

POWER GROUP PROJECTS CORP.

(formerly Cobalt Power Group Inc.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTH PERIODS ENDED JULY 31, 2019 AND JULY 31,
2018**

(Expressed in Canadian Dollars)

NOTICE TO READER

The accompanying unaudited condensed interim financial statements of Power Group Projects Corp. (the "Company") for the six months ended July 31, 2019 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.

Toronto, Ontario

September 30, 2019

POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)
Consolidated Statements of Financial Position
As at July 31, 2019
(Unaudited)
(Expressed in Canadian dollars)

	July 31, 2019	January 31, 2019 (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 993,041	\$ 1,299,272
Prepaid expenses and sundry receivable	143,698	181,806
	1,136,739	1,481,078
Capital assets (Note 5)	11,140	15,886
	\$ 1,147,879	\$ 1,496,964
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 318,027	\$ 258,619
Flow through premium liability (Note 11)	100,000	100,000
	418,027	358,619
Shareholders' Equity		
Share capital (Note 8)	21,754,825	21,754,825
Contributed surplus (Note 8)	1,659,632	1,659,632
Deficit	(22,684,605)	(22,276,112)
	729,852	1,138,345
	\$ 1,147,879	\$ 1,496,964

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

Approved by the Board

"John Dyer"
Director (Signed)

"Brian Stecyk"
Director (Signed)

POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)
Consolidated Statements of Operations and Comprehensive Loss
For the three and six month periods ended July 31, 2019 and July 31, 2018
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended		Six months ended	
	2019	2018	2019	2018 (Restated – Note 3)
Expenses				
Consulting (Note 9)	\$ 101,435	\$ 129,193	\$ 169,732	\$ 347,656
Depreciation	2,042	1,280	4,747	1,280
Exploration and evaluation expenditures	1,985	1,009,396	17,328	1,113,737
Insurance	15,691	4,263	15,691	5,213
Office	9,723	8,627	40,000	15,592
Professional fees	62,950	62,974	95,402	95,796
Promotion and entertainment	(11,942)	20,765	4,540	29,555
Rent	15,261	24,000	30,306	33,500
Salaries (Note 9)	-	-	-	237,190
Share-based compensation (Note 8(c),9)	-	-	-	1,910,000
Shareholder communications	16,660	31,667	18,320	33,820
Transfer agent and regulatory fees	21,716	238,190	17,488	238,190
Travel	-	7,344	120	34,876
	235,521	1,537,699	413,674	4,096,404
Loss from Operations	(235,521)	(1,537,699)	(413,674)	(4,096,404)
Other Expenses (Income)				
Foreign exchange (gain)	137	-	137	(699)
Flow through income	-	(58,679)	-	(79,547)
Interest	(2,702)	(59)	(5,318)	(2,472)
	(2,565)	(58,738)	(5,181)	(82,718)
Net Loss and Comprehensive Loss for the period	\$ 232,956	\$ 1,478,961	\$ (408,493)	\$ (4,013,685)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.10)	\$ (0.03)	\$ (0.29)
Weighted average number of common shares outstanding	15,860,562	14,648,509	15,860,562	13,658,188

POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)
Consolidated Statements of Changes in Shareholders' Equity
For the six month period ended July 31, 2019 and July 31, 2018
(Unaudited)
(Expressed in Canadian dollars)

	Number of common shares	Share capital	Contributed surplus	Deficit (Restated – Note 3)	Total
Balance at January 31, 2018	12,038,675	\$16,641,783	\$555,307	\$(5,945,921)	\$11,251,169
Shares issued for cash	10,224,500	1,719,840	-	-	1,719,840
Flow-through premium liability	-	(100,000)	-	-	(100,000)
Shares issued for exploration assets	27,200,000	3,278,000	-	-	3,278,000
Shares issued on warrant exercise	84,375	13,500	-	-	13,500
Shares issued on option exercise	710,000	71,150	-	-	71,150
Share issuance costs	-	(117,491)	24,703	-	(92,788)
Stock-based compensation	-	-	1,910,000	-	1,910,000
Loss for the period	-	-	-	(4,013,685)	(4,013,685)
Balance at July 31, 2018	15,860,562	\$21,506,782	\$2,490,010	\$(9,959,606)	\$14,037,182
Balance at January 31, 2019	15,860,562	\$21,754,825	\$1,659,632	\$(22,276,112)	\$1,138,345
Loss for the period	-	-	-	(408,493)	(408,493)
Balance at July 31, 2019	15,860,562	\$21,754,825	\$1,659,632	\$(22,684,605)	\$729,852

POWER GROUP PROJECTS CORP. (formerly Cobalt Power Group Inc.)
Consolidated Statements of Cash Flows
For the period ended July 31, 2019
(Unaudited)
(Expressed in Canadian dollars)

	2019	2018 (restated – Note 3)
Cash provided by (used in)		
Operating activities		
Net loss for the period	\$ (408,493)	\$ (4,013,685)
Items not affecting cash		
Depreciation	4,746	1,280
Share-based compensation	-	1,934,703
Gain on settlement of flow through premium liability	-	20,453
	(403,747)	(2,057,251)
Net changes in non-cash working capital		
GST receivable	38,108	(20,242)
Prepaid expenses and sundry receivables	-	(40,943)
Accounts payable and accrued liabilities	59,409	124,691
Net cash used in operating activities	(306,231)	(1,993,745)
Investing activities		
Fixed assets	-	(17,053)
Cash used in investing activities	-	(17,053)
Financing activities		
Issuance of common shares (net of share issuance costs)	-	1,586,999
Cash provided by financing activities	-	1,586,999
Net change in cash	(306,231)	(423,797)
Cash and cash equivalents, beginning of period	1,299,272	2,651,773
Cash and cash equivalents, end of period	\$ 993,041	\$ 2,227,976

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

a) Nature of Operations

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

The Company maintains its head office at 393 University Ave, Ste 1810, Toronto, Ontario M5G 1E6. The registered office of the Company is located at 2582 Sechelt Drive, North Vancouver, British Columbia V7H 1N8.

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

b) Continuance of Operations

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.

During the six-month period ended July 31, 2019, the Company incurred a net and comprehensive loss of \$408,493 (July 31, 2018 - \$4,013,685) and as at January 31, 2019 had an accumulated deficit of \$729,852 (January 31, 2019 - \$1,138,345). These circumstances create a material uncertainty that casts significant doubt on the ability of the Company to continue as a going concern. To date, the operations of the Company have been funded through the issuance of common shares. Continued operations are dependent on the Company's ability to complete future equity financings. In the event that the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the statement of financial position. Due to many external factors, including commodity prices and equity market conditions, it is not possible to predict whether future financing will be successful or available at all. The Company estimates that it has sufficient working capital to meet its planned expenditures for the next twelve months.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These 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, 2019.

a) Statement of Compliance (Cont'd)

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, 2019, 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, 2019 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 September 30, 2019.

b) Basis of Consolidation

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

c) Basis of Measurement

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

In addition, these 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 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 5 for Critical Accounting Estimates and Judgments made by management in the application of IFRS.

3. CHANGE IN ACCOUNTING POLICY

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

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

In accordance with IAS1 – Presentation of Financial Statements and IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Company has restated its consolidated statement of operations and comprehensive loss and statement of cash flows for the period ending July 31, 2018.

Consolidated Statements of Operations and Comprehensive Loss for the period ended July 31, 2018

	As previously reported	Effect of change in accounting policy	As restated
Exploration and evaluation expenditures	\$ -	\$ 1,113,737	\$ 1,113,737
Operating expenses	2,982,667	4,096,404	4,096,404
Net loss and comprehensive loss for the year	2,899,948	4,013,685	4,013,685
Basic and fully diluted loss per share	(0.02)	(0.29)	(0.29)

Consolidated Statements of Cash Flows for the period ended July 31, 2018

	As previously reported	Effect of change in accounting policy	As restated
Cash flows used in operating activities	\$ (880,006)	\$ (1,993,745)	\$ (1,993,745)
Cash flows used in investing activities	(1,130,790)	(17,053)	(17,053)

4. 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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. As of July 31, 2019, the Company held \$Nil (January 31, 2019 - \$Nil) in cash equivalents.

Basic and Diluted Loss per Share

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

Exploration and Evaluation Expenditures

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

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

Share-Based Payments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share Capital

Share issue costs

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

Value of warrants

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

Flow-through shares

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

Recent Accounting Pronouncements

The following is a future change in accounting policy the Company has adopted as of February 1, 2019.

Leases – IFRS 16

IFRS 16, Leases ("IFRS 16") replaces IAS 17, Leases ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has adopted IFRS 16 on its interim financial statements and determined there was no impact to the interim financial statements.

Share-based payments – IFRS 2

IFRS 2, Share-based Payments ("IFRS 2") - In June 2016, the IASB issued final amendments to IFRS 2, which clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share based payment that changes the classifications of the transaction from cash-settled to equity settled.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payments – IFRS 2 (Cont'd)

The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company has adopted IFRS 2 on its interim financial statements and determined there was no impact to the interim financial statements.

5. 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 interim 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.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

The significant areas of judgment considered by management in preparing the interim 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 interim 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 interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

(ii) Deferred tax assets:

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

6. 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 July 31, 2019	\$ 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 period	2,975	1,085	686	-	4,746
Balance at July 31, 2019	\$ 4,142	\$ 1,571	\$ 1,757	\$ 26,220	\$ 33,690
Carrying Amounts					
As at January 31, 2019	\$ 5,834	\$ 3,014	\$ 7,038	\$ -	\$ 15,886
As at July 31, 2019	\$ 2,859	\$ 1,929	\$ 6,352	\$ -	\$ 11,140

7. EXPLORATION AND EVALUATION

Blueberry Cobalt Property

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

Cliff Lake

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

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

Little Trout

The Company acquired Little Trout Cobalt Development Corp. ("Little Trout"), a privately-held mineral exploration company in the South Lorrain Township of Ontario, Canada on July 5, 2018. Located approximately 2.5 km southwest of the historic town of Silver Centre and approximately 27 km south of the town of Cobalt, Ontario, the Little Trout property consists of four claims and 50 claim units comprising 776 hectares of highly prospective geology for cobalt and copper mineralization and are contiguous with the Company's Smith-Cobalt project. The purchase was accomplished by the Company acquiring all of the issued and outstanding shares in Little Trout in exchange for the issuance, at closing, to the shareholders of Little Trout of the sum of \$192,375 cash payment along with the benefit of a 2.5% net smelter royalty, of which 1.5% may be purchased by the Company at any time on or before the fifth anniversary of the closing date in consideration of a \$1,500,000 cash payment.

Ontario Cobalt

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

7. EXPLORATION AND EVALUATION (Continued)

Western Cobalt

On June 15, 2018, the Company acquired Western Cobalt Corp. ("Western Cobalt"), a privately-held mineral exploration company that held nine strategically-located mineral claims in the eastern Athabasca basin of Saskatchewan, Canada. The properties comprise approximately 20,130 acres (8,146 hectares) of highly prospective geology. The purchase was accomplished by Cobalt Power Group acquiring all of the issued and outstanding shares in Western Cobalt in exchange for the issuance of 1,220,000 common shares of the Company to the existing shareholders of Western Cobalt. At closing, the shareholders of Western Cobalt received the benefit of a 2.5% net smelter royalty, of which 1.5% may be purchased by the Company at any time on or before the fifth anniversary of the closing date in consideration of a \$1,500,000 cash payment.

Smith-Cobalt Property

On October 23, 2017, the Company entered into an agreement to acquire thirty-three patented mining claims, located near Cobalt, Ontario through the acquisition of Canadian Cobalt Projects Inc. Consideration for the acquisition comprised of the issuance of 2,995,000 common shares. The vendors also received a 1.5% net smelter royalty, 75% of which may be purchased by the Company for \$1,000,000 in cash.

On September 2, 2016, the Company entered into a property option agreement to acquire nine patented mining claims, located near Cobalt, Ontario. Consideration for the acquisition comprised of staged payments aggregating \$25,000 and the issuance of 150,000 common shares.

The agreement is subject to a 2% NSR. The Company has the right to purchase one-half of the NSR (1%) for \$1,000,000.

Option and Joint Venture Agreement

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

8. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Issued and Outstanding

- i) On March 7, 2018, the Company closed a non-brokered private placement for aggregate gross proceeds of \$1,116,000 through the issuance and combination of (i) 280,000 units of the Company at a price of \$2.20 per unit for gross proceeds of \$616,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to purchase a common share at an exercise price of \$3.50 per share for a period of two years following the date of issuance. The total value assigned to the warrants was \$49,000; and (ii) 200,000 flow-through common shares at a price of \$2.50 per flow-through common share for gross proceeds of \$500,000. The Company paid a 6% cash commission of \$60,360, transaction costs of \$24,042 and issued 25,800 broker warrants.

8. SHARE CAPITAL (Continued)

b) Issued and Outstanding (Continued)

- i) Of the 25,800 broker warrants issued, each of 13,800 broker warrants entitles the holder thereof to purchase one common share at an exercise price of \$2.20 per share for a period of two years following the date of issuance and each of 12,000 broker warrants entitles the holder thereof to purchase one common share at an exercise price of \$2.50 per share for a period of two years following the date of issuance. The fair value of the broker warrants was \$11,150 and \$13,553 respectively and were determined using the Black-Scholes option pricing model with a risk-free rate of 1.77%, an expected life of 2 years, a volatility of 110% and a dividend rate of 0%.

c) Warrants

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

	Number	Weighted Average Exercise Price
Balance at January 31, 2018	1,497,298	\$2.30
Issued	165,800	3.32
Exercised	(274,887)	1.21
Expired	(275,459)	1.55
Balance at January 31, 2019 and July 31, 2019	1,112,752	\$2.90
Exercisable at January 31, 2019 and July 31, 2019	1,112,752	\$2.90

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

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

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.

8. SHARE CAPITAL (Continued)

c) Stock Options (Continued)

On July 31, 2018, the Company issued 1,000,000 options exercisable at \$1.90 per share. The options, which all vested immediately, are valid for a period of 2 years from the grant date. For these options, the Company recorded \$1,319,279 in share-based compensation. The Black Scholes assumptions used for the share-based expense was a risk-free rate of 1.89%, an expected volatility rate of 114%, an annual dividend rate of 0% and an expected life of 2 years. The weighted average fair value per option is \$1.319.

Stock options for the period years ended July 31, 2019 are:

	Number	Weighted Average Exercise Price
Balance at January 31, 2019	1,072,500	\$1.85
Issued	-	-
Exercised	-	-
Balance at July 31, 2019	1,072,500	\$1.85
Exercisable at July 31, 2019	1,072,500	\$1.85

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

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

Options Outstanding - Exercisable	Price per Option	Expiry Date
14,000	0.75	September 9, 2020
12,000	1.10	October 27, 2021
46,500	1.30	March 21, 2022
1,000,000	1.90	July 31, 2020
1,072,500		

9. RELATED PARTY TRANSACTIONS

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

At July 31, 2019, included in accounts payable and accrued liabilities is \$Nil (January 31, 2019 – \$1,898) 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.

9. RELATED PARTY TRANSACTIONS (Continued)

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

For the period ended July 31, 2019, \$Nil (July 31, 2018 - \$20,583) was expensed towards the Smith Cobalt project for services rendered by companies controlled by directors.

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

Period ended July 31	2019	2018
Consulting	\$ 55,379	\$ 193,496
Salaries	-	-
Share-based compensation	-	-
	\$ 55,379	\$ 193,496

10. CORPORATE ACQUISITIONS

Ontario Cobalt Property Developers Inc.

On June 4, 2018, the Company announced the closing of an agreement to acquire Ontario Cobalt Property Developers Inc. ("Ontario Cobalt") a privately-held mineral exploration company with claims located in the Gillies Limit Township of Ontario. The acquired business was purchased for \$1,875,000 paid by the issuance of 1,500,000 common shares of the Company, valued at \$1.25 per share. The Company also paid \$235,000 for liabilities of Ontario Cobalt. The shareholders of Ontario Cobalt will also receive a 2.5% net smelter return royalty, of which 1.5% may be purchased by the Company at any time, on or before the seventh anniversary of the closing date, in consideration of a \$1,000,000 cash payment. As Ontario Cobalt did not meet the definition of a business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby the Company is considered to issue shares in return for the net assets of Ontario Cobalt at their fair value. The total purchase price of \$2,110,000 was allocated entirely to exploration and evaluation expenditures.

Western Cobalt Corp.

On June 15, 2018, the Company announced the closing of an agreement to purchase all of the issued and outstanding common shares of Western Cobalt Corp. ("Western Cobalt"), a privately-held mineral exploration company with claims located in the eastern Athabasca basin of Saskatchewan. The acquired business was purchased for \$1,403,000 paid by the issuance of 1,220,000 common shares of the Company, valued at \$1.15 per share. The Company also paid \$150,000 for liabilities of Western Cobalt. As at July 31, 2019, the \$150,000 was accrued and not yet paid. The shareholders of Western Cobalt will receive a 2.5 % net smelter royalty, of which 1.5 % may be purchased by the Company at any time on or before the fifth anniversary of the closing date, in consideration of a \$1,500,000 cash payment. As Western Cobalt did not meet the definition of a business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby the Company is considered to issue shares in return for the net assets of Western Cobalt at their fair value. The total purchase price of \$1,403,000 was allocated entirely to exploration and evaluation expenditures.

10. CORPORATE ACQUISITIONS (Continued)

Little Trout Cobalt Development Corp.

On July 5, 2018, the Company announced the closing of an agreement to purchase all of the issued and outstanding common shares of Little Trout Cobalt Development Corp. ("Little Trout"), a privately-held mineral exploration company with claims located in the South Lorrain Township of Ontario, Canada. The acquired business was purchased for \$37,000. The Company also paid \$150,000 for liabilities of Little Trout. The shareholders of Little Trout will receive a 2.5 % net smelter royalty, of which 1.5 % may be purchased by the Company at any time on or before the fifth anniversary of the closing date, in consideration of a \$1,500,000 cash payment. As Little Trout did not meet the definition of a business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby the Company paid cash consideration in return for the net assets of Little Trout at their fair value. The total purchase price of \$187,000 was allocated entirely to exploration and evaluation expenditures.

11. FLOW THROUGH SHARE LIABILITIES

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

Balance, January 31, 2018	\$	21,435
Liability incurred on flow through shares issued on March 7, 2017		100,000
Settlement of liability through renouncement in Q1 2019		(21,435)
Balance at January 31, 2019		100,000
Settlement of liability through renouncement in Q1 2020		-
Balance at July 31, 2019	\$	100,000

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

12. CAPITAL RISK MANAGEMENT

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

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

12. CAPITAL RISK MANAGEMENT (Cont'd)

There were no changes in the Company's approach to capital management during the period ended July 31, 2019. The Company is not subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments; all held within major Canadian financial institutions.

13. FINANCIAL INSTRUMENTS

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

(a) Fair values

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

(b) Currency risk

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

(c) Credit risk

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

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company tries to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Currently, the Company's source of funding is from the issuance of equity securities for cash, primarily through private placements. As at July 31, 2019, the Company had cash of \$993,041 (January 31, 2019 - \$1,299,272) and accounts payable and accrued liabilities of \$318,027 (January 31, 2019 - \$258,619).