

MEGAWATT LITHIUM AND BATTERY METALS CORP.
(Formerly Walcott Resources Ltd.)
Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2021.

Pursuant to 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 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 interim financial statements of MegaWatt Lithium and Battery Metals Corp. (“the Company”) for the interim period ended December 31, 2021, have been prepared in accordance with the International Accounting Standard 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company’s management.

The Company’s independent auditors, Manning Elliott LLP, have not performed a review of these interim financial statements.

February 25, 2022

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

	Note	December 31, 2021	September 30, 2021
		\$	\$
ASSETS			
Current			
Cash		1,166,075	495,193
Taxes recoverable		68,210	46,156
Prepaid expenses		250,780	29,722
		1,485,065	571,071
Exploration and evaluation assets	5, 6	14,466,392	14,396,915
Total assets		15,951,457	14,967,986
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	167,850	148,608
Total liabilities		167,850	148,608
SHAREHOLDERS' EQUITY			
Share capital	5, 6, 7	26,063,252	24,860,203
Reserves	7	1,369,451	1,045,864
Deficit		(15,980,686)	(15,418,279)
Equity attributable to the Company		11,452,017	10,487,788
Non-controlling interest	10	4,331,590	4,331,590
Total shareholders' equity		15,783,607	14,819,378
Total liabilities and shareholders' equity		15,951,457	14,967,986

Nature of operations and going concern (note 1)

Subsequent events (note 12)

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on February 25, 2022.

Approved on behalf of the Board of Directors:

"David Thornley-Hall"

Director

"Kelvin Lee"

Director

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 Loss and Comprehensive Loss

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

		Three months ended December 31,	
	Note	2021	2020
		\$	\$
Operating expenses			
Exploration and evaluation expenses	6	62,084	-
General and administrative		7,441	2,764
Management and consulting	8	103,980	26,360
Marketing and shareholder communication		28,725	779,608
Professional fees		67,554	59,402
Regulatory and filing fees		10,328	5,940
Share-based compensation	7, 8	282,295	414,200
Loss and comprehensive loss		562,407	1,288,274
Net loss attributable to:			
Shareholders of the Company		562,407	1,288,274
Non-controlling interests	10	-	-
		562,407	1,288,274
Net loss per share:			
Basic and diluted		0.01	0.03
Weighted average number of common shares outstanding:			
Basic and diluted		67,293,066	41,159,569

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
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended December 31,	
		2021	2020
		\$	\$
Operating activities			
Loss for the period		(562,407)	(1,288,274)
Item not affecting cash:			
Share-based compensation	7, 8	282,295	414,200
Changes in non-cash working capital items:			
Taxes recoverable		(22,054)	(5,147)
Share subscription receivable		-	3,000
Prepaid expenses		(221,058)	(2,814)
Accounts payable and accrued liabilities		19,242	(22,958)
Cash used in operating activities		(503,982)	(901,993)
Investing activities			
Acquisition of Cobalt Hill	6, 7	-	(65,000)
Acquisition of Quebec Properties	6	(44,655)	-
Exploration and evaluation expenditures - 1256714 B.C. Ltd.	6	(21,457)	-
Exploration and evaluation expenditures - Route 381	6	(1,000)	-
Exploration and evaluation expenditures - Cobalt Hill	6	(2,365)	(88,682)
Cash used in investing activities		(69,477)	(153,682)
Financing activities			
Share subscriptions received		-	4,784
Proceeds from issuance of units	7	436,220	-
Proceeds from issuance of flow-through units	7	879,445	-
Share issuance costs	7	(71,324)	-
Proceeds from warrant exercise	7	-	239,381
Cash provided by financing activities		1,244,341	244,165
Increase (decrease) in cash		670,882	(811,510)
Cash, beginning of the period		495,193	2,788,651
Cash, ending of the period		1,166,075	1,977,141
Supplemental cash flow information:			
Shares issued for acquisition of 1256714 B.C. Ltd.	7	-	13,500,000
Warrants issued as Finders fees	7	41,292	-
Shares issued as Finders fees	5	-	607,500
Interest paid		-	-
Income taxes paid		-	-

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 Shareholders' Equity

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

	Note	Common shares	Share capital	Reserves	Share subscriptions received	Deficit	Non- controlling interest	Total shareholders' equity
		#	\$	\$	\$	\$	\$	\$
Balance, September 30, 2020		27,748,750	3,087,283	702,821	-	(819,876)	-	2,970,228
Shares issued for mineral properties	7	15,675,000	14,107,500	-	-	-	9,000,000	23,107,500
Shares issued on exercise of warrants	7	1,595,873	239,381	-	-	-	-	239,381
Reallocation of fair value upon exercise of warrants		-	2,347	(2,347)	-	-	-	-
Share-based compensation		-	-	414,200	-	-	-	414,200
Share subscriptions received		-	-	-	4,784	-	-	4,784
Loss for the period		-	-	-	-	(1,288,274)	-	(1,288,274)
Balance, December 31, 2020		45,019,623	17,436,511	1,114,674	4,784	(2,108,150)	9,000,000	25,447,819
Shares issued for mineral properties	7	15,125,000	5,738,500	-	-	-	-	5,738,500
Shares issued as Finders fees		750,000	636,750	-	-	-	-	636,750
Shares issued on exercise of warrants	7	3,009,277	785,272	(298,290)	(4,784)	-	-	482,198
Shares issued on exercise of options	7	450,000	263,170	(125,920)	-	-	-	137,250
Share-based compensation		-	-	355,400	-	-	-	355,400
Loss for the period		-	-	-	-	(13,310,129)	(4,668,410)	(17,978,539)
Balance, September 30, 2021		64,353,900	24,860,203	1,045,864	-	(15,418,279)	4,331,590	14,819,378
Units issued for cash	7	2,423,446	436,220	-	-	-	-	436,220
Flowthrough units issued for cash	7	4,509,972	879,445	-	-	-	-	879,445
Share issuance costs	7	-	(112,616)	41,292	-	-	-	(71,324)
Share-based compensation	7, 8	-	-	282,295	-	-	-	282,295
Loss for the period		-	-	-	-	(562,407)	-	(562,407)
Balance, December 31, 2021		71,287,318	26,063,252	1,369,451	-	(15,980,686)	4,331,590	15,783,607

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 months ended December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars, except where noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 December 31, 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 \$15,980,686 as at December 31, 2021 (September 30, 2021 - \$15,418,279), 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 unaudited condensed interim consolidated financial statements (the “interim 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 interim financial statements.

As of the date of these interim financial statements, COVID-19 has had no impact on the Company’s ability to access and explore its current properties but may impact the Company’s ability to raise funding or explore its properties should travel restrictions related to COVID-19 be extended or expanded in scope.

2. BASIS OF PRESENTATION

a) Statement of compliance

These interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements including International Accounting Standard 34, *Interim Financial Reporting*. These interim financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the years ended September 30, 2021 and 2020 (the “annual financial statements”), which include the information necessary or useful to understanding the Company’s business and financial statement presentation.

These interim financial statements were prepared using accounting policies consistent with those in the annual financial statements.

These interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on February 25, 2022.

b) Basis of measurement

These interim financial statements have been prepared on a historical cost basis. In addition, these interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Functional and presentation currency

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

2. BASIS OF PRESENTATION (continued)

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.

d) Basis of consolidation

These interim financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases

These interim financial statements incorporate the accounts of the Company and the following subsidiaries:

	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 ESTIMATES AND JUDGMENTS

The preparation of these interim 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 interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim 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. 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 interim 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 interim financial statements.

MEGAWATT LITHIUM AND BATTERY METALS CORP.

(Formerly Walcott Resources Ltd.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars, except where noted)

5. 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 6). 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
<i>Purchase price:</i>	\$
Fair value of common shares issued	13,500,000
Fair value of Finders' Shares	607,500
Total consideration	14,107,500
<i>Purchase price allocation:</i>	
Exploration and evaluation assets	23,107,500
Non-controlling interest (note 10)	(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 6).

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:

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

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6. EXPLORATION AND EVALUATION ASSETS

	Cobalt Hill	Tyr Silver Project	Century South Silver-Zinc	New Age	Route 381 Lithium	Australian Silver Mines	Quebec Properties	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$
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
Additions	-	-	-	-	-	-	44,655	44,655
Balance, December 31, 2021	615,000	11,555,805	-	-	1,780,000	-	44,655	13,995,460
Exploration and evaluation expenditures								
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
Additions	2,365	21,457	-	-	1,000	-	-	24,822
Balance, December 31, 2021	284,178	126,464	-	-	60,290	-	-	470,932
Balance, September 30, 2021	896,813	11,660,812	-	-	1,839,290	-	-	14,396,915
Balance, December 31, 2021	899,178	11,682,269	-	-	1,840,290	-	44,655	14,466,392

MEGAWATT LITHIUM AND BATTERY METALS CORP.

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(Unaudited - Expressed in Canadian dollars, except where noted)

6. EXPLORATION AND EVALUATION ASSETS (continued)

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);
- 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 5)

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 an impairment of exploration and evaluation assets and any future expenditures will be expensed. 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 5)

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 an impairment of exploration and evaluation assets and any future expenditures will be expensed. The Company intends to keep the permit of these resource properties in good standing.

e) Quebec Properties

In December 2021, the Company acquired, by way of staking, 229 mineral exploration claims prospective for lithium in the James Bay region of Quebec, Canada. These claims cover an area of 12,116 hectares or 121 square kms and are ATV accessible.

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(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL**a) Authorized**

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

Escrow shares:

As at December 31, 2021, the Company had 1,470,990 (September 30, 2021 - 1,470,990) shares held in escrow.

Common shares:

Issued and outstanding as at December 31, 2021 was 71,287,318 (September 30, 2021 - 64,353,900) common shares.

During the three months ended December 31, 2021, the Company had the following share capital transactions:

- On November 23, 2021, the Company closed a 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. As a result, \$41,292 was recorded in reserves for the Finder's Warrants. The fair value of the Finder's Warrants issued was calculated using the Black-Scholes option pricing model with the following assumptions:

	November 23, 2021
Share price	\$0.165
Expected life	2 years
Expected volatility	128%
Risk-free rate	1.04%
Dividend yield	Nil

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.

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(Formerly Walcott Resources Ltd.)
Notes to the Condensed Interim Consolidated Financial Statements
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7. SHARE CAPITAL (continued)

b) Warrants

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

	Number of warrants	Weighted average exercise price
	#	\$
Balance, September 30, 2020	4,863,410	0.16
Exercised	(4,605,150)	0.16
Balance, September 30, 2021	258,260	0.25
Issued	3,868,631	0.26
Balance, December 31, 2021	4,126,891	0.26

As at December 31, 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	0.72
November 23, 2023	0.27	3,466,709	1.90
November 23, 2023	0.18	401,922	1.90
Balance, December 31, 2021	0.26	4,126,891	1.82

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 year ended September 30, 2021 and the three months ended December 31, 2021:

	Number of stock options	Weighted average exercise price
	#	\$
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
Granted	2,500,000	0.20
Balance, December 31, 2021	4,200,000	0.34

As at December 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	0.31	250,000	3.62
October 21, 2025	0.90	500,000	3.81
January 28, 2026	0.29	200,000	4.08
February 16, 2026	0.47	250,000	4.13
March 2, 2026	0.44	500,000	4.17
November 26, 2024	0.20	2,500,000	2.91
Balance, December 31, 2021	0.34	4,200,000	3.34

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7. SHARE CAPITAL (continued)

On November 26, 2021, the Company granted a total of 2,500,000 stock options with an exercise price of \$0.20 and expiry date of November 26, 2024. All these stock options were vested immediately. As a result, an amount of \$282,295 was recorded in reserves for the fair value of the stock options.

The fair value of the options granted was calculated using the Black-Scholes option pricing model with the following assumptions:

	November 26, 2021
Share price	\$0.16
Expected life	3 years
Expected volatility	128%
Risk-free rate	1.02%
Dividend yield	Nil

8. 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 months ended December 31, 2021 and 2020, the Company had the following transactions with related parties which also comprises key management compensation:

	Three months ended December 31,	
	2021	2020
	\$	\$
Management and consulting	33,000	289,957
Share-based compensation	234,305	21,750
Total	267,305	311,707

9. 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.

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10. NON-CONTROLLING INTEREST

On October 15, 2020, the Company closed its acquisition of TargetCo (note 5). 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 December 31, 2021 was \$4,331,590.

The following table presents the summarized financial information of TargetCo:

	TargetCo
Ownership interest	60%
	\$
Current assets	-
Non-current assets	11,682,269
Current liabilities	-
Non-current liabilities	-
Revenue for the period ended	-
Net loss for the period ended	-
Net loss attributable to non-controlling interest	-

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

	TargetCo
	\$
Balance, October 15, 2020	9,000,000
Net loss attributed to non-controlling interest	(4,668,410)
Balance, September 30, 2021 and December 31, 2021	4,331,590

11. 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 fair values of cash and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

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.

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11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

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 and accrued liabilities 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 three months ended December 31, 2021 would have varied by a negligible amount.

12. SUBSEQUENT EVENTS

On January 31, 2022, an additional 735,495 shares were released from escrow. The remaining shares in escrow balance of the Company is 735,495.