

MEGAWATT LITHIUM AND BATTERY METALS CORP.
(Formerly Walcott Resources Ltd.)
Condensed Interim Consolidated Financial Statements
For The Three and Six Months Ended
March 31, 2021 and 2020
(Expressed in Canadian dollars) – Unaudited

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

MEGAWATT LITHIUM AND BATTERY METALS CORP.
(Formerly Walcott Resources Ltd.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars) - Unaudited

	Note	March 31, 2021	September 30, 2020
		\$	\$
ASSETS			
Current			
Cash		1,745,402	2,788,651
Taxes recoverable		28,587	15,280
Share subscription receivable		-	3,000
Prepaid expenses		83,602	788
		1,857,591	2,807,719
Exploration and evaluation assets	5	26,323,621	271,638
Total assets		28,181,212	3,079,357
LIABILITIES			
Current			
Accounts payable and accrued liabilities		230,473	109,129
Total liabilities		230,473	109,129
EQUITY			
Share capital	6	20,366,022	3,087,283
Reserves	6	1,049,684	702,821
Deficit		(2,869,967)	(819,876)
Equity attributable to the Company		18,545,739	2,970,228
Non-controlling interest	4	9,405,000	-
Total equity		27,950,739	2,970,228
Total liabilities and equity		28,181,212	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.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended March 31, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

		Three months ended March 31,		Six months ended March 31,	
	Note	2021	2020	2021	2020
		\$	\$	\$	\$
Operating expenses					
General and administrative		1,904	1,507	4,668	3,345
Management and consulting	7	31,001	10,500	57,361	21,000
Professional fees		5,125	476	64,527	8,408
Regulatory and filing fees		11,733	3,063	17,673	8,368
Marketing and shareholder communication		356,654	6,429	1,136,262	9,914
Share-based compensation	6	355,400	-	769,600	-
Net loss and comprehensive loss		761,817	21,975	2,050,091	51,035
Net loss per share:					
Basic and diluted		0.02	0.00	0.05	0.00
Weighted average number of common shares outstanding:					
Basic and diluted		45,084,969	12,125,435	45,009,519	12,022,717

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

MEGAWATT LITHIUM AND BATTERY METALS CORP.
(Formerly Walcott Resources Ltd.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars) - Unaudited

	Note	For the six months ended March 31,	
		2021	2020
		\$	\$
Operating activities			
Net loss		(2,050,091)	(51,035)
Item not affecting cash			
Share-based compensation	6	769,600	-
Changes in non-cash working capital items:			
Taxes recoverable		(13,307)	(7,919)
Share subscription receivable		3,000	-
Prepaid expenses		(82,814)	7,378
Accounts payable and accrued liabilities		115,044	7,124
Cash used in operating activities		(1,258,568)	(44,452)
Investing activities			
Exploration and evaluation acquisition costs	5	(325,000)	-
Exploration and evaluation expenditures	5	(314,483)	(5,866)
Cash used in investing activities		(639,483)	(5,866)
Financing Activities			
Proceeds from warrant exercises	6	717,552	-
Proceeds from option exercises	6	137,250	-
Cash provided by financing activities		854,802	-
Decrease in cash		(1,043,249)	(50,318)
Cash, beginning of period		2,788,651	184,631
Cash, ending of period		1,745,402	134,313
Supplemental cash flow information:			
Shares issued for acquisition of 1256714		13,500,000	-
Shares issued for acquisition of Route 381 Lithium		1,720,000	-
Shares issued for Cobalt Hill option		180,000	60,000
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.)

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars, except number of shares) - Unaudited

	Note	Common Shares	Share Capital	Reserves	Share subscriptions received	Deficit	Non-controlling interest	Total Equity
		#	\$	\$	\$	\$	\$	\$
Balance, September 30, 2019		11,920,000	504,701	20,626	-	(149,530)	-	375,797
Net loss and comprehensive loss		-	-	-	-	(51,035)	-	(51,035)
Balance, March 31, 2020		11,920,000	504,701	20,626	-	(200,565)	-	324,762
Shares issued for mineral property		300,000	60,000	-	-	-	-	60,000
Shares issued for cash		15,463,000	3,265,750	-	-	-	-	3,265,750
Share issuance costs		-	(757,336)	490,500	-	-	-	(266,836)
Shares issued on exercise of warrants		65,750	14,168	(4,305)	-	-	-	9,863
Share-based compensation		-	-	196,000	-	-	-	196,000
Net loss and comprehensive loss		-	-	-	-	(619,311)	-	(619,311)
Balance, September 30, 2020		27,748,750	3,087,283	702,821	-	(819,876)	-	2,970,228
Shares issued for mineral property	4	20,075,000	16,007,500	-	-	-	9,405,000	25,412,500
Shares issued on exercise of options	6	450,000	263,274	(126,024)	-	-	-	137,250
Shares issued on exercise of warrants	6	4,546,411	1,007,965	(296,713)	-	-	-	711,252
Share based compensation	6	-	-	769,600	-	-	-	769,600
Net loss and comprehensive loss		-	-	-	-	(2,050,091)	-	(2,050,091)
Balance, March 31, 2021		52,820,161	20,366,022	1,049,684	-	(2,869,967)	9,405,000	27,950,739

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 Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2021 and 2020

(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 head office and principal address of the Company is located at Suite 1570 - 505 Burrard St. Vancouver BC, V7X 1M5.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at March 31, 2021, 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 \$2,869,967 as at March 31, 2021 (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

Statement of compliance and basis of presentation

These condensed interim consolidated financial statements (“interim financial statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, and International Financial Reporting Standards (“IFRS”). These interim financial statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended September 30, 2020, as some disclosures from the annual consolidated financial statements have been condensed or omitted.

These interim financial statements have been prepared on a historical cost basis except for those financial instruments which have been classified at fair value through profit or loss. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These interim financial statements were prepared using accounting policies consistent with those in the audited consolidated financial statements as at and for the year ended September 30, 2020.

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on May 28, 2021.

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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5. EXPLORATION AND EVALUATION ASSETS

	Cobalt Hill	Tyr Silver Project	Century South Silver-Zinc	Route 381 Lithium	New Age⁽¹⁾	Total
Cost						
Balance, September 30, 2019	95,000	-	-	-	-	95,000
Additions	75,000	-	-	-	-	75,000
Balance, September 30, 2020	170,000	-	-	-	-	170,000
Additions	445,000	11,756,250	11,756,250	1,780,000	-	25,737,500
Balance, March 31, 2021	615,000	11,756,250	11,756,250	1,780,000	-	25,907,500
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	73,686	93,784	96,765	-	50,248	314,483
Balance, March 31, 2021	175,324	93,784	96,765	-	50,248	416,121
Balance, September 30, 2020	271,638	-	-	-	-	271,638
Balance, March 31, 2021	790,324	11,850,034	11,853,015	1,780,000	50,248	26,323,621

(1) See subsequent events (Note 11).

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 (issued February 4, 2021) and \$200,000 in cash (paid).

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

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5. EXPLORATION AND EVALUATION ASSETS (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.

Route 381 Lithium Property

In January 2021, 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 Quebec. In consideration for the acquisition, the Company paid the vendors an aggregate of \$60,000 in cash and issued 4,000,000 common shares in the capital of the Company, valued at \$0.43 per common share (the closing share price on the date of issuance). In addition, the Company will grant the vendors a 2% net smelter royalty. The Payment Shares are subject to a four month and one day hold period pursuant to applicable securities laws.

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 March 31, 2021, the Company had 2,206,485 shares held in escrow.

c) Common Shares:

Issued and outstanding as at March 31, 2021, was 52,820,161 common shares.

During the six months ended March 31, 2021, the Company had the following share capital transactions:

- On February 4, 2021, the Company issued 400,000 common shares at a fair value of \$0.45 (the closing share price on the date of issuance) to fulfill its final obligation to issue shares on the Cobalt Hill Property.
- On February 3, 2021, the Company issued 4,000,000 common shares at a fair value of \$0.43 (the closing share price on the date of issuance) for an acquisition payment for the Route 381 Lithium Property.
- On October 15, 2020, the Company issued 15,675,000 common shares at a fair value of \$0.90 (the closing share price on the date of issuance) for a 60% interest in the Australian Silver projects.
- The Company issued 4,546,411 common shares from the exercise of warrants for gross proceeds of \$717,552.
- The Company issued 450,000 common shares from the exercise of options for gross proceeds of \$137,250.

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6. SHARE CAPITAL (continued)

d) Warrants:

The following is a summary of the Company's warrants for six months ended March 31, 2021 and the year ended September 30, 2020:

	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	(4,546,411)	0.16
Balance, March 31, 2021	316,999	0.23

As at March 31, 2021, the Company had the following warrants outstanding:

Date of expiry	Exercise price \$	Number of warrants #	Weighted average life (years)
July 30, 2021	0.15	58,739	0.33
September 18, 2022	0.25	258,260	1.47
		316,999	1.26

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 six months ended March 31, 2021 and the year ended September 30, 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	1,450,000	0.392
Exercised	(450,000)	0.305
Balance, March 31, 2021	1,700,000	0.553

6. SHARE CAPITAL (continued)

As at March 31, 2021, 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	250,000	4.37
October 21, 2025	0.900	500,000	4.56
January 28, 2026	0.285	200,000	4.83
February 16, 2026	0.465	250,000	4.88
March 2, 2026	0.440	500,000	4.92
		1,700,000	4.72

During the six months ended March 31, 2021, the Company granted a total of 1,450,000 stock options with a total fair value of \$769,600. The weighted average assumptions used in the Black-Scholes option pricing model were as follows:

	2021
Expected life	5.00 years
Expected volatility	151%
Risk-free rate	0.55%
Dividend yield	Nil

There were no options granted in the six months ended March 31, 2020.

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 former Chief Financial Officer (“CFO”). During the three and six months ended March 31, 2021 and 2020, the Company had the following transactions with related parties which also comprises key management compensation:

	Three months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management and consulting	15,000	-	36,750	10,500
Share-based compensation	198,800	-	488,757	-
	213,800	-	525,507	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.

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 six months ended March 31, 2021 would have varied by a negligible amount.

10. COMMITMENTS

The Company is committed to certain cash payments, common share issuances and exploration expenditures as described in Note 5.

MEGAWATT LITHIUM AND BATTERY METALS CORP.

(Formerly Walcott Resources Ltd.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

11. SUBSEQUENT EVENTS

On April 14, 2021 the Company announced that it has completed the acquisition of all of the issued and outstanding securities of 1269045 B.C. Ltd ("New Age Co") pursuant to the terms of a share exchange agreement dated March 30, 2021 (the "Agreement") among the Company, New Age Co and the New Age Co shareholders (the "Transaction") and indirectly acquired a 100% interest (subject to a 1% NSR) in and to certain mining tenements in Northern Territory ("NT") and New South Wales ("NSW") Australia.

Pursuant to the terms of the Agreement, Megawatt acquired 100% of the issued and outstanding securities of New Age Co in consideration for the issuance of 11,400,000 common shares of the Company at a deemed price of \$0.44 per common share. The common shares are not subject to any hold periods under applicable securities laws.

In addition, the Company issued 75,000 common shares to arm's length third party finders in connection with the Transaction at a deemed price of \$0.44 per common share, which are subject to a four month and one day hold period under applicable securities laws which expires on August 10, 2021.

The Transaction is an arms-length transaction and no change in management or the board of directors of Megawatt is being contemplated at this time.