

MEGAWATT LITHIUM AND BATTERY METALS CORP.

(Formerly Walcott Resources Ltd.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

December 31, 2020 and 2019

MEGAWATT LITHIUM AND BATTERY METALS CORP.

(Formerly Walcott Resources Ltd.)

Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	Note	December 31, 2020	September 30, 2020
		\$	\$
ASSETS			
Current			
Cash		1,977,141	2,788,651
Taxes recoverable		20,427	15,280
Share subscription receivable		-	3,000
Prepaid expenses		3,602	788
		2,001,170	2,807,719
Non-current assets			
Exploration and evaluation asset	5	23,937,820	271,638
Total assets		25,938,990	3,079,357
LIABILITIES			
Current			
Accounts payable and accrued liabilities		86,171	109,129
Total liabilities		86,171	109,129
EQUITY			
Share capital	6	17,436,511	3,087,283
Share subscription received		1,114,674	702,821
Reserves	6	4,784	-
Deficit		(2,108,150)	(819,876)
Equity attributable to the Company		16,447,819	2,970,228
Non-controlling interest		9,405,000	-
Total equity		25,852,819	2,970,228
Total liabilities and equity		25,938,990	3,079,357

Nature of Operations and Going Concern (Note 1)

Commitments (Note 11)

Subsequent Events (Note 12)

Approved and authorized for issue on behalf of the Board:"David Thornley-Hall" Director"Kelvin Lee" Director*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

MEGAWATT LITHIUM AND BATTERY METALS CORP.

(Formerly Walcott Resources Ltd.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	December 31, 2020	December 31, 2019
		\$	\$
EXPENSES			
General and administrative		2,764	1,838
Management and consulting	7	26,360	10,500
Professional fees		59,402	7,932
Regulatory and filing fees		5,940	5,305
Marketing and shareholder communication		779,608	3,485
Share-based compensation		414,200	-
Net loss		1,288,274	29,060
Net loss per share – basic and diluted		0.03	0.00
Weighted average number of common shares outstanding		41,159,569	11,920,000

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

MEGAWATT LITHIUM AND BATTERY METALS CORP.

(Formerly Walcott Resources Ltd.)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	December 31, 2020	December 31, 2019
	\$	\$
Cash flows used in operating activities:		
Net loss for the period	(874,074)	(29,060)
Item not affecting cash		
Share-based compensation	414,200	-
Changes in non-cash working capital items:		
Taxes recoverable	(5,147)	3,680
Share subscription receivable	3,000	-
Prepaid expenses	(2,814)	9,878
Accounts payable and accrued liabilities	(22,958)	(6,630)
Net cash used in operating activities	(901,993)	(22,132)
Investing activities		
Exploration and evaluation acquisition costs	(65,000)	-
Exploration and evaluation expenditures	(88,682)	(3,676)
Net cash used in investing activities	(153,682)	(3,676)
Financing Activities		
Share subscriptions received	4,784	-
Proceeds from warrant exercise	239,381	-
Cash provided by financing activities	244,165	-
Decrease in cash	(811,510)	(25,808)
Cash, beginning of period	2,788,651	184,631
Cash, ending of period	1,977,141	158,823
Supplemental cash flow information:		
Shares issued for acquisition of 1256714	13,500,000	-
Shares issued as Finders Shares	607,500	-

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

MEGAWATT LITHIUM AND BATTERY METALS CORP.

(Formerly Walcott Resources Ltd.)

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Note	Common Shares		Reserves	Share subscriptions received	Deficit	Non-controlling interest	Total Equity
		Number of Shares	Share Capital					
		#	\$	\$		\$	\$	\$
Balance, September 30, 2019		11,920,000	504,701	20,626	-	(149,530)	-	375,797
Loss and comprehensive loss		-	-	-	-	29,060	-	29,060
Balance, December 31, 2019		11,920,000	504,701	20,626	-	(120,470)	-	404,857
Balance, September 30, 2020		27,748,750	3,087,283	702,821	-	(819,876)	-	2,970,228
Shares issued for mineral property	4	15,675,000	14,107,500	-	-	-	9,405,000	23,512,500
Shares issued on exercise of warrants		1,595,873	239,381	-	-	-	-	239,381
Reallocation of fair value upon exercise of warrants		-	2,347	(2,347)	-	-	-	-
Share based compensation		-	-	414,200	-	-	-	414,200
Share subscriptions received		-	-	-	4,784	-	-	4,784
Loss and comprehensive loss		-	-	-	-	(1,288,274)	-	(1,288,274)
Balance, December 31, 2020		45,019,623	17,436,511	1,114,674	4,784	(2,108,150)	9,405,000	25,852,819

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

MEGAWATT LITHIUM AND BATTERY METALS CORP.

(Formerly Walcott Resources Ltd.)

Notes to the Consolidated Financial Statements

For three months ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

MegaWatt Lithium and Battery Metals Corp. (formerly Walcott Resources Ltd.) (“the Company”) was incorporated on December 11, 2017 under the laws of British Columbia. On July 20, 2019, the Company completed its initial public offering and listed on the Canadian Securities Exchange (“CSE”) under the symbol “MEGA” (previously “WAL”). The address of the Company’s corporate office and its principal place of business is Suite 1570 - 505 Burrard St., Vancouver, British Columbia, Canada.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at December 31, 2020, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition.

The Company has not generated revenue to date and had an accumulated deficit of \$2,108,150 as at December 31, 2020 (September 30, 2020: \$819,876), which has been funded by the issuance of equity. These factors form a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These interim condensed consolidated financial statements (“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 from those reflected in these financial statements.

In March 2020, there was a global outbreak of COVID-19, which continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, social distancing, business closures or business disruptions, and the effectiveness of actions taken by countries to contain and treat the disease.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on March 1, 2021.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

- i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable; and

Significant accounting judgments

- i. the evaluation of the Company’s ability to continue as a going concern; and
- ii. the measurement of deferred income tax assets and liabilities.

4. TRANSACTIONS

a) Acquisition of Australian Silver Projects

On October 15, 2020, the Company closed its acquisition of 1256714 B.C. Ltd. ("TargetCo"), a related party company.

Pursuant to the terms of the Definitive Agreement, the Company acquired 60% of the issued and outstanding securities of TargetCo in consideration for the issuance of 15,000,000 common shares of the Company (the "Payment Shares") pro rata to shareholders of TargetCo at a fair value of \$0.90 per Payment Share. In addition, the Company issued 675,000 common shares to arm's length third party finders in connection with the Transaction (the "Finders' Shares") at a fair value of \$0.90 per Finders' Share. The Payment Shares are not subject to any hold periods under applicable securities laws. The Finders' Shares are subject to a four month and one day hold period under applicable securities laws which expired on February 16, 2021.

The following table summarizes the preliminary purchase price allocation:

	October 15, 2020
Purchase price	
Fair value of common shares issued	13,500,000
Fair value of finders shares	607,500
Total consideration paid	14,107,500
Purchase price allocation	
Exploration and evaluation assets	23,512,500
Non-controlling interest ⁽¹⁾	(9,405,000)
Net assets acquired	14,107,500

(1) Non-controlling interest has been determined from the proportionate interest in the net assets.

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For three months ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSET

	Cobalt Hill	Tyr Silver Project	Century South Silver-Zinc	Total
Cost				
Balance, September 30, 2019	95,000	-	-	95,000
Additions	75,000	-	-	75,000
Balance, September 30, 2020	170,000	-	-	170,000
Additions	65,000	11,756,250	11,756,250	23,577,500
Balance, December 31, 2020	235,000	11,756,250	11,756,250	23,747,500
Exploration and evaluation expenditures				
Balance, September 30, 2019	86,524	-	-	86,524
Additions	15,114	-	-	15,114
Balance, September 30, 2020	101,638	-	-	101,638
Additions	7,821	3,643	77,218	88,682
Balance, December 31, 2020	109,459	3,643	77,218	190,320
Balance, September 30, 2020	271,638	-	-	271,638
Balance, December 31, 2020	344,459	11,759,893	11,833,468	23,937,820

Cobalt Hill Property

Pursuant to an option agreement (the "Agreement") dated February 5, 2018, amended on April 25, 2019 and July 3, 2020, the Company was granted an option to acquire a 100% undivided interest in certain Cobalt Hill mineral claims (the "Property") located in the Trail Creek Mining Division in British Columbia.

In accordance with the Agreement, the Company has the option to acquire a 100% undivided interest in the Property by making cash payments totaling \$355,000, and issuing a total of 1,100,000 common shares of the Company as follows:

- Upon signing the Agreement – 200,000 common shares (measured at \$10,000 using a share price of \$0.05 and issued on September 29, 2018) and \$35,000 in cash (paid);
- On or before February 5, 2019 - 200,000 common shares (measured at \$10,000 using a share price of \$0.05 and issued on February 5, 2019) and \$40,000 in cash (paid);
- On or before February 5, 2020 - 300,000 common shares (issued January 30, 2020);
- On or before August 5, 2020 - 15,000 in cash; (paid)
- On or before December 31, 2020 - 65,000 in cash; (paid)
- On or before February 5, 2021 - 400,000 common shares and \$200,000 in cash (paid subsequent to December 31, 2020)

The optionor will retain a 1.5% Net Smelter Returns royalty on the Property.

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5. EXPLORATION AND EVALUATION ASSET (continued)

Australia Silver Properties

On October 15, 2020, pursuant to the terms of the Definitive Agreement dated August 13, 2020, the Company closed the acquisition for 60% of 1256714 B.C. Ltd. that owns a 100% interest (subject to a 2% NSR) in two prospective silver-zinc projects in Australia, being the Tyr Silver Project and the Century South Silver-Zinc Project. Both projects are located near established mining infrastructure and accessible port.

The Tyr Silver Project in northern New South Wales has two historic silver mines – Burra and Torny – with potential for high-grade silver zinc-lead-tin mineralization. The project covers an area of approximately 300 km² comprised of minimal use, hilly pastoral land, mostly cleared and lightly forested. The tenement was granted in March 2018 and is due for renewal in March 2024.

The Century South Silver-Zinc Project in the Mt Isa Basin, north-west Queensland, lies approximately 8 km south east of the New Century Zinc Mine and is around 250 km² in size, comprised of hilly, open savannah country. The tenement was granted in October 2018 and is due for renewal in October 2023.

6. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

As at December 31, 2020, the Company had 2,941,980 shares held in escrow.

c) Common Shares:

Issued and outstanding as at December 31, 2020, was 45,019,623 common shares.

During the three months ended December 31, 2020, the Company had the following share capital transactions:

- On October 15, 2020, the Company issued 15,675,000 common shares at a fair value of \$0.90 for a 60% interest in the Australian silver projects.
- October 22, 2020, the Company granted 500,000 stock options to an officer and consultant of the Company with an exercise price of \$0.90.
- The Company issued 1,595,873 common shares from the exercise of warrants for gross proceeds of \$239,381.

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6. SHARE CAPITAL (continued)

d) Warrants:

The following is a summary of the Company's warrants for three months ended December 31, 2020 and 2019:

	Number of warrants	Weighted average exercise price
		\$
Balance, September 30, 2019	315,000	0.15
Issued	4,614,160	0.16
Exercised	(65,750)	0.15
Balance, September 30, 2020	4,863,410	0.16
Exercised	(1,595,873)	0.15
Balance, December 31, 2020	3,267,537	0.17

As at December 31, 2020, the Company had the following warrants outstanding:

Date of expiry	Exercise price	Number of warrants	Weighted average life (years)
	\$		
July 30, 2021	0.15	213,377	0.58
August 6, 2022	0.15	2,440,000	1.60
September 18, 2022	0.25	614,160	1.72
		3,267,537	1.55

As at December 31, 2019, the Company had the following warrants outstanding:

Date of expiry	Exercise price	Number of warrants	Weighted average life (years)
	\$		
July 30, 2021	0.15	315,000	1.83

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6. SHARE CAPITAL (continued)

e) Stock Options

The Company has a stock option plan for directors, employees, and consultants. The aggregate number of common shares issuable pursuant to stock options granted under the plan is 10% of the issued and outstanding common shares. The board of directors has the exclusive power over the granting of stock options, the exercise price and their vesting and cancellation provisions.

The following is a summary of the Company's stock options for the three months ended December 31, 2020:

	Number of stock options	Weighted average exercise price \$
Balance, September 30, 2019	-	-
Granted	700,000	0.305
Balance, September 30, 2020	700,000	0.305
Granted	500,000	0.900
Balance, December 31, 2020	1,200,000	0.553

As at December 31, 2020, the Company had the following stock options outstanding:

Date of expiry	Exercise price \$	Number of options	Weighted average life (years)
August 13, 2025	0.305	700,000	4.62
October 21, 2025	0.900	500,000	4.81
		1,200,000	4.70

The assessed fair value at grant date of options vested during the three months ended December 31, 2020 \$414,200 (December 31, 2019 - \$nil) using the Black-Scholes option pricing model applying a market price of \$0.90, an exercise price of \$0.90, a risk-free rate of 0.36%, an expected volatility of 157% and an expected dividend yield of 0%. The options were fully vested at the grant date. Volatility is based on the average of the Company and comparable companies due to limited availability of the share price history.

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). During the three months ended December 31, 2020 and 2019, the Company had the following transactions with related parties which also comprises key management compensation:

	Three months ended December 31,	
	2020	2019
	\$	\$
Management fees	21,750	10,500
Share-based compensation	289,957	-
	311,707	10,500

8. MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject. The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

The fair values of the Company’s financial assets and liabilities approximate their carrying amounts.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company’s financial instruments consist of cash and accounts payable. Cash is classified as FVTPL and accounts payable are classified at amortized cost.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

i) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to interest rate risk.

iii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable are all current and due within 90 days of the balance sheet date.

iv) Market risk

- a. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A change of 100 basis points in the interest rates would not be material to the financial statements.
- b. Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar, the net loss of the Company and the equity for the period ended September 30, 2020 would have varied by a negligible amount.

10. COMMITMENTS

- i) The Company is committed to certain cash payments, common share issuances and exploration expenditures as described in Note 5.
- ii) As at December 31, 2020, the Company had share purchase warrants outstanding entitling the holders the right to purchase one common share for each warrant held as described in Note 6.

11. SUBSEQUENT EVENTS

Share Capital and Options

The Company issued 1,284,638 common shares from the exercise of warrants for gross proceeds of \$192,696.

The Company issued 4,000,000 common shares at a fair value of \$0.32 for a 100% interest in and to the Route 381 Lithium Property announced January 27, 2021.

Pursuant to the Cobble Hill option payment, the Company issued 400,000 common shares

The Company issued 150,000 common shares for proceeds of \$45,750 for stock options exercised.

The Company granted 200,000 stock options to an officer and consultant of the Company with an exercise price of \$0.285.

Acquisition of Lithium Property in Quebec

Subsequent to December 31, 2020, the Company completed the acquisition of a 100% interest in and to the Route 381 Lithium Property, comprised of 40 mineral claims located in James Bay Territory. In consideration for the acquisition, the Company paid the vendors an aggregate of \$60,000 and issued 4,000,000 common shares in the capital of the Company (the "Payment Shares") at a deemed price of \$0.32 per Payment Share. In addition, the Company will grant the vendors a 2% net smelter royalty. The Payment Shares are subject to a 4 month and one days hold period pursuant to applicable securities laws.

Name Change

The Company amended its articles to change its name to MegaWatt Lithium and Battery Metals Corp., effectively January 27, 2021. The Company has reserved the symbol "MEGA" and will commence trading under the new symbol in connection with the Name Change.