

**MEGAWATT LITHIUM AND BATTERY METALS CORP.**

**(Formerly Walcott Resources Ltd.)**

**Managements Discussion & Analysis**

**For The Three and Nine Months Ended**

**June 30, 2021 and 2020**

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

(Formerly Walcott Resources Ltd.)

Management's Discussion & Analysis

For the three and nine months ended June 30, 2021

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### **Reporting Period and Effective Date**

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited consolidated financial statements of MegaWatt Lithium and Battery Metals Corp. (formerly Walcott Resources Ltd.) (the "Company") and the notes thereto for the three and nine months ended June 30, 2021 and 2020 (collectively referred to hereafter as the "financial statements"). The following MD&A of the financial condition and results of operations of the Company has been prepared by management and should be read in conjunction with the Company's financial statements for the three and nine months ended June 30, 2021. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All amounts are expressed in Canadian dollars unless otherwise stated. Other information contained in this document has also been prepared by management and is consistent with the data contained in the financial statements.

The effective date of this MD&A is August 30, 2021 (the "MD&A Date").

### **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 ("CSE") under the symbol "MEGA" (previously "WAL"). The head office and principal address of the Company is located at Suite 1570 - 505 Burrard St. Vancouver BC, V7X 1M5.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at June 30, 2021, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition.

The Company has not generated revenue to date and had an accumulated deficit of \$4,548,558 as at June 30, 2021 (September 30, 2020 - \$819,876), which has been funded by the issuance of equity. These factors form a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

In March 2020, there was a global outbreak of COVID-19, which continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, social distancing, business closures or business disruptions, and the effectiveness of actions taken by countries to contain and treat the disease.

### **Cobalt Hill Property**

Pursuant to an option agreement (the "Agreement") dated February 5, 2018, amended on April 25, 2019 and July 3, 2020, the Company was granted an option to acquire a 100% undivided interest in certain Cobalt Hill mineral claims (the "Property") located in the Trail Creek Mining Division in British Columbia.

In accordance with the Agreement, the Company has the option to acquire a 100% undivided interest in the Property by making cash payments totaling \$355,000, and issuing a total of 1,100,000 common shares of the Company as follows:

- Upon signing the Agreement - 200,000 common shares (measured at \$10,000 using a share price of \$0.05 and issued on September 29, 2018) and \$35,000 in cash (paid);
- On or before February 5, 2019 - 200,000 common shares (measured at \$10,000 using a share price of \$0.05 and issued on February 5, 2019) and \$40,000 in cash (paid);
- On or before February 5, 2020 - 300,000 common shares (issued January 30, 2020);

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- On or before August 5, 2020 - 15,000 in cash (paid);
- On or before December 31, 2020 - 65,000 in cash (paid);
- On or before February 5, 2021 - 400,000 common shares and \$200,000 in cash (paid).

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

### **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 1256714 B.C. Ltd. that owns a 100% interest (subject to a 2% NSR) in two prospective silver-zinc projects in Australia, being the Tyr Silver Zinc Project ("TSZP") and the Century South Silver-Zinc Project. Both projects are located near established mining infrastructure and accessible port.

The Tyr Silver Project in northern New South Wales has two historic silver mines – Burra and Torny – with potential for high-grade silver zinc-lead-tin mineralization. The project covers an area of approximately 300 km<sup>2</sup> comprised of minimal use, hilly pastoral land, mostly cleared and lightly forested. The tenement was granted in March 2018 and is due for renewal in March 2024.

The Century South Silver-Zinc Project in the Mt Isa Basin, north-west Queensland, lies approximately 8 km south east of the New Century Zinc Mine and is around 250 km<sup>2</sup> in size, comprised of hilly, open savannah country. The tenement was granted in October 2018 and is due for renewal in October 2023.

### **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.

### **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 "New Age Transaction") and acquired a 100% interest (subject to a 1% NSR) in and to certain mining tenements in Northern Territory ("NT") and New South Wales ("NSW") Australia, described as follows:

#### **a) Rare Earth Elements (NT) – Arctic Fox and Isbjorn**

Located in Australia's NT, both properties have assayed surface sample readings that form the basis for further exploration and are located in a region with supportive mining infrastructure. Arctic Fox is contiguous with the Nolans Bore REE project, for which Project commissioning is slated for mid 2022. The Isbjorn asset is contiguous to the advanced Charley Creek REE project.

#### **b) Nickel-cobalt-scandium-HPA (NSW) – Chinook, Kodiak & Caribou**

The three nickel-cobalt-scandium-HPA properties – Chinook, Kodiak and Caribou – are located in Australia's central NSW, which is considered by management to be a highly prospective region. The region is home to both Alpha HPA's (ASE:A4N) Collerina nickel-cobalt-scandium-HPA asset and Scandium International's (TSE: SCY) Nyngan deposit. Both Collerina and Nyngan support JORC Compliant Mineral Resources.

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 (the "New Age Payment Shares") at a fair value of \$0.39 per New Age Payment Share. The New Age Payment Shares are not subject to any hold periods under applicable securities laws. 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 at a fair value of \$0.39 per New Age Finders' Share, which are subject to a four month and one day hold period under applicable securities laws which expired on August 10, 2021.

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The New Age Transaction is an arms-length transaction and no change in management or the board of directors of Megawatt is being contemplated at this time.

The following is a summary of exploration and evaluations asset expenditures to June 30, 2021:

	Cobalt Hill	Tyr Silver Project	Silver-Zinc	Century South New Age	Route 381 Lithium	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, September 30, 2019	95,000	-	-	-	-	95,000
Additions	75,000	-	-	-	-	75,000
Balance, September 30, 2020	170,000	-	-	-	-	170,000
Additions	445,000	10,203,750	10,203,750	4,475,250	1,780,000	27,107,750
<b>Balance, June 30, 2021</b>	<b>615,000</b>	<b>10,203,750</b>	<b>10,203,750</b>	<b>4,475,250</b>	<b>1,780,000</b>	<b>27,277,750</b>

**Exploration and evaluation expenditures**

Balance, September 30, 2019	86,524	-	-	-	-	86,524
Additions	15,114	-	-	-	-	15,114
Balance, September 30, 2020	101,638	-	-	-	-	101,638
Additions	172,445	94,367	96,766	144,686	-	508,264
<b>Balance, June 30, 2021</b>	<b>274,083</b>	<b>94,367</b>	<b>96,766</b>	<b>144,686</b>	<b>-</b>	<b>609,902</b>
Balance, September 30, 2020	271,638	-	-	-	-	271,638
<b>Balance, June 30, 2021</b>	<b>889,083</b>	<b>10,298,117</b>	<b>10,300,516</b>	<b>4,619,936</b>	<b>1,780,000</b>	<b>27,887,652</b>

**Selected Financial Information**

	For the three months ended June 30,		For the nine months ended June 30,	
	2021	2020	2021	2020
Net revenues	\$ Nil	\$ Nil	\$ Nil	\$ Nil
General and administrative	3,675	1,500	8,343	4,845
Management and consulting	35,453	10,500	92,814	31,500
Professional fees	11,164	3,745	75,691	12,153
Regulatory and filing fees	4,877	4,108	22,550	12,476
Marketing and shareholder communication	602,822	66	1,739,084	9,980
Share-based compensation	-	-	769,600	-
Deferred tax expense	1,701,000	-	1,701,000	-
Net loss	2,358,991	19,919	4,409,082	70,954
Net loss attributable to Shareholders of the Company	1,678,591	19,919	3,728,682	70,954
Net loss attributable to Shareholders of the Company per share	0.03	0.00	0.08	0.01

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	June 30, 2021	September 30, 2020
	\$	\$
Deficit	<b>4,548,558</b>	819,876
Exploration and evaluation	<b>27,887,652</b>	271,638
Total assets	<b>29,153,438</b>	3,079,357
Total liabilities	<b>2,191,440</b>	109,129

**Overall Performance**Cobalt Hill Property

The exploration program was designed to follow-up on zones of known high grade gold mineralization which occur at numerous locations on the property and are well described in historic assessment reports filed with the BC Ministry of Energy and Mines. It will also assess the potential for larger zones of lower grade gold mineralization on the property. Activities will include compiling historic geochemical, geological and geophysical data along with ground truthing, mapping and sampling to follow-up areas of interest.

Australian Silver Projects

On February 3, 2021, the Company announced results from surface sampling field work and evaluation that commenced in December 2020 at the TSZP in north-northeast New South Wales, Australia. The TSZP consists of over 300 square kilometres including two historic silver mines that were last operational between 1920 and 1935. The tenement was granted on the 29th of March 2018, for a period of 6 years. The project is located approximately 20kms southwest of the town of Tenterfield and is accessible via paved road. The Company has engaged Xplore Resources, geological consultants, of North Lakes, Queensland Australia to conduct the field program including stakeholder communications, review and verification of previously reported geological data.

Lithium Property in Quebec

The Route 381 Lithium Property is located in a prolific hard-rock lithium jurisdiction with several actively advancing lithium projects including Critical Elements Lithium Corporation's Rose Project, the Whabouchi lithium project and Galaxy Lithium (Canada) Inc.'s James Bay Lithium Project. The Company is looking towards an inaugural exploration program on the project during the 2021 field season.

**Results of Operations**For the three months ended June 30, 2021 and 2020:

The Company incurred a loss of \$2,358,991 during the three months ended June 30, 2021 due to expenses incurred by the Company as follows:

Marketing and shareholder communication increased to \$602,822 for the three months ended June 30, 2021 compared to \$66 in the three months ended June 30, 2020, mainly due to marketing campaigns to increase awareness of the Company. Management and consulting increased to \$35,453 for the three months ended June 30, 2021 compared to \$10,500 in the prior year, mainly due to strategic business advisory fees. Share-based compensation was nil for the third quarter of fiscal 2021 and 2020 due to there being no option grants. Regulatory and filings fees of \$4,877 (2020 - \$4,108) and professional fees of \$11,164 (2020 - \$3,745) increased compared to the prior year mainly due to the Company's listing on the CSE in July 2019. Further, upon the acquisition of 1256714 B.C. Ltd., for tax purposes a temporary difference was created between the acquisition value and the carrying value of the acquired assets. As a result of this non-cash temporary difference for tax purposes, the Company recognized a deferred tax expense of \$1,701,000 in accordance with IFRS.

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For the nine months ended June 30, 2021 and 2020:

The Company incurred a loss of \$4,409,082 during the nine months ended June 30, 2021 due to expenses incurred by the Company as follows:

Marketing and shareholder communication increased to \$1,739,084 for the nine months ended June 30, 2021 compared to \$9,980 in the nine months ended June 30, 2020, mainly due to marketing campaigns to increase awareness of the Company. Management and consulting increased to \$92,814 for the nine months ended June 30, 2021 compared to \$31,500 in the prior year, mainly due to strategic business advisory fees. Share-based compensation increased to \$769,600 for the first nine months of fiscal 2021 due to the granting of stock options. There were no option grants in fiscal 2020. Regulatory and filings fees of \$22,550 (2020 - \$12,476) and professional fees of \$75,691 (2020 - \$12,153) increased compared to the prior year mainly due to the Company's listing on the CSE in July 2019. Further, upon the acquisition of 1256714 B.C. Ltd., for tax purposes a temporary difference was created between the acquisition value and the carrying value of the acquired assets. As a result of this non-cash temporary difference for tax purposes, the Company recognized a deferred tax expense of \$1,701,000 in accordance with IFRS.

**Summary of Quarterly Results**

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

	<b>Three Months Ended Jun. 30, 2021</b>	<b>Three Months Ended Mar. 31, 2021</b>	<b>Three Months Ended Dec. 31, 2020</b>	<b>Three Months Ended Sept. 30, 2020</b>	<b>Three Months Ended Jun. 30, 2020</b>	<b>Three Months Ended Mar. 31, 2020</b>	<b>Three Months Ended Dec. 31, 2019</b>	<b>Three Months Ended Sep. 30, 2019</b>
Total Revenues	-	-	-	-	-	-	-	-
Loss and comprehensive loss	<b>(2,358,991)</b>	<b>(761,817)</b>	<b>(1,288,274)</b>	<b>(599,392)</b>	<b>(19,919)</b>	<b>(21,975)</b>	<b>(29,060)</b>	<b>(73,235)</b>
Total assets	<b>29,153,438</b>	<b>28,181,212</b>	<b>25,938,990</b>	<b>3,079,357</b>	<b>393,857</b>	<b>152,073</b>	<b>162,927</b>	<b>383,373</b>
Working capital	<b>775,346</b>	<b>1,627,118</b>	<b>1,914,999</b>	<b>2,698,590</b>	<b>115,318</b>	<b>137,373</b>	<b>158,306</b>	<b>194,273</b>
Total liabilities	<b>2,191,440</b>	<b>230,473</b>	<b>86,171</b>	<b>109,129</b>	<b>29,014</b>	<b>14,700</b>	<b>946</b>	<b>7,576</b>
Loss per share <sup>(1)</sup> – basic and diluted	<b>(0.03)</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.05)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>

(1) Loss per share attributable to shareholders of the Company

**Liquidity and Capital Resources**

The net working capital of the Company at June 30, 2021 was \$775,346 (September 30, 2020 - \$2,698,590).

The Company does not have any cash flow from operations due to the fact that it is an exploration stage company and financings have therefore been the sole source of funds.

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 have to raise additional funds to continue its operations. Please see Overall Performance section with respect to the Company's financing plans.

During the nine months ended June 30, 2021, the Company completed the following share transactions:

- 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 to arm's length third party finders in connection with the acquisition of 1260945 B.C. Ltd at a fair value of \$0.39 per share, which 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.

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- 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 4,546,411 common shares pursuant to the exercise of warrants for gross proceeds of \$717,552.
- The Company issued 450,000 common shares pursuant to the exercise of options for gross proceeds of \$137,250.

Subsequent to June 30, 2021, the Company completed the following share transactions:

- On July 22, 2021, the Company issued 58,739 common shares pursuant to the exercise of warrants for gross proceeds of \$8,811.

### **Liquidity Outlook**

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

Based on the Company's financial position as at June 30, 2021, 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.

In order 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.

### **Contractual Obligations**

The Company has no material and long-term contractual obligations.

### **Significant Accounting Policies and Estimates**

The preparation of financial statements requires management to establish accounting policies, estimates and assumptions that affect the timing and reported amounts of assets, liabilities, revenues and expenses. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances and require judgment on matters which are inherently uncertain. Details of the Company's significant accounting policies can be found in Note 2 of the consolidated financial statements for the three and nine months ended June 30, 2021.

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**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 ("CEO") and former Chief Financial Officer ("CFO"). During the three and nine months ended June 30, 2021 and 2020, 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>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Management and consulting	\$ <b>22,500</b>	\$ 10,500	\$ <b>59,250</b>	\$ 31,500
Share-based compensation	-	-	<b>488,757</b>	-
	<b>22,500</b>	10,500	<b>548,007</b>	31,500

**Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Financial Instruments**

IFRS establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Fair Value of Financial Instruments**

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

**Fair value**

The fair value of the Company's financial instruments approximates their carrying value as at June 30, 2021 because of the demand nature or short-term maturity of these instruments.

**Financial risk management objectives and policies**

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Currency Risk**

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

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*Interest Rate Risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

*Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the risk, the Company places these instruments with a high-quality financial institution.

*Liquidity Risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

**Outstanding Common Shares**

As at the date of this MD&A:

- 64,353,900 common shares issued and outstanding including 2,206,485 held in escrow;
- 258,260 share purchase warrants; and
- 1,700,000 stock options