One World Lithium Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

In Canadian Dollars

(Unaudited – Prepared by Management)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of One World Lithium Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Professional Accountants for a review of interim financial statements by an entity's auditor.

ONE WORLD LITHIUM INC.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2020 ($)	December 31, 2019 ($)
Assets			
Current Assets			
Cash		18,270	21,026
Receivables	10	173,659	172,843
Prepaids		1,986	11,668
		193,915	205,537
Non - Current Assets			
Exploration and evaluation assets	5	3,107,654	3,107,654
		3,301,569	3,313,191
Liabilities & Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	6,10	1,815,396	1,619,456
Loans payable	7	56,080	60,553
Share subscriptions	9	179,814	5,000
Credit facility	8	12,501	12,501
		2,063,791	1,697,510
Shareholders' Equity			
Share capital	9	18,446,426	18,446,426
Share-based payments reserve	9	986,777	1,138,553
Reserve- warrants	9	83,733	83,733
Contributed surplus	9	55,555	55,555
Deficit		(18,334,713)	(18,108,586)
		1,237,778	1,615,681
		3,301,569	3,313,191

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

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

Approved on behalf of the Board by:

"Douglas Fulcher"	*"Kevin Milledge"*
Douglas Fulcher, Director	Kevin Milledge, Director

ONE WORLD LITHIUM INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2020	**2019**	**2020**	**2019**
		($)	**($)**	**($)**	**($)**
EXPENSES					
Consulting fees		27,856	96,537	84,846	211,558
Exploration and evaluation expense and impairment	5	-	345,253	20,179	353,470
Interest, accretion and financing costs	7,8	3,847	16,325	7,239	40,140
Investor relations		12,000	24,403	24,000	37,817
Legal		6,098	1,267	7,296	19,066
Management fees	10	60,000	45,000	120,000	90,000
Office, rent and phone		31,641	37,204	67,003	60,776
Professional fees		16,500	16,500	30,000	33,000
Share based payments	9c	-	67,299	55,036	322,340
Transfer agent and filing fees		5,207	8,888	17,340	20,310
		163,149	658,676	432,939	1,188,477
Gain on debt settlement	9b	-	-	-	(39,000)
Net Loss and Comprehensive Loss		**163,149**	**658,676**	**432,939**	**1,149,477**
Basic and Diluted Loss per Common Share		(0.00)	(0.01)	(0.00)	(0.01)
Weighted Average Number of Shares Outstanding		97,275,537	87,206,964	97,275,537	85,263,263

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

ONE WORLD LITHIUM INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

	Share Capital						
	Shares (#)	Amount ($)	Warrants ($)	Share-based payments reserve ($)	Contributed surplus ($)	Deficit ($)	Total shareholders' equity ($)
Balance - December 31, 2018	**83,236,548**	**16,359,655**	**66,955**	**912,342**	**-**	**(14,841,187)**	**2,497,765**
Common shares upon private placement (net)	5,495,828	821,605	-	-	-	-	821,605
Issued for cash, upon exercise of stock options	150,000	7,500	-	-	-	-	7,500
Issued for cash, upon exercise of warrants	75,000	15,000	-	-	-	-	15,000
Common shares issued for debt	253,231	47,113	-	-	-	-	47,113
Warrants	-	-	25,390	-	-	-	25,390
Warrants expired	-	-	(55,555)	-	55,555	-	-
Share based payments				322,340			322,340
Reclassification adjustment upon exercise of stock options	-	67,500	-	(67,500)	-	-	-
Transfer of share based payments expired	-	-	-	(87,040)	-	87,040	-
Net loss for the period	-	-	-	-	-	(1,149,477)	(1,149,477)
Balance - June 30, 2019	**89,210,607**	**17,318,373**	**36,790**	**1,080,142**	**55,555**	**(15,903,624)**	**2,587,236**
Common shares upon private placement (net)	7,964,930	1,108,053	42,920	-	-	-	1,150,973
Issued for cash, upon exercise of warrants	100,000	20,000	-	-	-	-	20,000
Warrants	-	-	4,023	-	-	-	4,023
Share based payments	-	-	-	71,588	-	-	71,588
Transfer of share based payments expired	-	-	-	(13,177)	-	13,177	-
Net loss for the period	-	-	-	-	-	(2,218,139)	(2,218,139)
Balance - December 31, 2019	**97,275,537**	**18,446,426**	**83,733**	**1,138,553**	**55,555**	**(18,108,586)**	**1,615,681**
Share based payments	-	-	-	55,036	-	-	55,036
Transfer of share based payments expired	-	-	-	(206,812)	-	206,812	-
Net loss for the period	-	-	-	-	-	(432,939)	(432,939)
Balance - June 30, 2020	**97,275,537**	**18,446,426**	**83,733**	**986,777**	**55,555**	**(18,334,713)**	**1,237,778**

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

ONE WORLD LITHIUM INC.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

	Six months ended June 30	
	2020	**2019**
	($)	**($)**
OPERATING ACTIVITIES		
Net loss for the period	(432,939)	(1,149,477)
Items not affecting cash:		
Gain on debt settlement	-	(39,000)
Interest and financing costs	7,239	40,140
Share based payments	55,036	322,340
Changes in non-cash working capital:		
Receivables	(816)	(138,344)
Prepaid expenses	(9,681)	4,352
Accounts payable and accrued liabilities	205,591	200,630
Exploration and evaluation advance	-	(143,664)
	(175,570)	(903,021)
FINANCING ACTIVITIES		
Loan repayment	(7,000)	(50,000)
Shares issued for exercise of options	-	7,500
Shares issued for exercise of warrants	-	15,000
Shares issued for cash	-	824,377
Share issuance costs	-	(2,772)
Share subscriptions	179,814	422,000
	172,814	1,216,105
Increase in cash for the period	(2,756)	313,084
Cash - beginning of the period	21,026	107,654
Cash - end of period	18,270	420,738
Supplemental disclosures		
Fair value of warrants issued for credit facility	-	22,223
Fair value of warrants issued to lender	-	-
Common shares issued to settle debt and accounts payable	-	46,925

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

1. Nature of operations and going concern

One World Lithium Inc., together with its subsidiary (collectively referred to as the "Company") was incorporated under the laws of the province of British Columbia on November 9, 1982. The Company is focused on the acquisition, exploration and development of resource properties in Mexico. The Company is considered to be in the exploration stage. The Company's head office and records offices are located at Suite 615, 800 West Pender Street, Vancouver, British Columbia, V6C 2V6. On February 28, 2017, the Company voluntarily delisted its common shares from the NEX Board of the TSX Venture Exchange ("Exchange"). On February 28, 2018, One World Lithium Inc. began trading on the Canadian Securities Exchange ("CSE") at market open under the trading symbol OWM. On January 19, 2018, the Company changed its name to One World Lithium Inc. to align with its primary exploration and evaluation asset and the trading symbol on the CSE was changes to OWLI. On March 7, 2019, the Company also began trading on the OTCQB Venture Market under the trading symbol OWRDF.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which contemplates the realization of assets and discharge liabilities at their carrying values in the ordinary course of operations for the foreseeable future rather than through the process of forced liquidation. The condensed interim financial statements do not include any adjustments to the classification and amounts of assets and liabilities that may be required should the Company be unable to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of, participation in or interest in new properties, assets or business opportunities, as well as the successful results from exploration activities, and its ability to attain profitable operations and generate funds therefrom, and raise equity capital or obtain the necessary financing sufficient to meet current and future obligations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Although the Company has been successful at raising funds in the past through the issuance of securities, it is uncertain whether it will be successful in doing so in the future.

2. Basis of presentation, statement of compliance

Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim financial statements, including IAS 34, Interim Financial Reporting and interpretations of the IFRS Interpretations Committee ("IFRIC"). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Lithium Investments Ltd., a Canadian company.

2. Basis of presentation, statement of compliance - Continued

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the Company's most recent annual financial statements as at and for the year ended December 31, 2019. The effects of the adoption of new and amended IFRS pronouncements have been disclosed in notes of these condensed interim financial statements.

These condensed interim consolidated financial were reviewed by the Board of Directors and approved and authorized for issuance on August 28, 2020.

Use of estimates, assumptions and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. While management believes that the judgment, assumptions and estimates made are reasonable, actual results could differ from those estimates, and could impact future results of comprehensive income and cash flows. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Management of the Company assesses the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

Adoption of new IFRS pronouncements

The same accounting policies have been used in the preparation of these condensed consolidated financial statements as those used in the most recent audited annual financial statements and in the opinion of management reflect all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

3. Financial instruments

The Company has classified and measured its financial instruments as described below:

- Cash and cash equivalents and receivables, are classified as and measured at amortized cost.
- Accounts payable and accrued liabilities, loans payable, shares subscriptions and other payables are classified as and measured at amortized cost. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. The liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

3. Financial instruments - Continued

The Company's financial instruments as at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020 ($)	December 31, 2019 ($)
Financial Assets		
Cash	18,270	21,026
Prepaid expenses	1,986	11,668
Receivables	173,659	172,843
	193,915	**205,537**
Financial liabilities		
Accounts payable and accrued liabilities	1,815,396	1,619,456
Loans payable	56,080	60,553
Share subscriptions	179,814	5,000
Current Liabilities	12,501	12,501
	2,063,791	**1,697,510**
Working capital deficit	(1,869,876)	(1,491,973)

4. Financial risk management

(a) Credit risk
Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

(b) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company is exposed to liquidity risk as it relates to its accounts payable and loans payable.

The Company's current and expected remaining contractual maturities for its financial liabilities with agreed repayment periods are presented below. The table includes the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

As at June 30, 2020	**1 - 6 months $**
Accounts payable and accrued liabilities	1,815,396
Loans payable	56,080
Share subscriptions	179,814
Credit facility	12,501
	2,063,791

4. Financial risk management- Continued

(c) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk
Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(ii) Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company incurs certain expenses in currencies other than the Canadian dollar. The Company is subject to foreign currency risk as a result of fluctuations in exchange rates. The Company manages this risk by maintaining bank accounts in US dollars to pay these foreign currency expenses as they arise. Receipts in foreign currencies are maintained in those currencies. The Company does not undertake currency hedging activities. The Company also does not attempt to hedge the net investment and equity of integrated foreign operations.

(iii) Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

There were no changes in the Company's approach to managing the above risks.

5. Exploration and evaluation assets

Property	Salar del Diablo ($)
Total December 31, 2018	**3,107,654**
Consideration paid	-
Acquisition costs	-
Total December 31, 2019 and June 30, 2020	**3,107,654**

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

5. Exploration and evaluation assets - Continued

Acquisition of the Salar del Diablo Property (formerly the Valle Del Diablo Property:

On October 10, 2017, the Company completed the acquisition of Lithium Investments Ltd. ("LIL") by acquiring all of the shares of LIL from its shareholders ("original shareholders") in exchange for 10,000,000 common shares and a $100,000 cash payment made 30 days after the close (November 10, 2017). All shares issued on October 10, 2017 were measured at $0.235 per share, being the Company's closing price on that date on the CSE.

The principal assets of LIL consist of the rights and interests under an option and joint venture agreement as amended (the "Option Agreement") with third parties to acquire up to a 90% interest in the Salar del Diablo (formerly the Valle Del Diablo Property) in Mexico (the "Salar del Diablo Property"). In order to earn an 80% interest in the Salar del Diablo, the Company is required to issue 1,800,002 shares (1,000,002 shares were issued on October 10, 2017, 200,000 shares were issued on August 13, 2018 and 200,000 shares, as a penalty for late payment, see below, were issued on September 24, 2018 for a total value of $297,000, being the total value of the shares on the date of issuance) and make payments up to US$277,500 (as at December 31, 2018 US$230,000 has been paid with LIL paying US$102,500 and the Company paying US$127,500 of this balance) to the third parties in stages. On November 1, 2019, the Company and Optionors ("the Parties") agreed that the balance of 400,000 shares and a US$150,000 payment is due after completion of the Phase 3 drilling program or on June 30, 2020 at which time the Phase 3 drilling program would be deemed completed. Subsequently, on July 20, 2020 the Parties agreed to extend the deemed completion date from June 30, 2020 to December 31, 2020. For this extension, the Company agreed to issue 400,000 shares (200,000 shares were issued on August 17, 2020 for a total value of $16,000, being the total value of the shares on the date of issuance) and make a US$50,000 payment (US$25,000 was paid on August 20, 2020) leaving a net balance to pay of US$100,000. If the project goes to commercial production, the Company is also required to issue an additional 1,100,000 shares and make an additional payment of $1,050,000. In addition, up until the delivery of a bankable feasibility report (the "BS Report") on the Salar del Diablo Property LIL is responsible for all exploration expenditures. After the delivery of the BS Report each Joint Venture party ("JV Party") is responsible for their pro rata share of future funding. If either JV Party fails to contribute its share of the project cost, their interest shall be diluted proportionally until their interest reaches 10% or less. Should the underlying JV Party's interest dilute below a 10% equity interest or less, a 2% NSR royalty replaces the 10% equity interest and the other party will have the right at any time prior to the commencement of commercial production but not the obligation to purchase one-half of the NSR for US$5,000,000.

The Company also incurred and capitalized $125,664 costs directly related to this acquisition in fiscal 2017.

Consideration paid:

For value of 10,000,000 shares issued to LIL shareholders at $0.235 per share	$2,350,000
For value of 1,000,002 shares issued to Joint Venture Third Party at $0.235 per share	$235,000
Cash paid	$100,000
Total consideration paid, December 31, 2017	**$2,685,000**
For value of 200,000 shares issued to Joint Venture Third Party at $0.16 per share	$32,000
Cash paid	$264,990
Total consideration paid, December 31, 2018, 2019 and June 30, 2020	**$2,981,990**

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

5. Exploration and evaluation assets - Continued

On August 21, 2018, the original optionors assigned their interest in the Option Agreement to Energy Metals Discovery Group, LLC, an unrelated entity and a Texas Limited Liability Company.

On September 24, 2018, the Company issued 200,000 shares as a penalty for late payment. The shares were valued at $30,000, using the issuance date to determine the fair value of the shares. The penalty was included in the exploration and evaluation expense for the year ended December 31, 2018.

The LIL purchase agreement requires the Company to continue making the following additional payments and share issuance to the formal and original shareholders of LIL:

On or before (Date)	Pay to former shareholders of LIL (CDN$)	Pay to former shareholders of LIL (# of shares of OWL)
October 10, 2018	$ 200,000 (paid)	-
October 10, 2020	$ 300,000	-
December 31, 2020	$ 500,000	16,000,000
	$ 1,000,000	**16,000,000**

On April 24, 2019, the Company agreed to increase the share issuance by 3,500,000 shares to 16,000,000 shares in exchange for the LIL shareholders agreeing to extend the date of the share issuance of the 12,500,000 shares to July 31, 2019. As at December 31, 2019, the 16,000,000 shares have not been issued and the October 10, 2019 payment had not been made. On May 5, 2020 the LIL original shareholders agreed to extend the date of the issuance of the shares to December 31, 2020, to extend the October 10, 2019 payment of $300,000 to October 20, 2020 and to extend the October 10, 2020 payment to December 31, 2020 and the Company agreed to increase the final $400,000 payment by $100,000 to $500,000 for the LIL original shareholders agreeing to these extensions.

In connection with the Salar del Diablo property, the Company, advanced $Nil to the property (2018: $208,817) in respect of subsequent year drilling projects.

The following table shows the activity by category of exploration and evaluation and impairment provision for the six months ended June 30:

	June 30, 2020	June 30, 2019
Exploration and Evaluation Expenditures	($)	($)
Consulting	12,743	32,555
Drilling	3,240	305,096
Geophysics	-	5,618
Travel	3,448	-
Supplies & Other	748	10,201
Total	**20,179**	**353,470**

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

6. Accounts payable and accrued liabilities

	June 30, 2020 ($)	December 31, 2019 ($)
Accounts payable and accrued liabilities	1,422,714	1,359,848
Part XII.6 tax payable	225,776	221,065
Due to related parties (note 10)	166,906	38,543
	1,815,396	**1,619,456**

7. Loans payable

	Loan #1		Loan #2		Loan #3		Total	
	June 30, 2020 ($)	**Dec 31, 2019 ($)**	**June 30, 2020 ($)**	**Dec 31, 2019 ($)**	**June 30, 2020 ($)**	**Dec 31, 2019 ($)**	**June 30, 2020 ($)**	**Dec 31, 2019 ($)**
Balance - beginning	-	**55,425**	**53,553**	**47,514**	**7,000**	-	**60,553**	**102,939**
Additions	-	-	-	-	**250**	**7,000**	**250**	**7,000**
Interest	-	**923**	**2,527**	**3,484**	-	-	**2,527**	**4,407**
Repayment	-	**(56,348)**	-	-	**(7,250)**	-	**(7,250)**	**(56,348)**
Bonus warrants	-	-	-	**(7,189)**	-	-	-	**(7,189)**
Accretion	-	-	-	**9,744**	-	-	-	**9,744**
Balance - end	-	-	**56,080**	**53,553**	-	**7,000**	**56,080**	**60,553**

Loan #1: On August 24, 2017, the Company received $50,000 in respect of a convertible loan. The loan matured on December 1, 2017 with no demand for repayment. The convertible feature (to convert the loan into common shares) also expired on the maturity date of December 1, 2017. The loan was unsecured and bore interest of 8% per annum. On January 29, 2019, the Company settled $30,000 of the loan in cash. Interest of $923 was accrued during the year ended December 31, 2019 (December 31, 2018: $4,000). On June 18, 2019, the Company settled the remaining principal of $20,000 plus accumulated accrued interest of $6,348 in cash.

Loan #2: On July 12, 2018, the Company received $50,000 in respect of a loan. The loan originally matured on October 31, 2018, which was subsequently extended to March 31, 2019 and further extended to July 1, 2019. The loan is unsecured and bears interest of 6% per annum. Interest of $2,527 was accrued during the period ended June 30, 2020 (December 31, 2019: $3,484). In consideration for the Loan, on July 12, 2018, the Company issued 312,500 share purchase warrants to the Lender. On November 1, 2018, in consideration for extending the maturity date, the Company issued an additional 312,500 share purchase warrants to the Lender. Each Warrant will entitle the Lender to purchase one common share at $0.16 per share for a period of 2 years. During the period ended June 30, 2020, 312,500 warrants expired.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

On April 1, 2019, the note was extended for another three months, with a new maturity date of June 30, 2019. An additional 312,500 warrants were granted in consideration of the extension. Each warrant will entitle the Lender to purchase one common share at $0.165 per share for a period of 2 years. The bonus warrants were valued at $3,166, being the residual value of the warrants (Note 9d). On July 1, 2019, the note was extended until October 31, 2019. On November 1, 2019, the note was extended a further three months, with a new maturity date of January 31, 2020 and the interest rate was increased to 12% per annum. In consideration for extending the maturity date, the Company issued an additional 312,500 share purchase warrants to the Lender. The bonus warrants were valued at $4,023, being the residual value of the warrants (Note 9d). Each Warrant will entitle the Lender to purchase one common share at $0.12 per share for a period of 2 years (Note 9d). The effective interest rate is 47%.

Loan #3: On December 12, 2019, the Company received $7,000 in respect of a loan. On April 21, 2020, the Company received an additional $250. The loan is unsecured and bears no interest. The loan is payable on demand. On June 3, 2020, the company settled the $7,250 in cash.

8. Credit facility

On February 22, 2017, the Company entered into a credit facility (“Credit Facility”), pursuant to which it can borrow from SUI an aggregate of up to $250,000 in one or more tranches (each, a “Tranche”), at a rate of 8.0% per annum, with a maturity date for each Tranche of February 28, 2019. In consideration for the Credit Facility, the Company is required to issue share purchase warrants (“Warrants”) permitting SUI to purchase up to, in the aggregate, 1,250,000 shares, in proportion with each Tranche of the Credit Facility. Each Warrant allows for the purchase of one common share at $0.20 per share for a period of 2 years from the date of the Tranche. On February 28, 2017 and under the terms of the Credit Facility, the Company borrowed $100,000 from SUI, and issued Warrants allowing for the purchase of up to, in the aggregate, 500,000 common shares in the capital of the Company at $0.20 per share until February 28, 2019. The warrants were valued at $55,555 being the residual value of the $100,000 credit facility present valued using a market interest rate of 40% for comparable debt with a similar risk profile of the Company.

	($)
Balance, at December 31, 2018	**109,850**
Accretion of debt discount, to February 28, 2019	4,844
Balance, at February 28, 2019	114,694
Fair value adjustment on issuance of share purchase warrants	(15,524)
Accretion of debt discount, to June 30, 2019	10,349
Accrued interest	3,967
Balance, June 30, 2019	**113,486**
Accretion of debt discount, to August 31, 2019	5,176
Accrued interest	4,032
Repayment	(110,193)
Balance, December 31, 2019 and June 30, 2020	**12,501**

8. Credit facility - Continued

On February 28, 2019, 400,000 warrants expired unexercised and 100,000 warrants were extended for an additional year. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.78%, expected life of 1 years, expected volatility of 99.37% and dividend yield of 0%. The total amount of the warrants, $6,700, of which was recognized during the year ended December 31, 2019. On February 28, 2020, 100,000 warrants relating to the Credit Facility expired.

On April 24, 2019 SUI agreed to extend the maturity date of the $100,000 principal plus interest from February 28, 2019 to August 31, 2019. For this extension, the Company issued Warrants allowing for the purchase of up to, in the aggregate, 500,000 common shares in the capital of the Company at $0.20 per share until February 28, 2021. The warrants were valued at $15,524 being the residual value of the $100,000 credit facility present valued using a market interest rate of 40% for comparable debt with a similar risk profile of the Company. The total amount of the warrants, $15,524, of which was fully recognized as an accretion expense during the year ended December 31, 2019. On December 31, 2019, the company repaid $110,193 of the credit facility. During the period ended June 30, 2020, the Company did not accrue any interest on the remaining amount.

9. Share capital

a) Authorized

- Unlimited common shares without par value.

b) Issued

No shares were issued during the six month period ended June 30, 2020.

As at June 30, 2020, the Company has received $179,814 of subscriptions in advance of the issuance of 3,596,280 units for the Private Placement announced on April 23, 2020. Subsequently, on August 11, 2020, the Company closed a portion of its private placement issuing 6,720,500 units at $0.05 for total proceeds of $336,025 (Note 12).

c) Stock options

On February 4, 2013, the Company adopted a “rolling” stock option plan for its employees, directors, officers and self-employed consultants, which plan received regulatory approval in 2013. The terms of the plan provide for options to be granted to a maximum of 10% of the issued and outstanding common shares of the Company at the time of grant of the stock options. The exercise price of each option shall not be less than the minimum price permitted by the policies of the Exchange. The options may be granted for a maximum term of ten years from the date of grant, and at the Board’s election, may include vesting provisions. The total amount of share-based payments expense, if any, which is expected to be recognized over the vesting period of options, is recognized during the period in which it occurs.

On October 31, 2018, at the Company’s Annual General Meeting the shareholders approved a new stock option plan to incorporate the polices of the Canadian Stock Exchange (“CSE”). Under the new stock option plan the maximum number of shares of the Company reserved for issuance will be limited to 10% of the issued shares of the Company at the time of any granting of options (on a non-diluted basis). In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. The Board may from time to time authorize the issue of options to directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing

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9. Share capital - Continued

management or consulting services to the Company or its subsidiaries. The exercise price of each option shall be determined by the Board provided that such exercise price shall be not lower than the greater closing price of the Company's shares on the CSE on the trading day prior to the date of grant. The options may be granted for a maximum term of ten years from the date of grant, and at the Board's election, may include vesting provisions. The total amount of share-based payments expense, if any, which is expected to be recognized over the vesting period of options, is recognized during the period in which it occurs.

During the six month period ended June 30, 2019:

On February 12, 2020, the Company granted 500,000 incentive stock options of the Company in at an exercise price of $0.10 per common share. The stock options are exercisable on or before February 12, 2022 with 125,000 vesting on June 12, 2020, 125,000 vesting on September 12, 2020, 125,000 vesting on December 12, 2020 and the balance vesting on March 12, 2021. Subsequent to this grant, 500,000 vested stock options expired unexercised.

On February 12, 2020, the Company also granted 200,000 incentive stock options at an exercise price of $0.10 per common share. The stock options are exercisable on or before February 12, 2021 and are fully vested. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.54%, expected life of 1 years, expected volatility of 112.87% and dividend yield of 0%. The total amount of share based payments expense, $5,259, of which was recognized during the period ended June 30, 2020.

On April 23, 2020, the Company granted 1,500,000 incentive stock options at an exercise price of $0.10 per common share. The stock options are exercisable on or before April 23, 2022 and are fully vested. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.33%, expected life of 2 years, expected volatility of 118.55% and dividend yield of 0%. The total amount of share based payments expense, $49,777, of which was recognized during the period ended June 30, 2020.

As at June 30, 2020, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 6,665,000 (December 31, 2019: 6,864,000) common shares exercisable as follows:

Number of stock options outstanding (#)	**Number of stock options exercisable** (#)	**Exercise price** ($)	**Expiry date**
1,300,000	1,300,000	0.05	February 28, 2022
2,450,000	2,450,000	0.19	March 1, 2021
15,000	15,000	0.20	April 30, 2021
400,000	400,000	0.19	May 22, 2021
400,000	400,000	0.20	May 31, 2021
400,000	400,000	0.13	December 3, 2020
200,000	200,000	0.10	February 12, 2021
1,500,000	1,500,000	0.10	April 23, 2022
6,665,000	**6,665,000**		

The weighted average remaining contractual life of the stock options outstanding as at June 30, 2020 is 1.07 years (December 31, 2019: 1.12 years).

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9. Share capital - Continued

A summary of the stock options outstanding at June 30, 2020 and December 31, 2019, and changes during the period then ended are as follows:

	Number of options (#)	Weighted average exercise price ($)
Outstanding December 31, 2018	3,649,000	0.14
Granted	2,450,000	0.19
Expired	(400,000)	0.25
Expired	(500,000)	0.15
Exercised	(150,000)	0.05
Outstanding June 30, 2019	5,049,000	0.15
Granted	300,000	0.18
Granted	15,000	0.20
Granted	400,000	0.19
Granted	400,000	0.20
Granted	600,000	0.20
Granted	400,000	0.13
Expired	(300,000)	0.18
Outstanding December 31, 2019	6,864,000	0.14
Granted	700,000	0.10
Granted	1,500,000	0.10
Expired	(799,000)	0.20
Expired	(300,000)	0.20
Expired	(100,000)	0.15
Expired	(100,000)	0.15
Expired	(500,000)	0.10
Expired	(600,000)	0.20
Outstanding June 30, 2020	6,665,000	0.14

Share-based payments reserve is included in shareholders' equity and consists of the estimated fair value of stock options.

d) Warrants

During the six month period ended June 30, 2020:

- On March 6, 2020, the Company amended the terms of an aggregate of 14,501,233 outstanding common share purchase warrants previously issued by the Company as follows:

  - 6,857,667 of these Warrants are currently exercisable to acquire common shares of the Company at a price of $0.20 until March 22, 2020. Under the Amendment, the exercise price of the Warrants will be reduced to $0.15 and the term of the Warrants will be extended by an additional twelve months such that they will now be exercisable until March 22, 2021;

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9. Share capital - Continued

- 3,480,665 of these Warrants are currently exercisable to acquire common shares of the Company at a price of $0.20 until May 23, 2020. Under the Amendment, the exercise price of the Warrants will be reduced to $0.15 and the term of the Warrants will be extended by an additional twelve months such that they will now be exercisable until May 23, 2021; and

- 4,162,901 of these Warrants are currently exercisable to acquire common shares of the Company at a price of $0.20 until November 08, 2020. Under the Amendment, the exercise price of the Warrants will be reduced to $0.15 and the term of the Warrants will be extended by an additional twelve months such that they will now be exercisable until November 08, 2021.

A summary of the status of the warrants, with a weighted average life of 0.77 years, as at June 30, 2020 and December 31, 2019 follows:

	Number of Warrants	Weighted Exercise Price	Expiry Date	
Outstanding and Exercisable December 31, 2017	**500,000**	**$0.20**		
Issued	6,857,667	$0.15	March 22, 2021	*
Issued	3,480,665	$0.15	May 23, 2021	*
Outstanding and Exercisable June 30, 2018	**10,838,332**	**$0.00**		
Issued	312,500	$0.16	July 12, 2020	
Issued	4,162,901	$0.15	November 8, 2021	*
Issued	312,500	$0.16	November 1, 2020	
Outstanding and Exercisable December 31, 2018	**15,626,233**	**$0.12**		
Expired	(500,000)	$0.20		
Issued	100,000	$0.20	February 28, 2020	
Issued	500,000	$0.20	February 28, 2021	
Issued	312,500	$0.165	April 1, 2021	
Issued	1,752,257	$0.20	April 10, 2021	
Issued	995,668	$0.15	June 4, 2021	
Exercised	(75,000)	$0.20		
Outstanding and Exercisable June 30, 2019	**18,711,658**	**$0.00**		
Issued	1,836,465	$0.25	July 8, 2021	
Exercised	(100,000)	$0.20		
Issued	312,500	$0.12	November 1, 2021	
Issued	4,292,000	$0.10	December 23, 2021	
Outstanding and Exercisable December 31, 2019	**25,052,623**	**$0.12**		
Expired	(100,000)	$0.20		
Outstanding and Exercisable June 30, 2020	**24,952,623**	**$0.12**		

* amended terms

e) Share-based payments reserve
Share-based payments reserves include the value of stock option grants prior to exercise.

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10. Related party transactions

a) Compensation of key management personnel

Key management personnel consist of the directors and executive officers of the Company. The remuneration, including stock-based compensation, of key management personnel during the periods ended June 30, 2020 and 2019 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	**2019**	**2020**	**2019**
	($)	**($)**	**($)**	**($)**
Management fees	60,000	33,500	120,000	90,000
Share based payments	-	15,353	-	101,690
	60,000	**48,853**	**120,000**	**191,690**

At June 30, 2020, $71,403 (December 31, 2019: $24,938) is owed to the CEO of the Company, $46,050 (December 31, 2019: $5,470) is owed to the CFO of the Company and $2,671 (December 31, 2019: $2,671) is owed to a director of the Company. These amounts are included in accounts payable and accrued liabilities. (See Note 6).

b) Other related party transactions

Effective May 1, 2016, the Company entered into an office rental agreement in which an officer and director is a shareholder. For the period ended June 30, 2020 and 2019, the Company was charged rent and office expenses as follows:

`	For the three months ended June 30		For the six months ended June 30	
	2020	**2019**	**2020**	**2019**
	($)	**($)**	**($)**	**($)**
Rent and office	27,618	19,830	57,536	43,962

At June 30, 2020, the Company owes $46,782 (December 31, 2019: $5,464) for rent and office.

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11. Segmented information

All of the Company's operations are in the resource sector. The Company's mineral exploration and development operations are in Mexico. The assets and total assets identifiable with these geographical areas are as follows:

	June 30, 2020	December 31, 2019
	$	$
Exploration & Evaluation Assets		
Canada	-	-
Mexico	3,107,654	3,107,654
	3,107,654	**3,107,654**

	June 30, 2020	December 31, 2019
	$	$
Total Assets		
Canada	193,915	205,537
Mexico	3,107,654	3,107,654
	3,301,569	**3,313,191**

12. Subsequent events

- Since March 2020, several governmental measures have been implemented in Canada and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company's business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020. The Company continues to operate its business, and in response to Canadian Federal and Provincial and Mexico emergency measures, has requested its employees and consultants work remotely wherever possible. These government measures, which could include government-mandated closures of the Company or its contractors, could impact the Company's ability to conduct its exploration programs in a timely manner, and the Company is evaluating the best way to move its exploration activities forward when the emergency measures are lifted.

- On July 31, 2020, the Lender of Loan #2 (Note 7) agreed to accept a payment of $50,000 in full settlement of the loan and on August 11, 2020 the Company paid the Lender the $50,000.

- On August 11, 2020, the Company closed a portion of its non-brokered private placement as previously announced on April 23, 2020. The Company raised $ 336,025 through the issuance of 6,720,500 units at a price of $0.05 per unit. Each Unit consists of one common share in the capital of the Company and one non-transferable Common Share purchase warrant. Each warrant will entitle the holder thereof to acquire one Common Share, at a price of $0.10 per Common Share for a period of 36 months from the closing date. All Securities are subject to a four month and one day hold from the closing date.

- On August 24, 2020, the Company received a total of $10,000 in respect of two loans ($5,000 each). The loans mature on December 24, 2020, are unsecured and bear interest of 8% per annum. In consideration for the Loan, on August 24, 2020, the Company issued 125,000 share purchase warrants to the Lenders Each warrant will entitle the Lender to purchase one common share at $0.08 per share for a period of 2 years.