

# **MEGAWATT LITHIUM AND BATTERY METALS CORP.**

## **Management's Discussion & Analysis**

For the three months ended December 31, 2023 and 2022

## **REPORTING PERIOD AND EFFECTIVE DATE**

The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations for the three months ended December 31, 2023 and 2022 should be read in conjunction with the audited consolidated financial statements for the years ended September 30, 2023 and 2022 and the related notes thereto (collectively referred to hereafter as the "Annual Financial Statements") and the unaudited condensed interim consolidated financial statements for the three months ended December 31, 2023 and 2022 and the related notes thereto (collectively referred to hereafter as the "Financial Statements") of MegaWatt Lithium and Battery Metals Corp. (the "Company" or "MegaWatt") and its subsidiaries. This MD&A supplements but does not form part of the Financial Statements of the Company.

The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. All monetary amounts in the MD&A are expressed in Canadian dollars, except number of shares, or as otherwise stated. All dollar amounts are in Canadian dollars, the presentation currency of the Company, except where otherwise noted. The functional currency of the Company and its subsidiaries is disclosed in the notes to the Financial Statements. Other information contained in this document has been prepared by management and is consistent with the data contained in the Financial Statements.

The first, second, third, and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively.

The effective date of this MD&A is February 28, 2024 (the "MD&A Date").

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance, or achievements to be materially different from any of its anticipated results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **BUSINESS OVERVIEW**

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". On April 20, 2022, the Company's common shares 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, V7X 1M5. The Company's principal business activities include the acquisition and exploration of mineral property assets in Canada and Australia.

As at December 31, 2023, 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.

**MegaWatt Lithium and Battery Metals Corp.**  
**Management's Discussion and Analysis**

For the three months ended December 31, 2023 and 2022

As at December 31, 2023, the Company had a working capital deficit of \$520,414, an accumulated deficit of \$27,912,372 and has not generated revenue to date. The Company's operations to date have been funded through the issuance of equity and debt. 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.

On April 18, 2023, the Company announced that it will be consolidating its outstanding common shares on a ten-for-one basis. The Company's post-consolidation shares began trading on the Canadian Securities Exchange on May 9, 2023.

**EXPLORATION AND EVALUATION ASSETS**

A summary of the Company's exploration and evaluation assets is as follows:

	<b>Cobalt Hill</b>	<b>Tyr Silver Project</b>	<b>Century South Silver-Zinc</b>	<b>James Bay Lithium Project</b>	<b>New Age</b>	<b>Australian Silver Mines</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition cost</b>							
Balance, September 30, 2022	615,000	-	-	903,431	-	-	1,518,431
Additions	-	47,500	47,500	-	-	-	95,000
Impairment	-	(47,500)	(47,500)	-	-	-	(95,000)
Option and sale proceeds	-	-	-	(375,000)	-	-	(375,000)
<b>Balance, December 31, 2023 and September 30, 2023</b>	<b>615,000</b>	<b>-</b>	<b>-</b>	<b>528,431</b>	<b>-</b>	<b>-</b>	<b>1,143,431</b>
<b>Exploration and evaluation expenditures</b>							
Balance, September 30, 2022	284,358	-	-	-	-	-	284,358
Additions	2,730	20,205	-	443,503	26,790	7,261	500,489
Impairment	-	(20,205)	-	(443,503)	(26,790)	(7,261)	(497,759)
Balance, September 30, 2023	287,088	-	-	-	-	-	287,088
Additions	-	1,766	-	-	140,319	490	142,575
<b>Balance, December 31, 2023</b>	<b>287,088</b>	<b>1,766</b>	<b>-</b>	<b>-</b>	<b>140,319</b>	<b>490</b>	<b>429,663</b>
Balance, September 30, 2023	902,088	-	-	528,431	-	-	1,430,519
<b>Balance, December 31, 2023</b>	<b>902,088</b>	<b>1,766</b>	<b>-</b>	<b>528,431</b>	<b>140,319</b>	<b>490</b>	<b>1,573,094</b>

**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.

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 110,000 common shares of the Company. The optionor retained a 1.5% NSR on Cobalt Hill.

### **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 1256714 B.C. Ltd. ("TargetCo") 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. On July 13, 2023, the Company acquired the remaining 20% of the issued and outstanding securities of TargetCo.

During the year ended September 30, 2023, 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 \$67,705 on September 30, 2023 as an impairment of exploration and evaluation assets. During the three months ended December 31, 2023, the Company continued to capitalize its ongoing exploration and evaluation expenditures of \$1,766 (2022 - \$6,304). The Company intends to continue to invest in this property from future financings.

During the year ended September 30, 2023, 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 \$47,500 on September 30, 2023, as an impairment of exploration and evaluation assets.

### **James Bay Lithium Project**

During the year ended September 30, 2023, the James Bay Lithium Project was partially impaired due to the decrease in the fair value of mineral property option agreement. As a result, the Company recorded \$443,503 on September 30, 2023 as an impairment of exploration and evaluation assets.

### **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.

#### 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, 2023, the New Age Co Properties were fully impaired due to the application of IFRS to bring the Company's assets in line with its market capitalization. During the three months ended December 31, 2023, the Company continued to capitalize its ongoing exploration and evaluation expenditures of \$140,319 (2022 - \$64,472). The Company intends to continue to invest in this property from future financings.

### **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.

**MegaWatt Lithium and Battery Metals Corp.**  
**Management's Discussion and Analysis**  
For the three months ended December 31, 2023 and 2022

**RESULTS OF OPERATIONS**

	Three months ended December 31,	
	2023	2022
	\$	\$
<b>Operating expenses</b>		
General and administrative expense	7,247	7,290
Management and consulting	63,000	97,158
Marketing and shareholder communication	900	1,232
Professional fees	25,065	49,118
Regulatory and filing fees	11,520	9,167
<b>Total operating expenses</b>	<b>107,732</b>	163,965
<b>Other expense (income)</b>		
Impairment of exploration and evaluation assets	-	47,652
Amortization of flow-through premium liability	-	(33,955)
<b>Net loss and comprehensive loss</b>	<b>107,732</b>	177,662
<b>Net loss attributable to:</b>		
Shareholders of the Company	107,732	176,401
Non-controlling interest	-	1,261

**Q1 2024 compared to Q1 2023:**

Net loss and comprehensive loss decreased to \$107,732 from \$177,662 in the prior year comparable period. The primary drivers of the decrease in the net loss were:

- Management and consulting decreased to \$63,000 from \$97,158 in the prior year comparable period mainly due to a consulting marketing campaign and liquidity service incurred in the prior year comparable period which was non-recurring.
- Professional fees decreased to \$25,065 from \$49,118 in the prior year comparable period due to the difference in the timing of the recording of the retainer fee for auditing services.
- Impairment of exploration and evaluation assets of \$47,652 in the prior year comparable period was mainly related to the James Bay Lithium Project. The total impairment charge of \$497,759 was partially offset by option proceeds of \$375,000 in the prior year comparable period.

**SUMMARY OF QUARTERLY RESULTS**

Selected information derived from the Company's financial statements for the past eight quarters is as follows:

	Q1 2024	Q4 2023	Q3 2023	Q2 2023
	\$	\$	\$	\$
Net loss and comprehensive loss	107,732	601,072	97,980	213,267
Total assets	1,725,617	1,637,473	2,007,624	2,062,691
Working capital deficit	(520,414)	(270,107)	(139,035)	(41,055)
Total liabilities	672,937	477,061	341,140	298,227
Net loss per share - basic and diluted	0.01	0.06	0.01	0.02
	Q1 2023	Q4 2022	Q3 2022	Q2 2022
	\$	\$	\$	\$
Net loss and comprehensive loss	177,662	13,213,156	313,898	563,509
Total assets	2,555,352	2,857,029	15,036,432	15,256,176
Working capital surplus	174,942	352,604	275,912	677,632
Current liabilities	577,621	701,636	197,882	103,728
Net loss per share - basic and diluted	0.02	0.14	0.00	0.01

**MegaWatt Lithium and Battery Metals Corp.**  
**Management's Discussion and Analysis**  
For the three months ended December 31, 2023 and 2022

---

All of the Company's exploration and evaluation assets are in the exploration stage. The Company has not had revenue from inception and does not expect to have revenue in the near future. The Company's operating results are not seasonal in nature and have been mainly due to the amount of exploration activities on projects.

During the last eight quarters, the Company's loss and comprehensive loss ranged from \$97,980 to \$13,213,156. The loss and comprehensive loss for Q4 2022 was mainly due to an impairment of \$12.8 million to evaluation and exploration assets – largely from the Tyr Silver and James Bay Lithium projects.

### **LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2023, the Company's working capital deficit increased to \$520,414 from \$270,107 as at September 30, 2023.

The Company's current assets are not sufficient to support the Company's general administrative and corporate operating requirements on an ongoing basis for the foreseeable future. Accordingly, further financing will be required, and the Company will need to raise additional funds to continue its operations.

	<b>Q1 2024</b>	<b>Q1 2023</b>
	<b>\$</b>	<b>\$</b>
Cash used in operating activities	<b>(100,661)</b>	(87,855)
Cash used in investing activities	-	(47,652)
Cash provided by financing activities	<b>75,000</b>	-
Net change in cash	<b>(25,661)</b>	(135,507)
Cash, beginning of period	<b>36,715</b>	762,790
<b>Cash, end of period</b>	<b>11,054</b>	627,283

#### **Cash flow - Q1 2024 compared to Q1 2023:**

Cash used in operating activities increased compared to the prior year comparable period mainly due to an increase in cash spent on general Company operating expenses.

Cash used in investing activities in the prior year comparable period is related to expenditures on exploration and evaluation of \$422,652, which were partially offset by option proceeds of \$375,000 in the prior year comparable period.

Cash provided by financing activities during the current period is a result of the Company receiving proceeds from a note payable for \$75,000 on December 21, 2023. The proceeds from the note payable will be used for general working capital needs.

#### **Share capital highlights**

On July 13, 2023, the Company issued 500,000 common shares at a fair value of \$0.19 per share for the remaining 20% of the TargetCo.

On November 17, 2023, 346,671 share purchase warrants expired unexercised.

On November 18, 2023, 40,192 share purchase warrants expired unexercised.

### **LIQUIDITY OUTLOOK**

The Company's cash position is highly dependent on its ability to raise cash through financings.

As at December 31, 2023, based on the Company's financial position, the Company will need to complete additional external financing either through equity, debt, or other forms of financing. As other opportunities become available to the Company and subject to exploration work on the Company's project and results from such exploration program is determined, management may be required to complete additional financing.

This outlook is based on the Company's current financial position and is subject to change if opportunities become available based on exploration program results and/or external opportunities. At present, the Company's operations do not generate cash inflows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

To finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company will need to raise funds through equity sales, from the exercise of convertible securities, debt, deferral of payments to related parties, or other forms of raising capital. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the short and long term but recognizes that there will be risks involved which may be beyond its control.

The Company will need to raise sufficient funds as the Company's current assets are not sufficient to finance its operations and administrative expenses. The Company is evaluating financing options including, but not limited to, the issuance of additional equity and debt. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance (as measured by numerous factors including the progress and results of its projects), the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets.

#### **SIGNIFICANT ACCOUNTING JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The Company's significant accounting judgments and sources of estimation uncertainty are described in the notes of the Annual Financial Statements.

#### **RELATED PARTY TRANSACTIONS**

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.

For the three months ended December 31, 2023, the Company's key management compensation was \$33,000 for management and consulting services, the same amount as in the prior year comparable period. As at December 31, 2023, the Company had \$92,400 due to related parties included in accounts payable and accrued liabilities balance, an increase from \$57,950 as at September 30, 2023. Interest is not charged on outstanding balances and is payable upon demand.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company had no off-balance sheet arrangements as at December 31, 2023 or the MD&A Date.

#### **FINANCIAL INSTRUMENTS AND FINANCIAL RISK**

The Company's financial instruments consist of cash, note payable, and accounts payable and accrued liabilities measured at amortized cost. Their fair values approximate their carrying values due to their short-term nature.

The financial instruments expose the Company to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

##### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company is exposed to credit risk through its cash. The Company reduces its credit risk on cash by placing these instruments with financial institutions of high credit worthiness. As at December 31, 2023, the Company is not exposed to significant credit risk.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed through its accounts payable and note payable. The Company's accounts payable are all current and due within 90 days of the balance sheet date. The Company has a working capital deficit of \$520,414 and requires additional financing to fund current operations. As at December 31, 2023, the Company will need to raise more funding to discharge its financial liabilities as they become due.

### Foreign exchange 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. As at December 31, 2023, the Company is not exposed to significant foreign currency risk.

### 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. As at December 31, 2023, the Company is not exposed to significant interest rate risk.

## SUBSEQUENT EVENTS

On January 17, 2024, the Company entered into a debt settlement agreement with 2710989 Ontario Limited ("the Creditor") in the amount of \$90,000. On January 25, 2024, the Company issued 900,000 common shares (the "Debt Shares") to the Creditor. The Creditor provides general and administrative services to the Company and charges a monthly fee. The amount of debt is the outstanding accounts payable for the monthly general and administrative fees owing to the Creditor.

On January 22, 2024, the Company granted 200,000 stock options to an officer of the Company. These options have an exercise price of \$0.11 and expiring on January 22, 2026. The options vested on the grant date.

## RISKS AND UNCERTAINTIES

For a detailed listing of the risks and uncertainties faced by the Company, please refer to the Company's MD&A for the years ended September 31, 2022 and 2021.

## OUTSTANDING SHARE DATA

	December 31, 2023	MD&A Date
	#	#
Common shares issued and outstanding	9,258,732	10,158,732
Share purchase warrants	501,600	501,600
Stock options	420,000	620,000

## ADDITIONAL INFORMATION

Additional information about the Company is available on the Company's website at <https://megawattmetals.com/> and SEDAR+ at <http://www.sedarplus.ca>.