

POWER GROUP PROJECTS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2021 AND 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Power Group Projects Corp.

Opinion

We have audited the consolidated financial statements of Power Group Projects Corp. (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2021 and 2020 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 financial statements, which indicates that the Company incurred a net loss of \$113,864 during the year ended January 31, 2021. 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 Information

Management is responsible for the other information. The other information comprises the 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 do 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 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.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a 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 Jakovic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
May 21, 2021
Toronto, Ontario

POWER GROUP PROJECTS CORP.
Consolidated Statements of Financial Position
As at January 31, 2021 and 2020
(Expressed in Canadian dollars)

	2021	2020
Assets		
Current		
Cash	\$ 20,679	\$ 317,410
Prepaid expenses and sundry receivable	5,603	31,008
Related party loans (Note 8)	153,962	-
	180,244	348,418
Capital assets (Note 5)	9,292	12,125
	\$ 189,536	\$ 360,543
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 157,019	\$ 214,162
	-	-
	157,019	214,162
Shareholders' Equity		
Share capital (Note 7)	21,754,825	21,754,825
Contributed surplus (Note 7)	1,659,632	1,659,632
Deficit	(23,381,940)	(23,268,076)
	32,517	146,381
	\$ 189,536	\$ 360,543

Nature of Business, Continuance of Operations and Going Concern (Note 1)
Subsequent Events (Note 12)

Approved by the Board

"Aleem Nathwani"

Director (Signed)

"Yana Bobrovskaya"

Director (Signed)

POWER GROUP PROJECTS CORP.
Consolidated Statements of Operations and Comprehensive Loss
For the years ended January 31
(Expressed in Canadian dollars, except share amounts)

	2021	2020
Expenses		
Consulting and management fees (Note 8)	\$ 133,465	\$ 196,168
Depreciation (Note 5)	2,833	3,761
Exploration and evaluation expenditures (Note 6)	(69,032)	1,819
Insurance	5,573	24,608
Office	4,878	48,320
Professional fees	77,354	127,615
Promotion and entertainment	424	2,184
(Recovery of) / provision for bad debts (Note 8, Note 12)	(56,424)	619,433
Rent	28,780	41,172
Shareholder communications	297	24,483
Transfer agent and regulatory fees	17,716	27,462
Travel	-	120
	145,864	1,117,145
Loss from Operations	(145,864)	(1,117,145)
Other Expenses (Income)		
Foreign exchange loss	-	137
Flow through income	-	(100,000)
Interest	-	(5,318)
Exploration arrangement fee (Note 6)	(32,000)	(20,000)
	(32,000)	(125,181)
Net Loss and Comprehensive Loss for the year	\$ (113,864)	\$ (991,964)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.06)
Weighted average number of common shares outstanding, basic and diluted	15,860,562	15,860,562

POWER GROUP PROJECTS CORP.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended January 31
(Expressed in Canadian dollars, except share amounts)

	Number of common shares	Share capital	Contributed surplus	Deficit	Total
Balance at January 31, 2019	15,860,562	\$21,754,825	\$1,659,632	\$(22,276,112)	\$1,138,345
Loss for the year	-	-	-	(991,964)	(991,964)
Balance at January 31, 2020	15,860,562	\$21,754,825	\$1,659,632	\$(23,268,076)	\$146,381
Loss for the year	-	-	-	(113,864)	(113,864)
Balance at January 31, 2021	15,860,562	\$21,754,825	\$1,659,632	\$(23,381,940)	\$32,517

POWER GROUP PROJECTS CORP.
Consolidated Statements of Cash Flows
For the years ended January 31,
(Expressed in Canadian dollars)

	2021	2020
Cash provided by (used in)		
Operating activities		
Net loss for the year	\$ (113,864)	\$ (991,964)
Items not affecting cash		
Depreciation	2,833	3,761
Provision for / (recovery of) bad debts	(56,424)	619,433
Gain on settlement of flow through premium liability	-	(100,000)
	(167,455)	(468,770)
Net changes in non-cash working capital		
Prepaid expenses and sundry receivables	25,405	150,798
Accounts payable and accrued liabilities	(57,143)	(44,457)
Net cash used in operating activities	(199,193)	(362,429)
Investing activities		
Loans to related parties (Note 8)	(97,538)	(619,433)
Cash used in investing activities	(97,538)	(619,433)
Financing activities		
Issuance of common shares (net of share issuance costs)	-	-
Proceeds from exercise of warrants	-	-
Proceeds from exercise of options	-	-
Cash provided by financing activities	-	-
Net change in cash	(296,731)	(981,862)
Cash, beginning of year	317,410	1,299,272
Cash, end of year	\$ 20,679	\$ 317,410

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 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.

The Company incurred a comprehensive loss for the year ended January 31, 2021, of \$113,864 (2020: \$991,964). As at January 31, 2021, the Company had cash of \$20,679 (January 31, 2020: \$317,410), working capital of \$23,225 (January 31, 2020: \$134,256) and an accumulated deficit of \$23,381,940 (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, creates a material uncertainty that casts significant doubt about the appropriateness of the going concern assumption. These consolidated 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 financial statements. Such adjustments could be material.

c) COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. Its impact on global economies has been far-reaching, and businesses around the world have been forced to cease or limit operations for long or indefinite periods of time.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on our financial position and results, exploration activities, workers, partners, consultants, suppliers and on global financial markets. The Company has taken measures to contain the spread of COVID-19 and is proceeding with exploration activities as long as the work environment remains safe.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These consolidated financial statements were authorized for issue by the Board of Directors on May 20, 2021.

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 certain 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 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 consolidated financial statements set out below have been applied consistently to all periods presented in all material respects.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the net and comprehensive loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if the dilutive securities were exercised or converted to common shares.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic and Diluted Loss per Share (Continued)

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 are 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 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 initially recognized 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.

3. SIGNIFICANT ACCOUNTING POLICIES (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 liability until paid.

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

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, if categorized as FVTPL or FVTOCI, or amortized cost (using the effective interest method). Changes in the fair value of FVTPL financial instruments are recognized in operations for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers 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.

As at January 31, 2021, the Company does not have any derivative financial liabilities.

Below is a summary showing the classification and measurement basis of the Company's financial instruments.

	Classification
Cash	Amortized cost
Related party loans	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Impairment

Financial assets

At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to FVTPL instruments. The expected credit losses are required to be measured through loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for the full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

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. The discounting occurs using a risk-free pre-tax rate that reflects the time value of money and is 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 a finance expense recognition in the statement of operations.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Decommissioning Provision (Continued)

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, 2021, there are \$nil (2020 - \$nil) decommissioning provisions.

Leases

This standard requires the recognition of lease contracts, with exceptions for certain short-term leases and leases of low-value assets, on a lessee's statement of financial position as a 'right-of-use asset' and a lease liability reflecting future lease payments. 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.

The Company has elected to apply the available exemptions for short-term leases and leases of low-value assets. Leases whose initial term is 12 months or less are charged directly to profit or loss.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The Company includes the estimated extension of their leases in the lease term in assessing the present value of future lease payments. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of use assets are depreciated in accordance with the Company's accounting policy for property, plant and equipment. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

4. 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.

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, the market price at the 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 of the counterparty. 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 Consolidated Financial Statements
January 31, 2021 and 2020, and for the years then ended
(Expressed in Canadian dollars)

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
Cost					
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	-	-	-	-	-
Balance at January 31, 2021	\$7,001	\$3,500	\$8,109	\$26,220	\$44,830
Accumulated Depreciation					
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 year	1,126	482	1,225	-	2,833
Balance at January 31, 2021	\$4,043	\$1,571	\$3,704	\$26,220	\$35,538
Carrying Amounts					
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
As at January 31, 2021	\$2,958	\$1,929	\$4,405	-	\$9,292

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 the commencement of commercial production for the sum of \$1,000,000.

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.

Ontario Cobalt

The Company acquired Ontario Cobalt Property Developers Inc. ("Ontario Cobalt") on June 4, 2018, a privately-held mineral exploration company that 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 per cent (1.5%) may be purchased by the Company at any time that is on or before the seventh (7th) anniversary of the Effective Date in consideration of a \$1,000,000 cash payment.

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. The Company acquired potential liabilities of Western Cobalt in the amount of \$150,000. During the year ended January 31, 2021, the liability was written down by \$75,000 (2020 - \$75,000) as no vendor claims were received.

These claims expired during the year ended January 31, 2021. 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.

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

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7. SHARE CAPITAL

a) *Authorized, issued and outstanding*

An unlimited number of common shares without par value. As at January 31, 2021 and 2020, the Company has 15,860,562 common shares issued and outstanding.

b) *Warrants*

As at January 31, 2021, the Company had no share purchase warrants outstanding.

A summary of the changes in the share purchase warrants for the year ended January 31, 2021 compared to the year ended January 31, 2020 is as follows:

	Number	Weighted Average Exercise Price
Balance at January 31, 2019	1,112,752	\$2.90
Expired	(946,952)	\$2.83
Balance at January 31, 2020	165,800	\$3.32
Expired	(165,800)	\$3.32
Balance at January 31, 2021	-	-

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 transactions for the years ended January 31, 2021 or 2020.

Stock options for the years ended January 31, 2021 and 2020 are:

	Number	Weighted Average Exercise Price
Balance at January 31, 2019	1,072,500	\$1.85
Balance at January 31, 2020	1,072,500	\$1.85
Expired	(1,072,500)	\$1.85
Balance at January 31, 2021	-	-

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.

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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 January 31, 2021, included in accounts payable and accrued liabilities is \$34,649 (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 year ended January 31, 2021, \$Nil (January 31, 2020 - \$22,866) was paid in rent to a company controlled by an officer of the Company.

For the year ended January 31, 2021, \$Nil (January 31, 2020 - \$16,532) was expensed towards the Smith Cobalt project for services rendered by companies controlled by directors.

During the years ended January 31, 2021, and 2020, key management compensation consisted of the following:

For the years ended	January 31, 2021	January 31, 2020
Consulting and management fees	\$ 100,880	\$ 67,051
	\$ 100,880	\$ 67,051

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 year ended January 31, 2021, the Company made loans consisting of the following:

For the years ended	January 31, 2021	January 31, 2020
Gold Rush Cariboo Corp.	\$ 49,665	\$ 277,990
SBD Capital Corp.	33,937	254,246
Pedro Resource Ltd.	13,936	87,197
	\$ 97,538	\$ 619,433

These loans are non-interest bearing and have no fixed terms of repayment. As at January 31, 2021, due to economic uncertainty, the Company has recorded an allowance for doubtful accounts in the amount of \$563,010 which is comprised of a bad debt expense of \$619,433 recorded during the year ended January 31, 2020 and a partial recovery of \$56,423 recorded during the year ended January 31, 2021. The net receivable of \$153,962 was collected subsequent to year end as a result of an assignment of amounts owed by Allied Copper Corp. (formerly Gold Rush Cariboo Corp.) and SBD Capital Corp. (see Note 12).

9. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of shareholders' equity. 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.

There were no changes in the Company's approach to capital management during the year ended January 31, 2021. The Company is not subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments, all held within major Canadian financial institutions.

10. FINANCIAL INSTRUMENTS

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 meet its financial obligations as they fall due. The Company has a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company tries to ensure 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, 2021, the Company had cash of \$20,679 (January 31, 2020 - \$317,410) and accounts payable and accrued liabilities of \$157,019 (January 31, 2020 - \$214,162).

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11. INCOME TAXES

(a) Rate Reconciliation

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

	January 31, 2020	January 31, 2020
Loss before income taxes	\$ (113,864)	\$ (991,964)
Statutory rate	27.0%	27.0%
Income tax provision at the statutory rate	(30,743)	(267,830)
Effect of income of:		
Flow through share premium	-	(27,000)
Other	-	5,025
CEE renounced in the year	27,000	135,000
Change in deferred taxes not recognized	3,743	154,805
Provision for income taxes	\$ -	\$ -

(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:

	January 31, 2021	January 31, 2020
Resource properties	\$ 3,656,368	\$ 3,702,007
Non-capital losses carried forward	2,010,575	1,930,089
Share issue costs and other	45,275	76,378
Equipment, intangibles and other assets	7,261	7,261
Less: Deferred taxes not recognized	(5,719,479)	(5,715,735)
	\$ -	\$ -

The Company estimates that it will have approximately \$7,447,000 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
2040	1,214,000
2041	298,000
	7,447,000

12. SUBSEQUENT EVENTS

- (a) Subsequent to year end, the Company closed it has completed the previously announced acquisition (the "Transaction") of all of the issued and outstanding common shares of Pallplat Metals Inc. ("Pallplat"). The Transaction was carried out by way of a share purchase agreement dated October 15, 2020, between the Company, Pallplat and the shareholders of Pallplat (the "Vendors"). 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") 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 a 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.

- (b) 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.
- (c) Subsequent to year end the Company assigned \$615,838 of receivables (see Note 8) for a total cash consideration of \$153,962.
- (d) On May 17, 2021, the Company announced a non-brokered private placement through the issuance of up to 20,000,000 units ("Unit") at a price of \$0.06 per Unit for aggregate gross proceeds of up to \$1,200,000 (the "Offering"). Each Unit shall be 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 Offering. All securities issued pursuant to the Offering 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 net proceeds from the Offering maybe subject to a finder's fee commission and will be used for general working capital purposes. The closing of the Offering is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and other approvals, including the approval of the TSX Venture Exchange.