

**MEGAWATT LITHIUM AND BATTERY METALS CORP.**  
**(Formerly Walcott Resources Ltd.)**  
**Condensed Interim Consolidated Financial Statements**  
**For The Three and Nine Months Ended**  
**June 30, 2021 and 2020**  
**(Expressed in Canadian dollars) – Unaudited**

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

	Note	June 30, 2021 \$	September 30, 2020 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash		1,099,274	2,788,651
Taxes recoverable		40,601	15,280
Share subscription receivable		-	3,000
Prepaid expenses		125,911	788
		<b>1,265,786</b>	<b>2,807,719</b>
Exploration and evaluation assets	5	27,887,652	271,638
<b>Total assets</b>		<b>29,153,438</b>	<b>3,079,357</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		490,440	109,129
		<b>490,440</b>	<b>109,129</b>
Deferred tax liabilities		1,701,000	-
<b>Total liabilities</b>		<b>2,191,440</b>	<b>109,129</b>
<b>EQUITY</b>			
Share capital	6	24,841,248	3,087,283
Reserves	6	1,049,708	702,821
Deficit		(4,548,558)	(819,876)
Equity attributable to the Company		21,342,398	2,970,228
Non-controlling interest	9	5,619,600	-
Total equity		26,961,998	2,970,228
<b>Total liabilities and equity</b>		<b>29,153,438</b>	<b>3,079,357</b>

Nature of Operations and Going Concern (Note 1)  
Commitments (Note 11)  
Subsequent Event (Note 12)

**Approved and authorized for issue on behalf of the Board:**

*"David Thornley-Hall"*  
\_\_\_\_\_  
Director

*"Kelvin Lee"*  
\_\_\_\_\_  
Director

**MEGAWATT LITHIUM AND BATTERY METALS CORP.**

(Formerly Walcott Resources Ltd.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended June 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

		Three months ended June 30,		Nine months ended June 30,	
	Note	2021	2020	2021	2020
		\$	\$	\$	\$
<b>Operating expenses</b>					
General and administrative		3,675	1,500	8,343	4,845
Management and consulting	7	35,453	10,500	92,814	31,500
Professional fees		11,164	3,745	75,691	12,153
Regulatory and filing fees		4,877	4,108	22,550	12,476
Marketing and shareholder communication		602,822	66	1,739,084	9,980
Share-based compensation	6	-	-	769,600	-
<b>Loss from operations</b>		<b>657,991</b>	<b>19,919</b>	<b>2,708,082</b>	<b>70,954</b>
Deferred income tax expense		1,701,000	-	1,701,000	-
<b>Net loss and comprehensive loss</b>		<b>2,358,991</b>	<b>19,919</b>	<b>4,409,082</b>	<b>70,954</b>
<b>Net loss attributable to:</b>					
Shareholders of the Company		1,678,591	19,919	3,728,682	70,954
Non-controlling interests		680,400	-	680,400	-
		<b>2,358,991</b>	<b>19,919</b>	<b>4,409,082</b>	<b>70,954</b>
<b>Net loss a per share:</b>					
Basic and diluted		0.03	0.00	0.08	0.01
<b>Weighted average number of common shares outstanding:</b>					
Basic and diluted		63,275,161	12,220,000	51,145,472	12,044,932

The accompanying notes are an integral part of these condensed interim 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 nine months ended June 30,	
		2021	2020
		\$	\$
<b>Operating activities</b>			
Net loss		(4,409,082)	(70,954)
Item not affecting cash			
Share-based compensation	6	769,600	-
Deferred income tax expense		1,701,000	-
Changes in non-cash working capital items:			
Taxes recoverable		(25,321)	(8,876)
Share subscription receivable		3,000	-
Prepaid expenses		(125,123)	9,878
Accounts payable and accrued liabilities		375,012	21,438
Cash used in operating activities		(1,710,914)	(48,514)
<b>Investing activities</b>			
Acquisition of Route 381	5	(265,000)	-
Acquisition of Cobalt Hill	5	(60,000)	-
Exploration and evaluation costs	5	(508,264)	(8,001)
Cash used in investing activities		(833,264)	(8,001)
<b>Financing Activities</b>			
Proceeds from warrant exercises	6	717,551	-
Proceeds from option exercises	6	137,250	-
Cash provided by financing activities		854,801	-
<b>Decrease in cash</b>		(1,689,377)	(56,515)
<b>Cash, beginning of period</b>		2,788,651	184,631
<b>Cash, ending of period</b>		1,099,274	128,116
<b>Supplemental cash flow information:</b>			
Shares issued for acquisition of 1256714 B.C. Ltd.	4	13,500,000	-
Shares issued for acquisition of Route 381 Lithium	4	1,720,000	-
Shares issued for Cobalt Hill option	6	180,000	60,000
Shares issued for acquisition of 1260945 B.C. Ltd.	4	4,475,250	-
Shares issued as Finders Shares	4	636,750	-

*The accompanying notes are an integral part of these condensed interim 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	Deficit	Non-controlling interest	Total equity
		#	\$	\$	\$	\$	\$
<b>Balance, September 30, 2019</b>		<b>11,920,000</b>	<b>504,701</b>	<b>20,626</b>	<b>(149,530)</b>	-	<b>375,797</b>
Shares issued for mineral property		300,000	60,000	-	-	-	60,000
Net loss and comprehensive loss		-	-	-	(70,954)	-	(70,954)
<b>Balance, June 30, 2020</b>		<b>12,220,000</b>	<b>564,701</b>	<b>20,626</b>	<b>(220,484)</b>	-	<b>364,843</b>
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		-	-	-	(599,392)	-	(599,392)
<b>Balance, September 30, 2020</b>		<b>27,748,750</b>	<b>3,087,283</b>	<b>702,821</b>	<b>(819,876)</b>	-	<b>2,970,228</b>
Shares issued for mineral property	4	31,550,000	20,482,750	-	-	6,300,000	26,782,750
Shares issued on exercise of options	6	450,000	263,250	(126,000)	-	-	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		-	-	-	(3,728,682)	(680,400)	(4,409,082)
<b>Balance, June 30, 2021</b>		<b>64,295,161</b>	<b>24,841,248</b>	<b>1,049,708</b>	<b>(4,548,558)</b>	<b>5,619,600</b>	<b>26,961,998</b>

*The accompanying notes are an integral part of these condensed interim 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 nine months ended June 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

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### **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 June 30, 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 \$4,548,558 as at June 30, 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 condensed interim consolidated financial statements (the "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 Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, under International Financial Reporting Standards ("IFRS"). These 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 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 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 August 30, 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 announced that it had closed the acquisition of 1256714 B.C. Ltd. ("TargetCo") and acquired 60% of the issued and outstanding securities of TargetCo in consideration for the issuance of 15,000,000 common shares of the Company pro rata to shareholders of TargetCo. In addition, the Company issued 675,000 common shares to finders in connection with the Transaction (the "Finders' Shares").

The Company has accounted for the acquisition as a purchase of assets, which are referred to as the Australian Silver Projects (Note 5). The acquisition did not qualify as a business combination under IFRS 3 - Business Combinations, as the significant inputs, processes and outputs, that together constitute a business, did not exist in these projects at the time of acquisition.

The following table summarizes the asset acquisition:

	<b>October 15, 2020</b>
<i>Purchase price:</i>	\$
Fair value of common shares issued	13,500,000
Fair value of Finders' Shares	607,500
<b>Total consideration</b>	<b>14,107,500</b>
<i>Purchase price allocation:</i>	
Exploration and evaluation assets	20,407,500
Non-controlling interest <sup>(1)</sup>	(6,300,000)
<b>Net assets acquired</b>	<b>14,107,500</b>

- (1) Non-controlling interest has been determined from the proportionate interest in the net assets. Additionally, the non-controlling interest has been reduced by a control premium with a fair value of \$2,700,000 included as part of the total consideration paid per above. The fair value of the control premium was determined by using an estimate 20% of the fair value of common shares issued.

**MEGAWATT LITHIUM AND BATTERY METALS CORP.**

(Formerly Walcott Resources Ltd.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

**4. TRANSACTIONS (continued)****b) Acquisition of New Age Co**

On April 14, 2021, the Company announced that it had completed the acquisition of all issued and outstanding securities of 1260945 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 acquisition of New Age Co resulted in the Company acquiring a 100% interest (subject to a 1% NSR) in and to certain mining tenements in Northern Territory ("NT") and New South Wales ("NSW") Australia as these exploration stage properties are the assets of New Age Co (Note 5).

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. In addition, the Company issued 75,000 common shares (the "New Age Finders' Shares") to arm's length third party finders in connection with the New Age Transaction.

The acquisition of New Age Co has been accounted for by the Company as a purchase of assets. The acquisition did not qualify as a business combination under IFRS 3 - Business Combinations, as the significant inputs, processes and outputs, that together constitute a business, did not exist in these projects at the time of acquisition.

The following table summarizes the asset acquisition:

	<b>April 14, 2021</b>
<i>Purchase price:</i>	\$
Fair value of common shares issued	4,446,000
Fair value of New Age Finders' Shares	29,250
<b>Total consideration</b>	<b>4,475,250</b>
<i>Purchase price allocation:</i>	
Exploration and evaluation assets	4,475,250
<b>Net assets acquired</b>	<b>4,475,250</b>

**5. EXPLORATION AND EVALUATION ASSETS**

	<b>Cobalt Hill</b>	<b>Tyr Silver Project</b>	<b>Century South Silver-Zinc</b>	<b>New Age</b>	<b>Route 381 Lithium</b>	<b>Total</b>
<b>Cost</b>	\$	\$	\$	\$	\$	\$
Balance, September 30, 2019	95,000	-	-	-	-	95,000
Additions	75,000	-	-	-	-	75,000
Balance, September 30, 2020	170,000	-	-	-	-	170,000
Additions	445,000	10,203,750	10,203,750	4,475,250	1,780,000	27,107,750
<b>Balance, June 30, 2021</b>	<b>615,000</b>	<b>10,203,750</b>	<b>10,203,750</b>	<b>4,475,250</b>	<b>1,780,000</b>	<b>27,277,750</b>
<b>Exploration and evaluation expenditures</b>						
Balance, September 30, 2019	86,524	-	-	-	-	86,524
Additions	15,114	-	-	-	-	15,114
Balance, September 30, 2020	101,638	-	-	-	-	101,638
Additions	172,445	94,367	96,766	144,686	-	508,264
<b>Balance, June 30, 2021</b>	<b>274,083</b>	<b>94,367</b>	<b>96,766</b>	<b>144,686</b>	<b>-</b>	<b>609,902</b>
Balance, September 30, 2020	271,638	-	-	-	-	271,638
<b>Balance, June 30, 2021</b>	<b>889,083</b>	<b>10,298,117</b>	<b>10,300,516</b>	<b>4,619,936</b>	<b>1,780,000</b>	<b>27,887,652</b>



## **5. EXPLORATION AND EVALUATION ASSETS (continued)**

### **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 ("NSR") on the Property.

### **Australia Silver Properties (Note 4)**

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. The project covers an area of approximately 300 km<sup>2</sup> 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 km<sup>2</sup> 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 of the Company with a fair value of \$1,720,000. In addition, the Company will grant the vendors a 2% net smelter royalty.

### **New Age Properties (Note 4)**

- a) Rare Earth Elements (NT) - Arctic Fox and Isbjorn

Located in Australia's Northern Territory ("NT"), both properties are in the exploration stage. Arctic Fox is contiguous with the Nolans Bore REE project and the Isbjorn asset is contiguous to the Charley Creek REE project.

- b) Nickel-cobalt-scandium-HPA (NSW) - Chinook, Kodiak & Caribou

The three nickel-cobalt-scandium-HPA properties - Chinook, Kodiak and Caribou - are located in Australia's central New South Wales ("NSW"), which is considered by management to be a highly prospective region of exploration.

**6. SHARE CAPITAL**

a) Authorized

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

**Escrow shares:**

As at June 30, 2021, the Company had 2,206,485 shares held in escrow.

**Common shares:**

Issued and outstanding as at June 30, 2021 was 64,295,161 common shares.

During the nine months ended June 30, 2021, the Company had the following share capital transactions:

- On April 9, 2021, the Company issued 11,400,000 common shares at a fair value of \$0.39 per share pursuant to an acquisition payment for 1260945 B.C. Ltd.
- On April 9, 2021, the Company issued 75,000 common shares to arm's length third party finders in connection with the acquisition of 1260945 B.C. Ltd at a fair value of \$0.39 per share, which are subject to a four month and one day hold period under applicable securities laws which expired on August 10, 2021.
- On February 4, 2021, the Company issued 400,000 common shares at a fair value of \$0.45 per share 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 per share 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 for a 60% interest in the Australian Silver projects.
- The Company issued 4,546,411 common shares pursuant to the exercise of warrants for gross proceeds of \$717,552.
- The Company issued 450,000 common shares pursuant to the exercise of options for gross proceeds of \$137,250.

b) Warrants

The following is a summary of the Company's warrants for nine months ended June 30, 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
<b>Balance, June 30, 2021</b>	<b>316,999</b>	<b>0.23</b>

As at June 30, 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	0.08
September 18, 2022	0.25	258,260	1.22
		<b>316,999</b>	<b>1.01</b>

**6. SHARE CAPITAL (continued)**

c) 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 nine months ended June 30, 2021 and the year ended September 30, 2020:

	Number of stock options	Weighted average exercise price
	#	\$
Balance, September 30, 2019	-	-
Granted	700,000	0.31
Balance, September 30, 2020	700,000	0.31
Granted	1,450,000	0.58
Exercised	(450,000)	0.31
<b>Balance, June 30, 2021</b>	<b>1,700,000</b>	<b>0.54</b>

As at June 30, 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	4.12
October 21, 2025	0.900	500,000	4.31
January 28, 2026	0.285	200,000	4.58
February 16, 2026	0.465	250,000	4.64
March 2, 2026	0.440	500,000	4.67
		<b>1,700,000</b>	<b>4.47</b>

During the nine months ended June 30, 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:

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

**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 nine months ended June 30, 2021 and 2020, the Company had the following transactions with related parties which also comprises key management compensation:

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(Formerly Walcott Resources Ltd.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

**7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)**

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management and consulting	22,500	10,500	59,250	31,500
Share-based compensation	-	-	488,757	-
	22,500	10,500	548,007	31,500

**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. NON-CONTROLLING INTEREST**

On October 15, 2020, the Company closed its acquisition of TargetCo (Note 4). The non-controlling interest represents equity in TargetCo that is not attributable to the Company. The carrying value of non-controlling interest for TargetCo on June 30, 2021 was \$5,619,600.

**10. 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.

**10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)**

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 nine months ended June 30, 2021 would have varied by a negligible amount.

**11. COMMITMENTS**

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

**12. SUBSEQUENT EVENT**

On July 22, 2021, the Company issued 58,739 common shares pursuant to the exercise of warrants for gross proceeds of \$8,811.