MEGAWATT LITHIUM AND BATTERY METALS CORP.

(Formerly Walcott Resources Ltd.)

Consolidated Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of MegaWatt Lithium and Battery Metals Corp.

Opinion

We have audited the consolidated financial statements of MegaWatt Lithium and Battery Metals Corp. (the "Company") which comprise the consolidated statements of financial position as at September 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated changes in equity and consolidated cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
January 28, 2022

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

	Note	**September 30, 2021**	September 30, 2020
		$	$
ASSETS			
Current			
Cash		**495,193**	2,788,651
Taxes recoverable		**46,156**	15,280
Share subscription receivable		**-**	3,000
Prepaid expenses		**29,722**	788
		571,071	2,807,719
Exploration and evaluation assets	7	**14,396,915**	271,638
Total assets		**14,967,986**	3,079,357
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**148,608**	109,129
Total liabilities		**148,608**	109,129
EQUITY			
Share capital		**24,860,203**	3,087,283
Reserves		**1,045,864**	702,821
Deficit		**(15,418,279)**	(819,876)
Equity attributable to the Company		**10,487,788**	2,970,228
Non-controlling interest	11	**4,331,590**	-
Total equity		**14,819,378**	2,970,228
Total liabilities and equity		**14,967,986**	3,079,357

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

Approved and authorized for issue on behalf of the Board:

"David Thornley-Hall"	*"Kelvin Lee"*
Director	Director

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

MEGAWATT LITHIUM AND BATTERY METALS CORP.
(Formerly Walcott Resources Ltd.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except number of shares)

	Note	Years ended September 30, 2021	2020
		$	$
Operating expenses			
Marketing and shareholder communication		**1,837,933**	15,453
Share-based compensation	9	**769,600**	196,000
Management and consulting	9	**128,529**	365,672
Professional fees		**134,198**	46,709
Regulatory and filing fees		**32,139**	41,007
General and administrative		**16,492**	5,505
Loss from operations		**2,918,891**	670,346
Impairment of exploration and evaluation assets	7	**16,347,922**	-
Loss and comprehensive loss		**19,266,813**	670,346
Net loss attributable to:			
Shareholders of the Company		**14,598,403**	670,346
Non-controlling interests	11	**4,668,410**	-
		19,266,813	670,346
Net loss per share:			
Basic and diluted		**0.27**	0.05
Weighted average number of common shares outstanding:			
Basic and diluted		**54,508,251**	13,142,950

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

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

	Note	Years ended September 30, 2021	2020
		$	$
Operating activities			
Loss for the year		**(19,266,813)**	(670,346)
Items not affecting cash			
Share-based compensation	9	**769,600**	196,000
Impairment of exploration and evaluation assets	7	**16,347,922**	-
Changes in non-cash working capital items:			
Taxes recoverable		**(30,876)**	(7,940)
Share subscription receivable		**3,000**	-
Prepaid expenses		**(28,934)**	2,712
Accounts payable and accrued liabilities		**39,479**	51,777
Cash used in operating activities		**(2,166,622)**	(427,797)
Investing activities			
Acquisition of 1256714 B.C. Ltd.	7	**(4,110)**	-
Acquisition of Route 381 Lithium	7	**(60,000)**	-
Acquisition of Cobalt Hill	7	**(265,000)**	(15,000)
Acquisition of Australia Silver Mines	7	**(14,521)**	-
Exploration and evaluation expenditures - 1256714 B.C. Ltd.	7	**(220,226)**	-
Exploration and evaluation expenditures - Route 381	7	**(59,290)**	-
Exploration and evaluation expenditures - Cobalt Hill	7	**(180,175)**	(8,736)
Exploration and evaluation expenditures - 1260945 B.C. Ltd.	7	**(187,127)**	-
Cash used in investing activities		**(990,449)**	(23,736)
Financing activities			
Proceeds from issuance of common shares	8	**-**	3,262,750
Share issuance costs	8	**-**	(217,060)
Proceeds from warrant exercises	8	**726,363**	9,863
Proceeds from option exercises	8	**137,250**	-
Cash provided by financing activities		**863,613**	3,055,553
(Decrease) Increase in cash		**(2,293,458)**	2,604,020
Cash, beginning of the year		**2,788,651**	184,631
Cash, ending of the year		**495,193**	2,788,651
Supplemental cash flow information:			
Shares issued for acquisition of 1256714 B.C. Ltd.	6	**13,500,000**	-
Shares issued for acquisition of Route 381 Lithium	7, 8	**1,720,000**	-
Shares issued for Cobalt Hill option	7, 8	**180,000**	60,000
Shares issued for acquisition of 1260945 B.C. Ltd.	6, 8	**4,446,000**	-
Shares issued as Finders' Shares	6	**636,750**	490,500
Share issuance costs in accounts payable		**-**	49,776
Exploration and evaluation in prepaids		**-**	6,378
Reallocation of fair value on option exercise		**125,920**	-
Reallocation of fair value on warrant exercise		**300,637**	-
Interest paid		**-**	-
Income taxes paid		**-**	-

MEGAWATT LITHIUM AND BATTERY METALS CORP.
(Formerly Walcott Resources Ltd.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars, except number of shares)

	Note	Common shares	Share capital	Reserves	Deficit	Non-controlling interest	Total equity
		#	$	$	$	$	$
Balance, September 30, 2019		11,920,000	504,701	20,626	(149,530)	-	375,797
Shares issued for exploration and evaluation assets	7, 8	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	8	65,750	14,168	(4,305)	-	-	9,863
Share-based compensation		-	-	196,000	-	-	196,000
Loss and comprehensive loss		-	-	-	(670,346)	-	(670,346)
Balance, September 30, 2020		**27,748,750**	**3,087,283**	**702,821**	**(819,876)**	**-**	**2,970,228**
Shares issued for exploration and evaluation assets	6, 7	30,800,000	19,846,000	-	-	9,000,000	28,846,000
Shares issued as finders' shares	6	750,000	636,750	-	-	-	636,750
Shares issued on exercise of warrants	8	4,605,150	1,027,000	(300,637)	-	-	726,363
Shares issued on exercise of options	8	450,000	263,170	(125,920)	-	-	137,250
Share-based compensation	8	-	-	769,600	-	-	769,600
Loss and comprehensive loss		-	-	-	(14,598,403)	(4,668,410)	(19,266,813)
Balance, September 30, 2021		**64,353,900**	**24,860,203**	**1,045,864**	**(15,418,279)**	**4,331,590**	**14,819,378**

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

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 September 30, 2021, the Company had not yet determined whether the Company’s mineral property assets contain 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 $15,418,279 as at September 30, 2021 (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 annual 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. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on January 28, 2022.

b) Basis of presentation

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable.

c) Functional and presentation currency

These financial statements have been prepared in Canadian dollars, which is the Company’s functional and presentation currency.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of statement of financial position. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

2. BASIS OF PRESENTATION (continued)

d) Basis of consolidation

These financial statements include the accounts of the Company, its 60%-owned and wholly owned assets (collectively, the "Company"), which are referred to as the 1256714 B.C. Ltd. And 1260945 B.C. Ltd. Respectively (Note 6).

	Country of incorporation	Holding	Functional currency
1256714 B.C. Ltd.	Canada	60%	Canadian dollar
1260945 B.C. Ltd.	Canada	100%	Canadian dollar

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash equivalents

Cash equivalents include short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. As of September 30, 2021, the Company held no cash equivalents.

b) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavorable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

c) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

e) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

f) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation, and environmental obligations as the disturbance to date is immaterial.

g) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

h) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the period end date, and includes any adjustments to tax payable or receivable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each period end date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, *Financial Instruments*. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial assets comprise of cash, which is held at fair value through profit and loss, in the amount of $495,193 (2020 - $2,788,651).

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized costs. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities comprise of accounts payable. Accounts payables are classified at amortized costs, in the amount of $148,608 (2020 - $109,129).

j) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as share issue costs.

k) Leases

Effective October 1, 2019, the Company adopted all of the requirements of IFRS 16. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. There was no material impact on the Company's consolidated financial statements upon the adoption of this new standard.

4. 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.

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Expressed in Canadian dollars, except where noted)

6. TRANSACTIONS

a) Acquisition of Australian Silver Properties

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 Properties (Note 7). 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:

	October 15, 2020
Purchase price:	$
Fair value of common shares issued	13,500,000
Fair value of Finders’ Shares	607,500
Total consideration	**14,107,500**
Purchase price allocation:	
Exploration and evaluation assets	23,107,500
Non-controlling interest (Note 11)	(9,000,000)
Net assets acquired	**14,107,500**

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 7).

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.

(Expressed in Canadian dollars, except where noted)

6. TRANSACTIONS (continued)

The following table summarizes the asset acquisition:

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

7. EXPLORATION AND EVALUATION ASSETS

	Cobalt Hill	**Tyr Silver Project**	**Century South Silver-Zinc**	**New Age**	**Route 381 Lithium**	**Australian Silver Mines**	**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	11,555,805	11,555,805	4,475,250	1,780,000	14,521	29,826,381
Impairment	-	-	(11,555,805)	(4,475,250)	-	(14,521)	(16,045,576)
Balance, September 30, 2021	**615,000**	**11,555,805**	**-**	**-**	**1,780,000**	**-**	**13,950,805**
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	180,175	105,007	115,219	187,127	59,290	-	646,818
Impairment	-	-	(115,219)	(187,127)	-	-	(302,346)
Balance, September 30, 2021	**281,813**	**105,007**	**-**	**-**	**59,290**	**-**	**446,110**
Balance, September 30, 2020	271,638	-	-	-	-	-	271,638
Balance, September 30, 2021	**896,813**	**11,660,812**	**-**	**-**	**1,839,290**	**-**	**14,396,915**

a) 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);

7. EXPLORATION AND EVALUATION ASSETS (continued)

- 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); and
- On or before February 5, 2021 - 400,000 common shares (issued on February 4, 2021 at a fair value of $0.45 per share) and $200,000 in cash (paid).

The optionor will retain a 1.5% Net Smelter Returns royalty ("NSR") on the Property.

b) Australia Silver Properties (Note 6)

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.

During the year ended September 30, 2021, the Century South Silver-Zinc Project was fully impaired due to the Company decided to focus on core projects instead. As a result, the Company recorded an amount of $11,671,024 as impairment of exploration and evaluation assets. The Company intends to keep the permit of this resource property in good standing.

c) 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.

d) New Age Properties (Note 6)

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.

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.

During the year ended September 30, 2021, the New Age Properties were fully impaired due to the Company decided to focus on core projects instead. As a result, the Company recorded an amount of $4,662,377 as impairment of exploration and evaluation assets. The Company intends to keep the permit of these resource properties in good standing.

8. SHARE CAPITAL

a) Authorized

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

Escrow shares:

As at September 30, 2021, the Company had 1,470,990 shares held in escrow.

(Expressed in Canadian dollars, except where noted)

8. SHARE CAPITAL (continued)

Common shares:

Issued and outstanding as at September 30, 2021 was 64,353,900 common shares.

During the year ended September 30, 2021, the Company had the following share capital transactions:

- On July 22, 2021, the Company issued 58,739 common shares pursuant to the exercise of warrants for gross proceeds of $8,811.
- 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 at a fair value of $0.39 per share to arm's length third party finders in connection with the acquisition of 1260945 B.C. Ltd. The common shares 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 4,605,150 common shares pursuant to the exercise of warrants for gross proceeds of $726,363.
- The Company issued 450,000 common shares pursuant to the exercise of options for gross proceeds of $137,250.

During the year ended September 30, 2020, the Company had the following share capital transactions:

- On January 30, 2020, the Company issued 300,000 common shares
- On August 6, 2020, the Company issued 4,000,000 units at $0.10 per unit for gross proceeds of $400,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at $0.15 per share for a period of 24 months from the date of issuance.
- On September 18, 2020, the Company issued 11,463,000 common shares at $0.25 per share for gross proceeds of $2,865,750. The Company incurred share issuance costs of $757,336 that included 614,160 finders' warrants with a fair value of $490,500, using the Black-Scholes option pricing model applying a market price of $0.94, an exercise price of $0.25, a risk-free rate of 0.26%, an expected volatility of 138% and an expected dividend yield of 0%. Volatility is based on the average of the Company and comparable companies due to the limited availability of the share price history. Each finders' warrant entitles the holders to acquire one common share at an exercise price of $0.25 for two years from the grant date.
- For the year ended September 30, 2020, the Company issued 65,750 common shares from the exercise of agent warrants.

b) Warrants

The following is a summary of the Company's warrants for years ended September 30, 2021 and 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	(4,605,150)	0.16
Balance, September 30, 2021	**258,260**	**0.25**

As at September 30, 2021, the Company had the following warrants outstanding:

Date of expiry	Exercise price	Number of warrants	Weighted average life
	$	#	(years)
September 18, 2022	0.25	258,260	0.97
Balance, September 30, 2021	**0.25**	**258,260**	**0.97**

(Expressed in Canadian dollars, except where noted)

8. 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 years ended September 30, 2021 and 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
Balance, September 30, 2021	**1,700,000**	**0.54**

As at September 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	3.87
October 21, 2025	0.900	500,000	4.06
January 28, 2026	0.285	200,000	4.33
February 16, 2026	0.465	250,000	4.38
March 2, 2026	0.440	500,000	4.42
Balance, September 30, 2021		**1,700,000**	**4.22**

During the years ended September 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:

	2021
Average share price	**$0.58**
Expected life	**5 years**
Expected volatility	**151%**
Risk-free rate	**0.55%**
Dividend yield	**Nil**

9. 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 years ended September 30, 2021 and 2020, the Company had the following transactions with related parties which also comprises key management compensation:

	2021	2020
	$	$
Share-based compensation	**488,757**	196,000
Management and consulting	**81,750**	35,000
Total	**570,507**	231,000

(Expressed in Canadian dollars, except where noted)

10. 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.

11. NON-CONTROLLING INTEREST

On October 15, 2020, the Company closed its acquisition of TargetCo (Note 6). 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 September 30, 2021 was $4,331,590.

The following table presents the summarized financial information of TargetCo:

	TargetCo
Ownership interest	60%
	$
Current assets	-
Non-current assets	11,660,812
Current liabilities	-
Non-current liabilities	-
Revenue for the year ended	-
Net loss for the year ended	11,671,024
Net loss attributable to non-controlling interest	4,668,410

The net change in the non-controlling interests is as follows:

	TargetCo
	$
Balance, September 30, 2020	-
Acquisition and ownership change	9,000,000
Net loss attributable to non-controlling interest	4,668,410
Balance, September 30, 2021	4,331,590

12. INCOME TAXES

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	Year ended September 30,	
	2021	2020
Canadian statutory income tax rate	**27%**	27%
	$	$
Income tax recovery at statutory rate	**(3,942,000)**	(181,000)
Effect of income taxes of:		
Permanent differences and other	**307,000**	(19,000)
Adjustment to prior years provision versus statutory returns	**(131,000)**	-
Income tax rate change	**-**	-
Change in deferred tax assets not recognized	**3,766,000**	200,000
Deferred income tax recovery	**-**	-

(Expressed in Canadian dollars, except where noted)

12. INCOME TAXES (continued)

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	2021	September 30, 2020
	$	$
Non-capital loss carry forwards	**839,000**	188,000
Share issuance costs	**126,000**	66,000
Mineral resource properties	**3,055,000**	
Deferred tax assets not recognized	**(4,020,000)**	(254,000)
	-	-

The Company has losses carried forward of approximately $3,107,000 (2020 - $698,000) available to reduce income taxes in future years which begin to expire in 2038. In addition, has deductible share issuance costs available to reduce income taxes in future years which begin to expire in 2040 of approximately $467,000 (2020 - $341,000). The Company has also accumulated Canadian Exploration Expenses and Canadian Development Expenses for income tax purposes of approximately $2,736,103 (2020 - $272,000). The expenditures pools can be carried forward indefinitely to be applied against income of future years.

13. 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 Level 1.

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.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

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 year ended September 30, 2021 would have varied by a negligible amount.

14. SUBSEQUENT EVENTS

On November 23, 2021, the Company closed a non-brokered private placement for gross proceeds of $1,310,595 from the sale of 2,423,446 units of the Company (the "Units") at a price of $0.18 per Unit and 4,483,972 flowthrough units of the Company (the "FT Units") at a price of $0.195 per FT Unit. Each Unit is comprised of one common share of the Company (each, a "Unit Share") and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each FT Unit is comprised of one common share of the Company to be issued as a "flow-through share" within the meaning of the Income Tax Act (Canada) (each, a "FT Share") and one half of one Warrant. Each Warrant will entitle the holder thereof to purchase one common share of the Company (each, a "Warrant Share") at a price of $0.27 on or before November 17, 2023.

In connection with the private placement, the Company paid total finder's fees of $71,324 and issued to the finders 401,922 warrants of the Company (the "Finder's Warrants"). Each Finder's Warrant is exercisable to acquire one common share of the Company at a price of $0.18 at any time on or before November 18, 2023.

On November 26, 2021, the Company granted an aggregate of 2,500,000 incentive stock options to two directors, two officers, and two investors of the Company. These options are exercisable at $0.20 and will expire three years from the date of grant.