

**MEGAWATT LITHIUM AND BATTERY METALS CORP.**  
**Condensed Interim Consolidated Financial Statements**

For the three and nine months ended June 30, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

**MEGAWATT LITHIUM AND BATTERY METALS CORP.**  
**Condensed Interim Consolidated Statements of Financial Position**  
As at June 30, 2022 and September 30, 2021  
(Expressed in Canadian dollars)

	Note	June 30, 2022	September 30, 2021
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		310,016	495,193
Taxes recoverable		84,543	46,156
Prepaid expenses		79,235	29,722
		<b>473,794</b>	571,071
<b>Non-current assets</b>			
Exploration and evaluation assets	5	14,562,638	14,396,915
<b>Total assets</b>		<b>15,036,432</b>	14,967,986
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		136,427	148,608
Flow-through premium liability	6	61,455	-
<b>Total liabilities</b>		<b>197,882</b>	148,608
<b>EQUITY</b>			
Share capital	4, 5, 7	26,708,812	24,860,203
Reserves	7	1,631,241	1,045,864
Deficit		(15,664,732)	(15,418,279)
Equity attributable to the Company		12,675,321	10,487,788
Non-controlling interest	10	2,163,229	4,331,590
<b>Total equity</b>		<b>14,838,550</b>	14,819,378
<b>Total liabilities and equity</b>		<b>15,036,432</b>	14,967,986

Nature of operations and going concern (Note 1)  
Subsequent event (Note 12)

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on August 26, 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.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

For the three and nine months ended June 30, 2022 and 2021

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

	Note	Three months ended June 30,		Nine months ended June 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Operating expenses</b>					
Exploration and evaluation expenses	5	34,840	-	99,990	-
General and administrative		4,952	3,675	18,030	8,343
Management and consulting	8	127,714	35,453	380,869	92,814
Marketing and shareholder communication		55,783	602,822	330,548	1,739,084
Professional fees		64,398	11,164	235,614	75,691
Regulatory and filing fees		28,219	4,877	97,812	22,550
Share-based compensation	7, 8	-	-	282,295	769,600
<b>Total operating expenses</b>		<b>315,906</b>	<b>657,991</b>	<b>1,445,158</b>	<b>2,708,082</b>
<b>Other (income) expenses</b>					
Amortization of flow-through premium liability	6	(2,008)	-	(6,195)	-
Deferred income tax expense		-	1,701,000	-	1,701,000
Interest expense		-	-	851	-
<b>Net loss and comprehensive loss</b>		<b>313,898</b>	<b>2,358,991</b>	<b>1,439,814</b>	<b>4,409,082</b>
<b>Net loss attributable to:</b>					
Shareholders of the Company		313,898	1,678,591	1,434,682	3,728,682
Non-controlling interest	10	-	680,400	5,132	680,400
		<b>313,898</b>	<b>2,358,991</b>	<b>1,439,814</b>	<b>4,409,082</b>
<b>Net loss per share:</b>					
Basic and diluted		<b>0.00</b>	0.03	<b>0.02</b>	0.08
<b>Weighted average number of common shares outstanding:</b>					
Basic and diluted		<b>78,705,796</b>	63,275,161	<b>72,441,270</b>	51,145,472

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

**MEGAWATT LITHIUM AND BATTERY METALS CORP.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
For the nine months ended June 30, 2022 and 2021  
(Unaudited - Expressed in Canadian dollars)

	Nine months ended June 30,	
	2022	2021
	\$	\$
<b>Operating activities</b>		
Net loss and comprehensive loss	(1,439,814)	(4,409,082)
Item not affecting cash:		
Share-based compensation	282,295	769,600
Amortization of flow-through premium liability	(6,195)	-
Deferred income tax expense	-	1,701,000
Changes in non-cash working capital items:		
Taxes recoverable	(38,387)	(25,321)
Share subscription receivable	-	3,000
Prepaid expenses	(49,513)	(125,123)
Accounts payable and accrued liabilities	(82,105)	375,012
<b>Cash used in operating activities</b>	<b>(1,333,719)</b>	<b>(1,710,914)</b>
<b>Investing activities</b>		
Acquisition of Route 381 Lithium	-	(265,000)
Acquisition of Cobalt Hill	-	(60,000)
Acquisition of Mitsumis	(62,866)	-
Exploration and evaluation expenditures - 1256714 B.C. Ltd.	(29,389)	-
Exploration and evaluation expenditures - Route 381	(999)	(508,264)
Exploration and evaluation expenditures - Cobalt Hill	(2,545)	-
<b>Cash used in investing activities</b>	<b>(95,799)</b>	<b>(833,264)</b>
<b>Financing activities</b>		
Proceeds from issuance of units	436,220	-
Proceeds from issuance of flow-through units	879,445	-
Share issuance costs	(71,324)	-
Proceeds from warrant exercise	-	717,551
Proceeds from option exercise	-	137,250
<b>Cash provided by financing activities</b>	<b>1,244,341</b>	<b>854,801</b>
Decrease in cash	(185,177)	(1,689,377)
Cash, beginning of the period	495,193	2,788,651
<b>Cash, ending of the period</b>	<b>310,016</b>	<b>1,099,274</b>
<b>Supplemental cash flow information:</b>		
Shares issued for acquisition of 1256714 B.C. Ltd.	975,000	13,500,000
Shares issued for acquisition of Route 381 Lithium	-	1,720,000
Shares issued for Cobalt Hill option	-	180,000
Warrants issued as finders fees	40,584	-
Shares issued as finders fees	-	607,500
Interest paid	851	-
Exploration and evaluation assets acquisition costs included in accounts payable and accrued liabilities	69,924	-

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

**MEGAWATT LITHIUM AND BATTERY METALS CORP.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
(Unaudited - Expressed in Canadian dollars, except number of shares)

	Common shares	Share capital	Reserves	Deficit	Non-controlling interest	Total equity
	#	\$	\$	\$	\$	\$
<b>Balance, September 30, 2020</b>	27,748,750	3,087,283	702,821	(819,876)	-	2,970,228
Shares issued for exploration and evaluation assets	31,550,000	20,482,750	-	-	6,300,000	26,782,750
Shares issued on exercise of options	450,000	263,170	(125,920)	-	-	137,250
Shares issued on exercise of warrants	4,546,411	1,007,965	(296,713)	-	-	711,252
Share-based compensation	-	-	769,600	-	-	769,600
Net loss and comprehensive loss	-	-	-	(3,728,682)	(680,400)	(4,409,082)
<b>Balance, June 30, 2021</b>	64,295,161	24,841,168	1,049,788	(4,548,558)	5,619,600	26,961,998
Shares issued for exploration and evaluation assets	(750,000)	(636,750)	-	-	2,700,000	2,063,250
Shares issued on exercise of warrants	58,739	19,035	(3,924)	-	-	15,111
Shares issued as finders' shares	750,000	636,750	-	-	-	636,750
Net loss and comprehensive loss	-	-	-	(10,869,721)	(3,988,010)	(14,857,731)
<b>Balance, September 30, 2021</b>	64,353,900	24,860,203	1,045,864	(15,418,279)	4,331,590	14,819,378
Units issued for cash	2,423,446	344,469	91,751	-	-	436,220
Flow-through units issued for cash	4,509,972	708,698	170,747	-	-	879,445
Flow-through premium	-	(67,650)	-	-	-	(67,650)
Purchase of TargetCo shares (Note 4a)	7,500,000	975,000	-	1,188,229	(2,163,229)	-
Share issuance costs	-	(111,908)	40,584	-	-	(71,324)
Share-based compensation	-	-	282,295	-	-	282,295
Net loss and comprehensive loss	-	-	-	(1,434,682)	(5,132)	(1,439,814)
<b>Balance, June 30, 2022</b>	<b>78,787,318</b>	<b>26,708,812</b>	<b>1,631,241</b>	<b>(15,664,732)</b>	<b>2,163,229</b>	<b>14,838,550</b>

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

MegaWatt Lithium and Battery Metals Corp. ("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 under the symbol "MEGA" (previously "WAL"). On April 20, 2022, the Company's common shares also commenced trading on the OTCQB under the symbol "WALRF". 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, 2022, the Company had not yet determined whether the Company's mineral property assets contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets 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.

As at June 30, 2022, the Company has not generated revenue to date and had an accumulated deficit of \$15,664,732 (September 30, 2021 - \$15,418,279). The Company's operations to date have been funded through the issuance of equity. These factors represent 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 for the three and nine months ended June 30, 2022 and 2021 (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 have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These interim financial statements do not include all disclosures required for annual audited financial statements, and accordingly, they should be read in conjunction with the Company's audited consolidated financial statements for the years ended September 30, 2021 and 2020 and notes thereto (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. For a complete summary of significant accounting policies, please refer to the Company's annual financial statements for the years ended September 30, 2021 and 2020.

These interim financial statements were approved and authorized for issuance in accordance with a resolution from the Board of Directors on August 26, 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.

**MEGAWATT LITHIUM AND BATTERY METALS CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**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:

	<b>Country of incorporation</b>	<b>Holding</b>	<b>Functional currency</b>
1256714 B.C. Ltd.	Canada	80%	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 exploration and evaluation assets and related determination of the net realizable value and write-down of the exploration and evaluation assets 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.

*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.

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**4. 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 connection with the transaction, the Company issued 675,000 finder common shares (the "Finders' Shares").

On April 5, 2022, the Company closed the acquisition of an additional 20% of the issued and outstanding shares of TargetCo pursuant to a share purchase agreement dated effective March 25, 2022 (the "Definitive Agreement") with certain shareholders of TargetCo. Pursuant to the terms of the Definitive Agreement, the Company acquired an additional 20% of the issued and outstanding securities of TargetCo in consideration for the issuance of 7,500,000 common shares of the Company pro rata to the shareholders of TargetCo at a fair value of \$0.13 per share. The acquisition of the additional 20% of TargetCo is accounted for as an equity transaction and reduction of the non-controlling interest. As a result of this transaction, the Company owns 80% of the issued and outstanding shares of TargetCo.

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 made on October 15, 2020:

	<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 (Note 5b)	23,107,500
Non-controlling interest (Note 10)	(9,000,000)
<b>Net assets acquired</b>	<b>14,107,500</b>

**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% Net Smelter Returns Royalty ("NSR")) in and to certain mining tenements in Northern Territory and New South Wales, Australia as these exploration stage properties are the assets of New Age Co (Note 5d).

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.



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**4. TRANSACTIONS (continued)**

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 (Note 5d)	4,475,250
<b>Net assets acquired</b>	<b>4,475,250</b>

**MEGAWATT LITHIUM AND BATTERY METALS CORP.**

**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended June 30, 2022 and 2021

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

**5. EXPLORATION AND EVALUATION ASSETS**

	Cobalt Hill	Tyr Silver Project	Century South Silver-Zinc	New Age Co	Route 381 Lithium	Australian Silver Mines	Mitsumis	Total
<b>Acquisition cost</b>	\$	\$	\$	\$	\$	\$	\$	\$
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	-	-	-	-	-	-	62,866	62,866
<b>Balance, June 30 2022</b>	<b>615,000</b>	<b>11,555,805</b>	<b>-</b>	<b>-</b>	<b>1,780,000</b>	<b>-</b>	<b>62,866</b>	<b>14,013,671</b>
<b>Exploration and evaluation expenditures</b>								
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	2,545	85,183	-	-	15,129	-	-	102,857
<b>Balance, June 30, 2022</b>	<b>284,358</b>	<b>190,190</b>	<b>-</b>	<b>-</b>	<b>74,419</b>	<b>-</b>	<b>-</b>	<b>548,967</b>
Balance, September 30, 2021	896,813	11,660,812	-	-	1,839,290	-	-	14,396,915
<b>Balance, June 30, 2022</b>	<b>899,358</b>	<b>11,745,995</b>	<b>-</b>	<b>-</b>	<b>1,854,419</b>	<b>-</b>	<b>62,866</b>	<b>14,562,638</b>

During the three and nine months ended June 30, 2022, the Company incurred \$34,840 and \$99,990, respectively (2021 - \$nil and \$nil, respectively) on the impaired property, Century South Silver-Zinc and New Age Co and recorded as exploration and evaluation expenses.

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

### **a) Cobalt Hill Property**

Pursuant to an option 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 option 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 option agreement - 200,000 common shares (issued on September 29, 2018 at a fair value of \$0.05 per share) and \$35,000 in cash (paid);
- On or before February 5, 2019 - 200,000 common shares (issued on February 5, 2019 at a fair value of \$0.05 per share) and \$40,000 in cash (paid);
- On or before February 5, 2020 - 300,000 common shares (issued January 30, 2020 at a fair value of \$0.20 per share);
- 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% NSR on the Property.

### **b) Australia Silver Properties**

On October 15, 2020, pursuant to the terms of the definitive agreement dated August 13, 2020, the Company closed the acquisition for 60% of TargetCo (Note 4a) which 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. On April 5, 2022, pursuant to the terms of the Definitive Agreement dated March 25, 2022, the Company closed the acquisition of an additional 20% of Target Co (Note 4a).

During the year ended September 30, 2021, the Century South Silver-Zinc Project was fully impaired due to the Company's decision to focus on core projects instead. As a result, the Company recorded an amount of \$11,671,024 on September 30, 2021 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. The Company continues to capitalize exploration and evaluation costs in the Tyr Silver Project reflecting ongoing exploration activities.

### **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 Co Properties**

On April 14, 2021, the Company announced that it had completed the acquisition of all issued and outstanding securities of New Age Co (Note 4b).

*Rare Earth Elements (Northern Territory) - Arctic Fox and Isbjorn*

Located in Australia's Northern Territory, 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.

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

*Nickel-cobalt-scandium-HPA (New South Wales) - Chinook, Kodiak & Caribou*

The three nickel-cobalt-scandium-HPA properties - Chinook, Kodiak and Caribou are located in Australia's central New South Wales, which is considered by management to be a highly prospective region of exploration. During the year ended September 30, 2021, the New Age Co Properties were fully impaired due to the Company's decision 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) Mitsumis**

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.

**6. FLOW-THROUGH PREMIUM LIABILITY**

Flow-through units are issued at a premium, calculated as the difference between the price of a flow-through unit and the price of a unit at issuance date, as tax deductions generated by the eligible expenditures are passed through to the shareholders of the flow-through shares once the eligible expenditures are incurred and renounced.

Funds raised through the issuance of flow-through units are required to be expended on qualifying Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

On November 23, 2021, the Company issued 4,509,972 flow-through units at a purchase price of \$0.195 per flow-through unit for gross proceeds of \$879,445. The flow-through units were issued at a premium of \$0.015 per unit. As a result, a flow-through premium liability of \$67,650 was recorded.

The following table is a continuity of the flow-through share funding and expenditures along with the corresponding impact on the flow-through share premium liability:

	<b>Flow-through funding and expenditure requirements</b>	<b>Flow-through premium liability</b>
	\$	\$
Balance, September 30, 2020 and 2021	-	-
Flow-through funds raised	879,445	67,650
Flow-through eligible expenditures	(80,540)	(6,195)
<b>Balance, June 30, 2022</b>	<b>798,905</b>	<b>61,455</b>

**7. 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, 2022, the Company had 735,495 (September 30, 2021 - 1,470,990) shares held in escrow.

**Common shares:**

As at June 30, 2022, the Company had 78,787,318 shares issued and outstanding (September 30, 2021 - 64,353,900).

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**7. SHARE CAPITAL (continued)**

During the nine months ended June 30, 2022, the Company had the following share capital transactions:

- On November 23, 2021, the Company closed a private placement for gross proceeds of \$1,315,665 from the sale of 2,423,446 units of the Company (the "Units") at a price of \$0.18 per Unit and 4,509,972 flow-through 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. Gross proceeds were allocated between share capital and warrants reserve using the relative fair value method. As a result, \$1,053,167 was allocated to share capital and \$262,498 was allocated to warrants reserve. The fair value of common shares was based on the market close on the date the Units and FT Units were issued and the fair value of the Warrants was determined using the Black-Scholes pricing model with the following assumptions:

	<b>November 23, 2021</b>
Share price	\$0.165
Expected life (years)	1.92
Expected volatility	128.00%
Risk-free rate	1.04%
Dividend yield	0.00%

- 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, \$40,584 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:

	<b>November 23, 2021</b>
Share price	\$0.165
Expected life (years)	1.92
Expected volatility	128.00%
Risk-free rate	1.04%
Dividend yield	0.00%

- On April 5, 2022, the Company issued 7,500,000 common shares at a fair value of \$0.130 per share for an additional 20% interest in the TargetCo (Note 4a, 10).

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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**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 nine months ended June 30, 2022:

	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
<b>Balance, June 30, 2022</b>	<b>4,126,891</b>	<b>0.26</b>

As at June 30, 2022, the Company had the following warrants outstanding:

Date of expiry	Weighted average exercise price	Number of warrants	Weighted average life
	\$	#	(years)
September 18, 2022	0.25	258,260	0.22
November 17, 2023	0.27	3,466,709	1.38
November 18, 2023	0.18	401,922	1.39
<b>Balance, June 30, 2022</b>	<b>0.26</b>	<b>4,126,891</b>	<b>1.31</b>

**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 nine months ended June 30, 2022:

	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
<b>Balance, June 30, 2022</b>	<b>4,200,000</b>	<b>0.34</b>

As at June 30, 2022, the Company had the following stock options outstanding:

Date of expiry	Weighted average exercise price	Number of stock options	Weighted average life
	\$	#	(years)
November 26, 2024	0.20	2,500,000	2.41
August 13, 2025	0.31	250,000	3.12
October 21, 2025	0.90	500,000	3.31
January 28, 2026	0.29	200,000	3.58
February 16, 2026	0.47	250,000	3.64
March 2, 2026	0.44	500,000	3.67
<b>Balance, June 30, 2022</b>	<b>0.34</b>	<b>4,200,000</b>	<b>2.84</b>

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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:

	<b>November 26, 2021</b>
Share price	\$0.16
Expected life (years)	3.00
Expected volatility	128.00%
Risk-free rate	1.02%
Dividend yield	0.00%

**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 and former Chief Financial Officer. During the three and nine months ended June 30, 2022 and 2021, the Company had the following transactions with related parties which also comprises key management compensation:

	Three months ended June 30,		Nine months ended June 30,	
	<b>2022</b>	2021	<b>2022</b>	2021
	\$	\$	\$	\$
Management and consulting	<b>33,000</b>	22,500	<b>122,613</b>	59,250
Share-based compensation	-	-	<b>234,305</b>	488,757
<b>Total</b>	<b>33,000</b>	22,500	<b>356,918</b>	548,007

**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, reserves, 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.

**10. NON-CONTROLLING INTEREST**

On October 15, 2020, the Company closed its acquisition of 60% TargetCo. On April 5, 2022, the Company closed the acquisition of an additional 20% of the issued and outstanding shares of TargetCo (Note 4a), resulting in a total percentage of ownership interest in TargetCo of 80% (Note 4a). 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, 2022 was \$2,163,229.

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**10. NON-CONTROLLING INTEREST (continued)**

As at June 30, 2022, the TargetCo's non-current assets were \$12,720,256 (September 30, 2021 - \$11,660,812), which comprised of two exploration properties.

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

	<b>TargetCo</b>
	\$
Balance, October 15, 2020	9,000,000
Net loss attributed to non-controlling interest	(4,668,410)
Balance, September 30, 2021	4,331,590
Additional 20% acquisition of TargetCo	(2,163,229)
Net loss attributed to non-controlling interest	(5,132)
<b>Balance, June 30, 2022</b>	<b>2,163,229</b>

**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 Company instruments consist of cash and accounts payable, and their fair values 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) 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.

iii) Market risk

- a. 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, 2022 would have varied by a negligible amount.
- b. 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.

**12. SUBSEQUENT EVENT**

On July 31, 2022, the Company released the remaining 735,495 shares held in escrow.