	\$ 2,125
Exploration and evaluation expenditures (recovery)	105,287	(33,750)	814,880	(69,842)
Insurance	2,250	1,915	6,407	3,715
Management and consulting fees (Note 8)	33,000	35,030	109,207	100,719
Office	3,294	924	4,958	3,423
Professional fees	35,831	19,409	36,057	19,409
Promotion and entertainment	-	-	200	-
Rent	15,000	10,000	45,000	13,780
Share-based compensation	21,863	-	46,523	-
Shareholder communications	956	-	956	1,586
Transfer agent and regulatory fees	7,478	1,670	33,040	16,312
		-		-
	225,495		1,098,836	
		35,906		91,227
<b>Loss from Operations</b>	<b>(225,495)</b>	<b>(35,906)</b>	<b>(1,098,836)</b>	<b>(91,227)</b>
<b>Other Expenses (Income)</b>				
Foreign exchange	70	-	70	-
Interest	-	-	-	-
	(225,564)	(35,906)	(1,098,905)	(91,227)
<b>Net Loss and Comprehensive Loss for the period</b>	<b>\$ (225,564)</b>	<b>\$ (35,906)</b>	<b>\$ (1,098,905)</b>	<b>\$ (91,227)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding, basic and diluted</b>	<b>21,342,378</b>	<b>15,860,562</b>	<b>21,342,378</b>	<b>15,860,562</b>

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

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	Number of common shares	Share capital	Contributed surplus	Deficit	<b>Total</b>
Balance at January 31, 2020	15,860,562	\$ 21,754,825	\$ 1,659,632	\$ (23,268,076)	\$ 146,381
Loss for the period	-	-	-	(16,806)	(16,806)
Balance at April 30, 2020	15,860,562	\$ 21,754,825	\$ 1,659,632	\$ (23,284,882)	\$ 129,575
Loss for the period	-	-	-	(97,058)	(97,058)
<b>Balance at January 31, 2021</b>	<b>15,860,562</b>	<b>\$ 21,754,825</b>	<b>\$ 1,659,632</b>	<b>\$ (23,381,940)</b>	<b>\$ 32,517</b>
Shares Issued for cash	19,999,998	780,861	419,139	-	1,200,000
Shares Issued for exploration assets	12,899,996	669,000	-	-	669,000
Share issuance costs	-	(32,940)	-	-	(32,940)
Broker warrants issued	-	(27,690)	27,690	-	-
Share-based compensation	-	-	46,523	-	46,523
Loss for the period	-	-	-	(1,098,905)	(1,098,905)
<b>Balance at October 31, 2021</b>	<b>48,760,556</b>	<b>\$ 23,144,056</b>	<b>\$ 2,152,984</b>	<b>\$ (24,480,845)</b>	<b>\$ 816,195</b>

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

	2021	2020
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (1,098,905)	\$ (91,227)
Items not affecting cash		
Depreciation	1,608	2,125
Stock-based compensation	46,523	-
	<b>(1,050,774)</b>	<b>(89,102)</b>
Net changes in non-cash working capital		
Amounts receivable	(23,159)	-
Prepaid expenses	(4,650)	23,335
Accounts payable and accrued liabilities	(101,703)	(111,609)
<b>Net cash used in operating activities</b>	<b>(1,180,286)</b>	<b>(177,376)</b>
<b>Investing activities</b>		
Acquisition of exploration assets through share issuance	669,000	-
Recovery of / (loans) to related parties (Note 8)	153,962	(97,538)
<b>Cash used in investing activities</b>	<b>(822,962)</b>	<b>(97,538)</b>
<b>Financing activities</b>		
Proceeds from the issuance of shares	1,200,000	-
Share issuance costs	(32,940)	-
<b>Cash provided by activities</b>	<b>(1,167,060)</b>	<b>-</b>
<b>Net change in cash</b>	<b>809,736</b>	<b>(274,914)</b>
<b>Cash, beginning of period</b>	<b>20,679</b>	<b>317,410</b>
<b>Cash, end of period</b>	<b>\$ 830,415</b>	<b>\$ 42,496</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 1040 West Georgia Street, Suite 1050, Vancouver, British Columbia V6E 4H1. The registered office of the Company is located at 217 Queen Street West, Suite 401, Toronto Ontario M5V 0R2.

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 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, 2021 of \$1,098,835 (2020: \$35,906). As at October 31, 2021, the Company had cash of \$830,415 (January 31, 2021: \$20,679), working capital surplus of \$808,511 (January 31, 2021: \$23,225) and an accumulated deficit of \$24,480,846 (January 31, 2021: \$23,381,940) 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, 2021.

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, 2021, 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, 2021 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 20, 2021.

### **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., Pallplat Metals 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, 2021**  
**(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**

<b>Cost</b>	<b>Trailer</b>	<b>Furniture and Equipment</b>	<b>Computer Equipment</b>	<b>Field Equipment</b>	<b>Total</b>
Balance at January 31, 2020	7,001	3,500	8,109	26,220	44,830
Additions	-	-	-	-	-
Balance at January 31, 2021	7,001	3,500	8,109	26,220	44,830
Additions	-	-	-	-	-
<b>Balance at October 31, 2021</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, 2020	2,917	1,089	2,479	26,220	32,705
Amortization for the year	1,126	482	1,225	-	2,833
Balance at January 31, 2021	4,043	1,571	3,704	26,220	35,538
Amortization for the period	645	288	675	-	1,608
<b>Balance at October 31, 2021</b>	<b>\$4,688</b>	<b>\$1,859</b>	<b>\$4,379</b>	<b>\$26,220</b>	<b>\$37,146</b>
<b>Carrying Amounts</b>					
As at January 31, 2020	\$4,084	\$2,411	\$5,630	-	\$12,125
As at January 31, 2021	\$2,958	\$1,929	\$4,405	-	\$9,292
<b>Balance at October 31, 2021</b>	<b>\$2,313</b>	<b>\$1,641</b>	<b>\$3,730</b>	<b>-</b>	<b>\$7,684</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.

During the period end October 31, 2021, the Company transferred these groups of claims back to the vendor and no longer holds the rights to this property.

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

**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.

During the period end October 31, 2021, the Company transferred these groups of claims back to the vendor and no longer holds the rights to this property.

**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.

**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.

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

**RJK Exploration Ltd.**

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 \$32,000 cash per year for three years for a total of \$96,000 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 understand the exploration plans better. This includes a review of budgets, proposed work and the hiring of consultants. Should the Company decide not to participate, it will be reduced to a carried 1.5% GORR of which fifty per cent (0.75%) can be purchased for a cash payment of \$1,000,000.

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-kilometre 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.

At October 31, 2021, RJK is current on the options payments described above and have performed drill testing on each of the Company’s properties.

## **EXPLORATION AND EVALUATION (Continued)**

### **Muddy Gullies Property**

The Company acquired Pallplat Metals Inc. ("Pallplat"), a privately-held mineral exploration company in the Newfoundland, Canada on April 13, 2021. As consideration for the Transaction, the Company issued an aggregate of 11,700,000 common shares in the capital of the Company (each, a "Common Share") at a deemed price of \$0.05 per Common Share, to the Vendors.

In connection with the Transaction, the Company entered into a mining option agreement (the "Option Agreement") with the Prospectus Alliance Syndicate (the "Syndicate") whereby the Syndicate granted an option (the "Option") to the Company to acquire a 100% undivided interest the Muddy Gullies project in Newfoundland, Canada (the "Property"). In order to exercise the Option the Company is required to: (i) pay an initial deposit of \$20,000, which has been paid by Pallplat, and additional cash payments of \$20,000 payable on each of the first three anniversaries of the LOI; (ii) issue 1,200,000 Common Shares upon receipt of the approval of the TSX Venture Exchange (the "TSXV"), which have been issued, and an additional 600,000 Common Shares to be issued on each the first three anniversaries of the LOI, and (ii) incur \$800,000 in expenditures in respect of the Property over sxa three-year period.

In the event that the Option is exercised, the Company will grant a 2% net smelter returns royalty ("NSR") in favour of the Syndicate, subject to the ability of the Company to purchase 0.75% of the NSR (resulting in the remaining NSR being 1.25%) for a purchase price of \$1,250,000 at any time before the commencement of commercial production on the Property.

The Muddy Gullies Property is located 28 kilometers northeast of the town of Gander, NL. Route 330 affords easy access to the property as does Muddy Gullies access road which runs east from route 330.

The Property comprises 83 claim units covering approximately 20.73 square kilometres. The Property is host to several historical platinum, palladium, copper and gold showings, as indicated by the Mineral Occurrence Database System, Department of Natural Resources, Newfoundland & Labrador. The Property is underlain by a portion of the Gander River Ultramafic Belt (GRUB LINE) which consists of pyroxenite and lessor serpentinite, magnesite, amphibolite, hornblendite, and gabbro. The mafic and ultramafic rocks of the GRUB LINE are considered to be an ophiolitic suite of volcanic and plutonic rocks which have tectonically emplaced over the Gander Groups.

### Local and Regional Geology

The Muddy Gullies Property straddles the tectonic boundary between the Dunnage Zone to the northwest and the Gander Zone to the southeast. The Davidsville Group sediments represent rocks of the Dunnage Zone on the Muddy Gullies Property and consist of pebble conglomerate, sandstone, shale and siltstone. Areas to the west of the Gander River are predominantly underlain by rocks of the Davidsville Group. The Gander Zone is represented by rocks of the Gander River Ultramafic Belt (GRUB), which includes tonalite, intermediate to mafic volcanics, gabbro, serpentinite, pyroxinite and talc-magnesite altered ultramafics. Alternating sequences of the two contrasting rock groups outcrop across the property on the east side of Gander River and is interpreted to be shallow westward dipping thrust slices.

J.P. Bouzane Associates Ltd. explored for gold, platinum, and palladium in the immediate area of the Property between 2000 and 2002. A third-year assessment report indicates combined values for platinum and palladium of up to 2400 ppb (J.P. Bouzane Associates Lt. 2000,2001,2002). Another company, 0840559 B.C LTD., in 2013 completed an airborne mag-em survey, mapping, prospecting, and limited drilling. The Vendors re-sampled areas sampled by Bouzane and confirmed platinum-group element ("PGE") mineralization and also outlined additional areas of anomalous PGE mineralization on the Property.

Samples by the Vendors were taken in the area of claim number 024113M. PGE mineralization seems to be controlled by a non-magnetic course-grained pyroxenite unit. Significant assays ranged from 198 ppb combined Pt+Pd+Au to 1245 ppb combined Pt+Pd+Au.

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**7. SHARE CAPITAL**

- a) *Authorized* - An unlimited number of common shares without par value.

On June 21, 2021, the Company closed a non-brokered private placement through the issuance of 19,999,998 units (“Unit”) at a price of \$0.06 per Unit for aggregate gross proceeds of \$1,200,000 (the “Placement”). Each Unit is comprised of one common share (“Common Share”) in the capital of the Company and one Common Share purchase warrant (“Warrant”) of the Company. Each Warrant shall entitle the holder thereof to acquire one Common Share at a price of \$0.12 per Common Share for a period of three (3) years from the closing date (the “Closing Date”) of the Placement. All securities issued pursuant to the Placement will be subject to a hold period of four months plus a day from the date of issuance and the resale rules of applicable securities legislation. The Company paid a finder’s fee commission of \$32,940 and issued 549,000 broker warrants. Net proceeds of the Placement will be used for general working capital purposes.

- b) *Warrants*

During the period ended October 31, 2021, 19,999,998 warrants were granted pursuant to the private placement. 549,000 finder’s warrants valued at \$325,344 was also issued in connection with the transaction. The fair value of warrants granted is estimated on the grant date using the Black-Scholes option pricing model using the following variables:

	October 31, 2021	January 31, 2021
Risk-free interest rate	0.62%	-
Expected warrant life in years	3.00	-
Expected stock price volatility	100%	-
Expected dividend rate	0%	-
Fair value per warrant	\$0.05	-
Stock price at grant date	\$0.09	-

A summary of the changes in the share purchase warrants for the period ended October 31, 2021 compared to the year ended January 31, 2021 are as follows:

	Number	Weighted Average Exercise Price
<b>Balance at January 31, 2020</b>	165,800	\$2.90
Expired	(165,800)	\$2.90
<b>Balance at January 31, 2021</b>	-	-
Issued as part of private placements	<b>19,999,998</b>	<b>\$0.12</b>
Issued as brokers warrants	<b>549,000</b>	<b>\$0.12</b>
<b>Balance at October 31, 2021</b>	<b>20,548,998</b>	<b>\$0.12</b>
<b>Exercisable at October 31, 2021</b>	<b>20,548,998</b>	<b>\$0.12</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.

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On April 13, 2021 (the “Grant Date”), the Company has granted stock options (collectively, the “Options”) to management and consultants to purchase up to 1,500,000 common shares of the Company (each, a “Share”), pursuant to the Company’s Stock Option Plan. The Options are exercisable at an exercise price of \$0.10 per Share and are valid for a period of five years from the Grant Date. Options vest: (i) 25% shall vest on the date that is six months from the Grant Date; (ii) 25% shall vest on the first anniversary of the Grant Date; (iii) 25% shall vest on the date that is eighteen months from the Grant Date; and (iv) 25% shall vest on the second anniversary of the Grant Date. On June 21, 2021, the Company granted and additional 200,000 options to a consultant with the same vesting and expiry terms as the aforementioned April 13, 2021 grant.

During the nine months ended October 31, 2021, the Company recognized share-based compensation expense of \$46,523 (2020 – \$Nil) representing the fair value of options granted and vested. The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the following weighted average variables:

	<b>October 31, 2021</b>	<b>January 31, 2021</b>
Risk-free interest rate	0.94-0.97%	-
Expected option life in years	5.00	-
Expected stock price volatility	100%	-
Expected dividend rate	0%	-
Weighted average fair value per option	\$0.06	-
Stock price at grant date	\$0.09	-

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**7. SHARE CAPITAL (Continued)**

*c) Stock Options*

Stock options for the period ended October 31, 2021 and January 31, 2021 are:

	Number	Weighted Average Exercise Price
<b>Balance at January 31, 2020</b>	<b>1,072,500</b>	<b>\$1.85</b>
Forfeited	(1,072,500)	-
<b>Balance at January 31, 2021</b>	<b>-</b>	<b>-</b>
Granted	1,700,000	\$0.10
<b>Balance at October 31, 2021</b>	<b>1,700,000</b>	<b>\$0.10</b>
<b>Exercisable at October 31, 2021</b>	<b>375,000</b>	<b>\$0.10</b>

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.

**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, 2021, included in accounts payable and accrued liabilities is \$Nil (January 31, 2021 – \$34,649) 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.

During the period ended October 31, 2021 and 2020, key management compensation consisted of the following:

<b>For the periods ended</b>	<b>October 31, 2021</b>	<b>October 31, 2020</b>
Consulting and management fees	<b>\$ 109,000</b>	<b>\$ 80,521</b>

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

In addition to the amounts disclosed above, in prior periods the Company has also made loans to third-party corporations that, at the time, shared common key management personnel. The balance of the loans as at October 31, 2021 are as follows:

<b>For the periods ended</b>	<b>October 31, 2021</b>	<b>January 31, 2021</b>
Allied Copper Corp.	-	\$ 327,665
SBD Capital Corp.	-	288,183
Pedro Resource Ltd.	\$ 101,133	101,133
	<b>\$ 101,133</b>	<b>\$ 716,981</b>

These loans are non-interest bearing and have no fixed terms of repayment. As at October 31, 2021, due to economic uncertainty, the Company has recorded an allowance for doubtful accounts in the amount of \$101,133. The Company recognized bad debt expenses of \$563,019 recorded during the year ended January 31, 2021. The net receivable of \$153,962 was collected during the period as a result of an assignment of amounts owed by Allied Copper Corp. (formerly Gold Rush Cariboo Corp.) and SBD Capital Corp.

**9. SUBSEQUENT EVENTS**

The Company has started fieldwork on its Muddy Gullies platinum group elements property in Central Newfoundland. The first phase of exploration will include airborne magnetometer, Lidar (light detection and ranging) and orthophotography surveys, line cutting and gridded prospecting, mapping, and sampling. The property is highly prospective for the discovery of significant platinum group elements (PGE) hosted by a pyroxenite unit of the Gander River complex.

The line cutting program is under way and has been contracted to Grass Roots Exploration of Gander, Nfld. This will provide a control grid for the prospecting on the main PGE target zone. The airborne surveys will cover the central three licences on the property and have been contracted out to RPM Aerial Inc. of Holyrood, Nfld. All the necessary permits are in place for this phase of the field program.

Depending on initial results, this work will be followed in the fall-winter exploration season by a planned drill program comprising 1,000 metres.

For further information please see the Company's press release dated August 10, 2021.

On December 8, 2021, the Company has entered into an arm's-length share purchase agreement, with 1315843 B.C. Ltd. (BCCo) and the shareholders of BCCo to acquire all of the issued and outstanding common shares in the capital of BCCo. BCCo is a private company incorporated under the laws of the Province of British Columbia, whose sole asset is an option agreement dated Aug. 9, 2021, with Cloudbreak Discovery PLC and Cloudbreak Discovery (Canada) Ltd., whereby BCCo has the option to earn a 75-per-cent interest in certain mineral claims in the province of British Columbia (the Atlin West project).

As consideration for the transaction, the company will: (i) issue an aggregate of 24 million common shares in the capital of the company, at a price of five cents per common share to the vendors; (ii) make a refundable cash payment in the amount of \$50,000 to BCCo upon signing of the LOI, to be released upon signing of a definitive agreement (which the company has completed); and (iii) a cash payment in the amount of \$50,000 to BCCo or as BCCo may direct, upon closing of the transaction.

The Atlin West project is underlain by undivided sedimentary and volcanic rocks of the Cache Creek complex, which have been subsequently intruded by late Cretaceous felsic volcanic and intrusive rocks. The area is bounded by the Nahlin fault and crosscut by east-west- and northwest-trending faults.

**9. SUBSEQUENT EVENTS (Continued)**

These structures are known to be associated with base and precious metals in the region, specifically at the Engineer or Yellowjacket mines. Mineralization on the property includes the Dundee/Table Mountain showing (B.C. Minfile 104N 003), which is composed of northeast-trending veins with galena and chalcopyrite, assaying up to 2.58 ounces per ton of silver, 26 per cent lead and 13.9 per cent copper in 1967. Limited work has been reported on the property, and additional exposures are unexplored as glacial recession has progressed in the past several decades since this work was last conducted. Additional exploration targets and potential styles of mineralization on the property can be inferred from known mineralization in the regional analogs, which are in close proximity to the property. Note that mineralization hosted on adjacent and nearby properties is not necessarily indicative of mineralization hosted on the company's properties.

The Engineer mine (B.C. Minfile 104M 014) was in production in the 1920s and 1930s, and produced in excess of 18,000 ounces of gold and 9,000 ounces of silver. Production was at realized grades exceeding 39 grams per ton of gold and 20 grams per ton of silver. A mineral resource estimate published in 2018 stated the Engineer mine contains an inferred resource of 41,000 tons grading 19.0 grams per ton of gold, using a five-gram-per-ton cut-off grade, which equated to 25,000 ounces of gold (O'Brien et al., National Instrument 43-101 report, Engineer gold mine, Jan. 18, 2018, for Engineer Gold Mines Ltd.). At the Yellowjacket mine, a historical estimate was calculated in 2011 stating 133,000 tons at 5.8 grams per ton of gold, totalling 24,000 ounces of gold at a 1.5-gram-per-ton-of-gold cut-off (B.J. Price and C. Downie, 2011; technical report on the Yellowjacket gold project; NI 43-101 report). This estimate was considered an inferred resource as per CIM (Canadian Institute of Mining, Metallurgy and Petroleum) definitions at the time, but a qualified person has not done sufficient work to classify the historical estimate as a current mineral resource. The issuer is not treating the historical estimate as a current mineral resource or reserve.

The Imperial vein showing (B.C. Minfile 082ESE113) is a quartz vein system that underwent limited and intermittent production during the early 1900s through to 1949 and is documented to have produced 973 tons grading 378 grams per ton silver, 2.73 grams per ton gold, 15.7 kilograms per ton zinc, 12.0 kilograms per ton lead and 0.16 kilogram per ton copper.

Under the terms of the option agreement, BCCo may exercise the option to acquire a 75-per-cent interest in the property upon payment of an aggregate of \$325,000 in cash payments and incurring an aggregate of \$700,000 in expenditures on the property as follows:

- A \$50,000 option payment on Oct. 8, 2021 (paid);
- A \$50,000 option payment on the date which BCCo enters into a binding agreement with a third party in connection with a transaction that will result in shareholders of BCCo holding shares in a reporting issuer as defined under Canadian securities laws that is listed on a recognized Canadian stock exchange (paid);
- Incurring \$150,000 in expenditures on or before the first anniversary of the effective date;
- A \$75,000 option payment on or before the second anniversary of the effective date and incurring an additional \$200,000 in expenditures or before the second anniversary of the effective date;
- A \$150,000 option payment on or before the third anniversary of the effective date and incurring an additional \$350,000 in expenditures or before the third anniversary of the effective date.

The completion of the transaction contemplated by the share purchase agreement remains subject to the company and BCCo entering into a definitive agreement and the approval of all regulatory and other approvals, including the approval of the TSX Venture Exchange.