MEGAWATT LITHIUM AND BATTERY METALS CORP.

Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

(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, 2022 and 2021, 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, 2022 and 2021, 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing 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 27, 2023

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

	Note	**September 30, 2022**	September 30, 2021
		$	$
ASSETS			
Current			
Cash		**762,790**	495,193
Mineral option payment receivable	5	**175,000**	-
Taxes recoverable		**88,187**	46,156
Prepaid expenses		**28,263**	29,722
		1,054,240	571,071
Non-current assets			
Exploration and evaluation assets	5	**1,802,789**	14,396,915
Total assets		**2,857,029**	14,967,986
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**558,078**	148,608
Flow-through premium liability	6	**143,558**	-
Total liabilities		**701,636**	148,608
EQUITY			
Share capital	7	**27,103,915**	24,860,203
Reserves		**1,766,137**	1,045,864
Deficit		**(26,523,997)**	(15,418,279)
Equity attributable to the Company		**2,346,055**	10,487,788
Non-controlling interest	10	**(190,662)**	4,331,590
Total equity		**2,155,393**	14,819,378
Total liabilities and equity		**2,857,029**	14,967,986

Nature of operations and going concern (Note 1)
Subsequent event (Note 13)

Approved on behalf of the Board of Directors:

"David Thornley-Hall"
Director

"Kelvin Lee"
Director

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

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

	Note	Years ended September 30, 2022	2021
		$	$
Operating expenses			
Exploration and evaluation expenses	5	**136,286**	-
General and administrative		**23,533**	16,492
Management and consulting	8	**483,329**	128,529
Marketing and shareholder communication		**357,322**	1,837,933
Professional fees		**323,923**	134,198
Regulatory and filing fees		**110,232**	32,139
Share-based compensation	7, 8	**282,295**	769,600
Total operating expenses		**1,716,920**	2,918,891
Other (income) expenses			
Amortization of flow-through premium liability	6	**(8,092)**	-
Impairment of exploration and evaluation assets	5	**12,928,011**	16,347,922
Interest expense		**851**	-
Provision for uncollectible taxes recoverable		**15,280**	-
Net loss and comprehensive loss		**14,652,970**	19,266,813
Net loss and comprehensive loss attributable to:			
Shareholders of the Company		**12,293,947**	14,598,403
Non-controlling interest	10	**2,359,023**	4,668,410
Net loss and comprehensive loss		**14,652,970**	19,266,813
Net loss per share:			
Basic and diluted		**0.17**	0.27
Weighted average number of common shares outstanding:			
Basic and diluted		**74,257,808**	54,508,251

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

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

	Years ended September 30, 2022	2021
	$	$
Operating activities		
Net loss and comprehensive loss	**(14,652,970)**	(19,266,813)
Item not affecting cash:		
Share-based compensation	**282,295**	769,600
Amortization of flow-through premium liability	**(8,092)**	-
Impairment of exploration and evaluation assets	**12,928,011**	16,347,922
Changes in non-cash working capital items:		
Taxes recoverable	**(42,031)**	(30,876)
Share subscription receivable	**-**	3,000
Prepaid expenses	**1,459**	(28,934)
Accounts payable and accrued liabilities	**37,795**	39,479
Cash used in operating activities	**(1,453,533)**	(2,166,622)
Investing activities		
Acquisition of TargetCo	**-**	(4,110)
Acquisition of Route 381 Lithium	**-**	(60,000)
Acquisition of Cobalt Hill	**-**	(265,000)
Acquisition of Australian Silver Mines	**-**	(14,521)
Acquisition of Mitsumis	**(61,530)**	-
Exploration and evaluation expenditures - TargetCo	**(66,563)**	(220,226)
Exploration and evaluation expenditures - New Age Co	**-**	(187,127)
Exploration and evaluation expenditures - Route 381 Lithium	**(6,572)**	(59,290)
Exploration and evaluation expenditures - Cobalt Hill	**(2,545)**	(180,175)
Cash used in investing activities	**(137,210)**	(990,449)
Financing activities		
Proceeds from issuance of units	**462,220**	-
Proceeds from issuance of flow-through units	**1,509,444**	-
Share issuance costs	**(113,324)**	-
Proceeds from option exercise	**-**	137,250
Proceeds from warrant exercise	**-**	726,363
Cash provided by financing activities	**1,858,340**	863,613
Net change in cash	**267,597**	(2,293,458)
Cash, beginning of year	**495,193**	2,788,651
Cash, end of year	**762,790**	495,193
Supplemental cash flow information:		
Shares issued for acquisition of TargetCo	**975,000**	13,500,000
Shares issued for acquisition of New Age Co	**-**	4,446,000
Shares issued for acquisition of Route 381 Lithium	**-**	1,720,000
Shares issued for Cobalt Hill option	**-**	180,000
Warrants issued as finders fees	**64,349**	-
Shares issued as finders fees	**-**	636,750
Reallocation of fair value on option exercise	**-**	125,920
Reallocation of fair value on warrant exercise	**-**	300,637
Cash interest paid	**851**	-
Exploration and evaluation assets acquisition costs included in accounts payable and accrued liabilities	**371,675**	-
Quebec Lithium property mineral option payment receivable	**175,000**	-

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

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

	Common shares	Share capital	Reserves	Deficit	Non-controlling interest	Total equity
	#	$	$	$	$	$
Balance, September 30, 2020	27,748,750	3,087,283	702,821	(819,876)	-	2,970,228
Shares issued for exploration and evaluation assets	30,800,000	19,846,000	-	-	9,000,000	28,846,000
Shares issued as finders' shares	750,000	636,750	-	-	-	636,750
Shares issued on exercise of options	4,605,150	1,027,000	(300,637)	-	-	726,363
Shares issued on exercise of warrants	450,000	263,170	(125,920)	-	-	137,250
Share-based compensation	-	-	769,600	-	-	769,600
Net 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
Units issued for cash	2,823,446	365,417	96,803	-	-	462,220
Flow-through units issued for cash	12,909,972	1,232,618	276,826	-	-	1,509,444
Flow-through premium	-	(151,650)	-	-	-	(151,650)
Share issuance costs	-	(177,673)	64,349	-	-	(113,324)
Acquisition of NCI on purchase of TargetCo shares	7,500,000	975,000	-	1,188,229	(2,163,229)	-
Share-based compensation	-	-	282,295	-	-	282,295
Net loss and comprehensive loss	-	-	-	(12,293,947)	(2,359,023)	(14,652,970)
Balance, September 30, 2022	**87,587,318**	**27,103,915**	**1,766,137**	**(26,523,997)**	**(190,662)**	**2,155,393**

The accompanying notes are an integral part of these 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 1500 - 1055 West Georgia Street, Vancouver BC, V6E 4N7. The Company's principal business activities include the acquisition and exploration of mineral property assets.

As at September 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 September 30, 2022, the Company has not generated revenue to date and had an accumulated deficit of $26,523,997 (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 annual consolidated financial statements for the years ended September 30, 2022 and 2021 (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.

As of the date of these 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 financial statements have been prepared using accounting policies in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

These financial statements were approved and authorized for issuance in accordance with a resolution from the Board of Directors on January 27, 2023.

b) Basis of measurement

These financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS for each type of asset, liability, income, and expense as set out in the accounting policies below. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Functional and presentation currency

These financial statements have been prepared in Canadian dollars, which is the Company's and its subsidiaries' 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 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 these financial statements from the date control commences until the date control ceases.

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

	Country of incorporation	Holding	Functional currency	Principal activity
1256714 B.C. Ltd. ("TargetCo")	Canada	80%	Canadian dollar	Holding company
1260945 B.C. Ltd. ("New Age Co")	Canada	100%	Canadian dollar	Holding company

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash is deposits held on call with banks.

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 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 Consolidated Statement of Financial Position date are recognized in the Consolidated Statements of Loss and 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 and mineral option payment receivable, which is held amortized cost, in the amount of $762,790 and $175,000, respectively (September 30, 2021 - $495,193 and $nil, respectively).

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.

Impairment

An ECL 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 cost. 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 their fair value are recorded.

The Company's financial liabilities comprise of accounts payable and accrued liabilities. Accounts payables and accrued liabilities are classified at amortized cost, in the amount of $558,078 (September 30, 2021 - $148,608).

j) Share issuance costs

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

k) Equity instruments

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, and share purchase warrants are classified as equity instruments.

l) Significant accounting estimates and judgements

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. Valuation of identified reclamation obligations estimates as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures.; and
ii. Stock-based compensation and the inputs used in the Black-Scholes option pricing model to calculate the fair value of options granted and vested in the period.

Significant accounting judgments

i. the evaluation of the Company's ability to continue as a going concern;
ii. the recognition of deferred income tax assets and liabilities; and
iii. The recoverability of exploration and evaluation assets and related determination of any impairment in value of the exploration and evaluation assets where applicable.

m) 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.

(Expressed in Canadian dollars, except where noted)

4. ACQUISITIONS

a) Acquisition of TargetCo

On October 15, 2020, the Company announced that it had closed the acquisition of 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").

The acquisition of TargetCo 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 made on October 15, 2020:

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

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 (Note 10). As a result of this transaction, the Company owns 80% of the issued and outstanding shares of TargetCo.

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 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 (the "New Age Co Properties") (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.

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.

4. ACQUISITIONS (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 (Note 5d)	4,475,250
Net assets acquired	**4,475,250**

(Expressed in Canadian dollars, except where noted)

5. EXPLORATION AND EVALUATION ASSETS

	Cobalt Hill	Tyr Silver Project	Century South Silver-Zinc Project	James Bay Lithium Project	New Age Co Properties	Australian Silver Mines	Total
Acquisition cost	$	$	$	$	$	$	$
Balance, September 30, 2020	170,000	-	-	-	-	-	170,000
Additions	445,000	11,555,805	11,555,805	1,780,000	4,475,250	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	-	-	-	-	-	-	-
Impairment	-	(11,555,805)	-	(701,569)	-	-	(12,257,374)
Option and sale proceeds	-	-	-	(175,000)	-	-	(175,000)
Balance, September 30, 2022	**615,000**	**-**	**-**	**903,431**	**-**	**-**	**1,518,431**
Exploration and evaluation expenditures							
Balance, September 30, 2020	101,638	-	-	-	-	-	101,638
Additions	180,175	105,007	115,219	59,290	187,127	-	646,818
Impairment	-	-	(115,219)	-	(187,127)	-	(302,346)
Balance, September 30, 2021	281,813	105,007	-	59,290	-	-	446,110
Additions	2,545	108,642	-	397,698	-	-	508,885
Impairment	-	(213,649)	-	(456,988)	-	-	(670,637)
Balance, September 30, 2022	**284,358**	**-**	**-**	**-**	**-**	**-**	**284,358**
Balance, September 30, 2021	896,813	11,660,812	-	1,839,290	-	-	14,396,915
Balance, September 30, 2022	**899,358**	**-**	**-**	**903,431**	**-**	**-**	**1,802,789**

During the year ended September 30, 2022, the Company incurred $136,286 (2021 - $nil) of exploration and evaluation expenses on the impaired properties, Century South Silver-Zinc Project and New Age Co which was recognized in the Consolidated Statements of Loss and Comprehensive Loss.

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) Cobalt Hill

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 (“Cobalt Hill”) located in the Trail Creek Mining Division in British Columbia.

In 2021, the Company fulfilled the terms of the option agreement and acquired a 100% undivided interest in Cobalt Hill by making cumulative cash payments totaling $355,000 and issuing a cumulative total of 1,100,000 common shares of the Company. The optionor retained a 1.5% NSR on Cobalt Hill.

b) Tyr Silver Project and Century South Silver-Zinc Project

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 TargetCo (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 with subsequent exploration and evaluation expenditure recognized in Consolidated Statements of Loss and Comprehensive Loss. The Company intends to keep the permit of this resource property in good standing.

During the year ended September 30, 2022, the Tyr Silver 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 $11,769,454 on September 30, 2022 as an impairment of exploration and evaluation assets and with subsequent exploration and evaluation expenditure recognized in Consolidated Statements of Loss and Comprehensive Loss. The Company intends to keep the permit of this resource property in good standing.

c) James Bay Lithium Project

Route 381 Lithium

In January 2021, the Company completed the acquisition of a 100% interest in and to the Route 381 Lithium, 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 is subject to grant vendors a 2% NSR.

During the year ended September 30, 2022, Route 381 Lithium was partially impaired due to the decrease in the fair value of mineral property option agreement (Note 5(e)). As a result, the Company recorded an amount of $767,431 on September 30, 2022 as an impairment of exploration and evaluation assets and with subsequent exploration and evaluation expenditure recognized in Consolidated Statements of Loss and Comprehensive Loss. The Company intends to keep the permit of this resource property in good standing.

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.

During the year ended September 30, 2022, Mitsumis was fully impaired due to the decrease in the fair value of mineral property option agreement (Note 5(e)). As a result, the Company recorded an amount of $391,126 on September 30, 2022 as an impairment of exploration and evaluation assets and with subsequent exploration and evaluation expenditure recognized in Consolidated Statements of Loss and Comprehensive Loss. The Company intends to keep the permit of this resource property in good standing.

5. EXPLORATION AND EVALUATION ASSETS (continued)

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 ("REE") (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.

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 with subsequent exploration and evaluation expenditure recognized in Consolidated Statements of Loss and Comprehensive Loss. The Company intends to keep the permit of these resource properties in good standing.

e) Option on the James Bay Lithium Project

Effective September 27, 2022, the Company entered into a mineral property option agreement (the "Property Option Agreement") with Cygnus Gold Limited ("Cygnus"), whereby the Company granted Cygnus the option to acquire up to an 80% interest in the Company's Route 381 Lithium and Mitsumis properties located in Quebec, Canada (the "James Bay Lithium Project"). Option consideration from Cygnus is recorded as a reduction of the properties' capitalized exploration and evaluation assets reflecting a recovery of past costs incurred.

Under the terms of the Property Option Agreement, Cygnus has the option to acquire an initial 51% interest in the James Bay Lithium Project (the "First Option"). Following the exercise of the First Option, Cygnus has the option to acquire an additional 29% interest in the Projects (the "Second Option").

In order to exercise the First Option, Cygnus must commit to the following over three years:

- Payment of $175,000 due on September 30, 2022 (which includes $125,000 as an expense reimbursement to the Company) (the payment was received on October 12, 2022 (Note 13));
- Reimbursement of the Company's exploration expenditures of up to $375,000 from its 2022 exploration program by December 31, 2022 (the reimbursement was received on December 20, 2022 (Note 13));
- Fund $2,000,000 in exploration expenditures on the Projects by the third anniversary date of the Property Option Agreement as follows:
  - $500,000 to be incurred prior to the first anniversary of the effective date of the Property Option Agreement (less any reimbursements as described above);
  - $500,000 to be incurred prior to the second anniversary of the effective date of the Property Option Agreement; and
  - $1,000,000 to be incurred prior to the third anniversary of the effective date of the Property Option Agreement.

Cygnus will then have the option to exercise the Second Option by:

- Payment of $50,000 to the Company within 30 days of the satisfaction of the First Option;
- Filing a NI 43-101 or the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") compliant mineral resource estimate which defines a lithium oxide resource on the Projects of at least 5 million tonnes with an average grade of not less than 0.8% lithium oxide in any resource category as defined in NI 43-101 or the JORC Code, by the date which is no later than 5 years from the exercise of the First Option; and
- Cash consideration to the Company of $1,000,000 within 3 days of filing the above report.

(Expressed in Canadian dollars, except where noted)

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.

On September 22, 2022, the Company issued 8,400,000 flow-through units at a purchase price of $0.075 per flow-through unit for gross proceeds of $630,000. The flow-through units were issued at a premium of $0.010 per unit. As a result, a flow-through premium liability of $84,000 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:

	Flow-through funding and expenditure requirements	**Flow-through premium liability**
	$	$
Balance, September 30, 2021 and 2020	-	-
Flow-through funds raised and premium recorded as a liability	1,509,445	151,650
Flow-through expenditures incurred and reduction of liability	(80,540)	(8,092)
Balance, September 30, 2022	**1,428,905**	**143,558**

The reduction in the flow-through premium liability is recorded in other income upon incurring flow-through eligible expenditures.

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

Common shares:

As at September 30, 2022, the Company had 87,587,318 shares issued and outstanding (September 30, 2021 - 64,353,900).

(Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)

During the year ended September 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 at a price of $0.18 per Unit and 4,509,972 flow-through units of the Company at a price of $0.195 per FT Unit. Each unit (the "Unit") is comprised of one common share of the Company and one half of a common share purchase warrant. Each FT Unit (the "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) and one half of a Warrant. Each Warrant will entitle the holder thereof to purchase one common share of the Company 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, $985,517 was allocated to share capital with the remaining $67,650 recognized as a flow-through premium (Note 6) and $262,498 was allocated to warrants reserve. The fair value of common shares was based on the market close on the date the private placement on November 23, 2021 issued and the fair value of the Warrants was determined using the Black-Scholes pricing model with the following assumptions:

	November 23, 2021
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:

	November 23, 2021
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 $0.13 per share for an additional 20% interest in the TargetCo (Note 4a, 10).

- On September 22, 2022, the Company closed a private placement for gross proceeds of $656,000 from the sale of 400,000 units of the Company at a price of $0.065 per Unit and 8,400,000 flow-through units of the Company at a price of $0.075 per FT Unit. Each Warrant will entitle the holder thereof to purchase one common share of the Company at a price of $0.12 on or before September 22, 2024. Gross proceeds were allocated between share capital and warrants reserve using the relative fair value method. As a result, $460,870 was allocated to share capital with the remaining $84,000 recognized as a flow-through premium (Note 6) and $111,131 was allocated to warrants reserve. The fair value of common shares was based on the market close on the date the private placement on September 22, 2022 issued and the fair value of the Warrants was determined using the Black-Scholes pricing model with the following assumptions:

	September 22, 2022
Share price	$0.08
Expected life (years)	2.00
Expected volatility	108.40%
Risk-free rate	3.78%
Dividend yield	0.00%

(Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)

- In connection with the private placement on September 22, 2022, the Company paid total finder's fees of $42,000 and issued 616,000 Finder's Warrants of the Company. Each Finder's Warrant is exercisable to acquire one common share of the Company at a price of $0.12 on or before September 22, 2024. As a result, $23,766 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:

	September 22, 2022
Share price	$0.165
Expected life (years)	1.92
Expected volatility	128.00%
Risk-free rate	1.04%
Dividend yield	0.00%

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 New Age Co.
- 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 New Age Co. 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 Route 381 Lithium.
- 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 Mines.
- 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.

b) Warrants

The following is a summary of the Company's warrants for the year ended September 30, 2022 and 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	8,884,631	0.18
Expired	(258,260)	0.25
Balance, September 30, 2022	**8,884,631**	**0.18**

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

Date of expiry	**Weighted average exercise price**	**Number of warrants**	**Weighted average life**
	$	#	(years)
November 17, 2023	0.27	3,466,709	1.13
November 18, 2023	0.18	401,922	1.13
September 22, 2024	0.12	5,016,000	1.98
Balance, September 30, 2022	**0.18**	**8,884,631**	**1.61**

(Expressed in Canadian dollars, except where noted)

7. 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 year ended September 30, 2022 and 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, September 30, 2022	**4,200,000**	**0.34**

As at September 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	2.16
August 13, 2025	0.31	250,000	2.87
October 21, 2025	0.90	500,000	3.06
January 28, 2026	0.29	200,000	3.33
February 16, 2026	0.47	250,000	3.38
March 2, 2026	0.44	500,000	3.42
Balance, September 30, 2022	**0.34**	**4,200,000**	**2.59**

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 (years)	3.00
Expected volatility	128.00%
Risk-free rate	1.02%
Dividend yield	0.00%

(Expressed in Canadian dollars, except where noted)

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 years ended September 30, 2022 and 2021, the Company had the following transactions with related parties that comprises key management compensation:

	2022	2021
	$	$
Management and consulting	**157,573**	81,750
Share-based compensation	**234,305**	488,757
	391,878	570,507

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 September 30, 2022 was $190,662.

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

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	4,331,590
Additional 20% acquisition of TargetCo	(2,163,229)
Net loss attributed to non-controlling interest	(2,359,023)
Balance, September 30, 2022	**(190,662)**

(Expressed in Canadian dollars, except where noted)

11. 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, **2022**	2021
	$	$
Net loss for the year	**14,652,970**	14,598,403
Canadian statutory income tax rate	**27%**	27%
Income tax recovery at statutory rate	**(3,957,000)**	(3,942,000)
Non-deductible expenditures and non-taxable revenues	**78,000**	208,000
Change in statutory, foreign tax, foreign exchange rates and other	**(30,000)**	99,000
Impact of flow-through shares	**408,000**	
Change in unrecognized deferred tax assets	**3,501,000**	3,635,000
Deferred income tax recovery	**-**	-

The significant components of the Company's deferred tax assets and liabilities are follows:

	2022	September 30, 2021
	$	$
Deferred income tax assets (liabilities):		
Share issuance costs	**45,000**	126,000
Non-capital losses available for future periods	**1,173,000**	839,000
Mineral resource properties	**345,000**	3,055,000
Flow-through shares	**(263,000)**	**-**
Deferred tax assets	**1,300,000**	4,020,000
Unrecognized deferred income tax assets	**(1,300,000)**	(4,020,000)
Deferred income tax assets, net	**-**	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Expiring	**September 30, 2022**	**Expiry date range**	September 30, 2021	Expiry date range
	$		$	
Temporary differences:				
Share issuance costs	**167,000**	**2042 to 2045**	467,000	2041 to 2045
Non-capital losses available for future periods	**4,345,000**	**2038 to 2041**	3,107,000	2038 to 2040
Mineral resource properties	**1,274,000**	**No expiry date**	11,313,000	No expiry date
Flow-through shares	**(973,000)**	**No expiry date**	**-**	No expiry date
Total	**4,813,000**		14,887,000	

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

The Company instruments consist of cash, mineral option payment receivable 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

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 Australian dollar against the Canadian dollar, the net loss of the Company and the equity for the year ended September 30, 2022 would have varied by a negligible amount.

iv) 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 not exposed to interest rate risk.

13. SUBSEQUENT EVENT

On October 12, 2022, the Company received the payment of $175,000 for the First Option in relation to the Property Option Agreement (Note 5(e)).

On December 20, 2022, the Company received a reimbursement of $375,000 for its exploration expenditures from its 2022 exploration program in relation to the Property Option Agreement (Note 5(e)).