One World Lithium Inc.

Consolidated Financial Statements
(*Expressed in Canadian Dollars, unless otherwise noted*)

For the Years Ended December 31, 2020 and 2019

Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
1100 - Royal Centre
1055 West Georgia Street
Vancouver, BC V6E 3P3 Canada

Independent Auditor's Report

To the Shareholders of One World Lithium Inc.

Opinion

We have audited the consolidated financial statements of One World Lithium Inc. and its subsidiary ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group has a working capital deficit of $2,479,040 and an accumulated deficit of $19,446,482. As stated in Note 1 these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis for the year ended December 31, 2020.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion & Analysis for the year ended December 31, 2020 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Jeremy East.

BDO Canada LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 30, 2021

One World Lithium Inc.
Consolidated Statements of Financial Position
(*Expressed in Canadian Dollars***)**

	Notes		December 31, 2020		December 31, 2019
ASSETS					
Current assets					
Cash		**$**	**4,490**	$	21,026
Receivables and advances			**130,467**		172,843
Prepaid expenses and deposits			**900**		11,668
Total current assets			**135,857**		**205,537**
Non-current assets					
Exploration and evaluation assets	6		**3,203,800**		3,107,654
TOTAL ASSETS		**$**	**3,339,657**	**$**	**3,313,191**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	7, 11	**$**	**2,449,874**	$	1,619,456
Loans and borrowings	8		**22,523**		73,054
Share subscriptions payable	16, 9(ix)		**142,500**		5,000
Total current liabilities			**2,614,897**		**1,697,510**
SHAREHOLDERS' EQUITY					
Share capital	9(a)		**18,797,923**		18,446,426
Share-based payments and warrants reserve	9(b),10		**1,306,364**		1,222,286
Contributed surplus	8		**66,955**		55,555
Deficit			**(19,446,482)**		(18,108,586)
Total shareholders' equity			**724,760**		**1,615,681**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**3,339,657**	**$**	**3,313,191**

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

Approved on behalf of the Board by:

"Douglas Fulcher"
Douglas Fulcher, Director

"Kevin Milledge"
Kevin Milledge, Director

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

One World Lithium Inc.
Consolidated Statements of Loss and Comprehensive Loss
(*Expressed in Canadian Dollars***)**

	Notes	For the years ended December 31, 2020	2019
Expenses			
Exploration and evaluation	6	**$ 314,537**	$ 1,897,659
General and administration	11	**245,631**	336,219
Professional and consulting fees	11	**676,360**	720,076
Share-based payments	11	**90,338**	393,928
Loss before other items		**1,326,866**	**3,347,882**
Finance costs	8	**25,660**	58,734
Loss on warrant modification	9(a)	**227,173**	-
Loss on debt modification	8	**1,852**	-
Gain on debt settlement	8	**(18,433)**	(39,000)
Total loss and comprehensive loss for the year		**$ 1,563,118**	**$ 3,367,616**
Basic and diluted loss per common share		**$ 0.02**	$ 0.04
Weighted average number of common shares outstanding		**99,992,892**	89,166,230

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

One World Lithium Inc.
Consolidated Statements of Changes in Shareholders' Equity
(*Expressed in Canadian Dollars*)

	Share capital	Share-based payments and warrants reserve	Contributed Surplus	Deficit	Total
Balance - December 31, 2018	**$ 16,359,655**	**$ 979,297**	**$ -**	**$ (14,841,187)**	**$ 2,497,765**
Shares issued in private placement, net issuance costs (note 9)	1,929,658	42,920	-	-	1,972,578
Shares issued to settle liabilities	47,113	-	-	-	47,113
Warrants issued (note 9)	-	29,413	-	-	29,413
Warrants exercised (note 9)	35,000	-	-	-	35,000
Warrants expired (note 9)	-	(55,555)	55,555	-	-
Stock options exercised (note 10)	75,000	(67,500)	-	-	7,500
Stock options expired (note 10)	-	(100,217)	-	100,217	-
Share-based payments (note 10)	-	393,928	-	-	393,928
Loss for the year	-	-	-	(3,367,616)	(3,367,616)
Balance - December 31, 2019	**$ 18,446,426**	**$ 1,222,286**	**$ 55,555**	**$ (18,108,586)**	**$ 1,615,681**
Shares issued in private placement, net issuance costs (note 9(a)(ix))	**285,497**	**-**	**-**	**-**	**285,497**
Shares issued to settle liabilities (note 9(a)(ix))	**50,000**	**-**	**-**	**-**	**50,000**
Shares issued for property (note 6)	**16,000**	**-**	**-**	**-**	**16,000**
Warrants issued on loans (note 8(iv)(v))	**-**	**3,189**	**-**	**-**	**3,189**
Warrants expired	**-**	**(11,400)**	**11,400**	**-**	**-**
Warrant modification (note 9(a)(x))	**-**	**227,173**	**-**	**-**	**227,173**
Share-based payments (note 10)	**-**	**90,338**	**-**	**-**	**90,338**
Stock options expired (note 10)	**-**	**(225,222)**	**-**	**225,222**	**-**
Loss for the year	**-**	**-**	**-**	**(1,563,118)**	**(1,563,118)**
Balance - December 31, 2020	**$ 18,797,923**	**$ 1,306,364**	**$ 66,955**	**$ (19,446,482)**	**$ 724,760**

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

One World Lithium Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(*Expressed in Canadian Dollars*)

	Notes	For the year ended December 31, 2020	2019
OPERATING ACTIVITES			
Net loss for the year		$ (1,563,118)	$ (3,367,616)
Non-cash items:			
Gain on debt settlement	8	(18,433)	(39,000)
Loss on debt modification	8	1,852	-
Loss on warrant modification	9(a)	227,173	-
Finance costs	8	25,660	58,734
Share-based payments	10	90,338	393,928
Changes in non-cash working capital items:			
Receivables and advances		42,376	(125,545)
Prepaid expenses and deposits		10,768	(6,775)
Accounts payable and accrued liabilities		773,922	1,022,292
Exploration and evaluation advance		-	208,817
		(409,462)	**(1,855,165)**
INVESTING ACTIVITY			
Exploration and evaluation expenditure		(33,071)	-
FINANCING ACTIVITIES			
Interest paid	8	-	(10,193)
Repayment of loans and borrowings	8	(7,250)	(156,348)
Proceeds from loans	8	10,250	7,000
Proceeds from issuance of common shares	9(a)	280,497	1,896,161
Share issuance costs	9(a)	-	(15,583)
Advances for private placements	16	142,500	5,000
Proceeds from exercise of stock options	10	-	7,500
Proceeds from exercise of warrants	9(b)	-	35,000
		425,997	**1,768,537**
Decrease in cash in the year		(16,536)	(86,628)
Cash – beginning of the year		21,026	107,654
Cash – end of the year		**$ 4,490**	**$ 21,026**

Supplemental cash flow information (Note 15)

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 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.

During the year ended December 31, 2020, the Company generated a net loss of $1,563,118 and negative cash flows from operating activities of $409,462. As at December 31, 2020, the Company has an accumulated deficit of $19,446,482 and a working capital deficiency of $2,479,040. As a result, the Company may not have sufficient capital to fund its current planned operations during the twelve-month period subsequent to December 31, 2020. On March 1, 2021, the Company closed a non-brokered private placement raising gross proceeds of $2,251,110, see note 16 for more details. The proceeds will assist the Company in continuing its activities for the next twelve months. In addition, the outbreak of COVID-19 at the beginning of this fiscal year has resulted in a challenging global economic climate.

These consolidated 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 consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 consolidated 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 consolidated financial statements.

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

The effects of the adoption of new and amended IFRS pronouncements have been disclosed in notes of these consolidated financial statements.

These consolidated financial were reviewed by the Board of Directors and approved and authorized for issuance on April 30, 2021.

Use of estimates, assumptions and judgments

The preparation of consolidated 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, measurements mining concessions and going concern assumption.

3. Significant accounting policies

The consolidated financial statements have been prepared using the historical cost basis, except for certain financial instruments which are stated at fair value.

(a) Critical accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical judgments exercised in the application of accounting policies and estimates having the most significant effects on the amounts recognized in these consolidated financial statements include:

Impairment of mineral properties – Expenditures on mineral properties are expensed. The Company makes estimates and applies judgment about future events and circumstances in determining whether the carrying amount of a mineral property exceeds its recoverable amount. The recoverability of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties. Management looks for impairment indicators and then reviews the carrying values of its mineral properties on an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In making its assessment, management considers, among other things, exploration results to date and future exploration plans for a particular property. In addition, capitalized costs related to relinquished property rights are written off in the period of relinquishment. Capitalized costs in respect of the Company's mineral properties may not be recoverable and there is a risk that these costs may be written down in future periods.

Mining concession fees – Mining concession fees in Mexico are based on the surface area of the mineral exploration property multiplied by the applicable tax rate for that jurisdiction in Mexico. These fees are due on a semi-annual basis. The tax rate is determined by the date on which the title document of the mining concession was registered with mining authority with older mining concessions having a high tax rate. Judgment is used calculating the tax rate used in recording the mining concessions.

Going Concern Assumption – The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

While management believes that these estimates, critical judgment and assumptions are reasonable, actual results could differ and could impact future results of operation and cash flows.

(b) Cash

Cash consists of cash on hand and demand deposits that are subject to an insignificant risk of change in value.

(c) Exploration and evaluation ("E&E") assets

Exploration and evaluation expenditures are expensed as incurred, until the property reaches development stage. The development stage begins once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable.

E&E acquisition costs: All direct costs related to the acquisition of mineral property interests (E&E Assets) are capitalized into intangible assets on a property-by-property basis. Expenditures made in connection with a right to acquire a property and or explore in an exploration area for a period in excess of one year, are capitalized. Mineral property acquisition costs include cash costs and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company and are recorded as mineral property acquisition costs upon payment.

E&E exploration expenditures: Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments and government assistance are recorded as property costs or recoveries when the payments are made or received.

(d) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its former properties that may result in material liability to the Company. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the properties may be diminished or negated.

(e) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(f) Financial instrument classification and measurement

Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. On initial recognition, a financial asset is classified as: amortized cost, fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- it is held with the objective of collecting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis. All financial assets not classified as amortized cost or FVOCI are classified as and measured at FVPL. This includes all derivative assets. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as FVPL, directly attributable transaction costs. Measurement of financial assets in subsequent periods depends on whether the financial asset has been classified as amortized cost, FVPL or FVOCI. Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as amortized cost or FVPL. Financial assets and financial liabilities classified as amortized cost are measured subsequent to initial recognition using the effective interest method.

Loss allowances for 'expected credit losses' are recognized on financial assets measured at amortized cost, contract assets and investments in debt instruments measured at FVOCI, but not to equity investments. A loss event is not required to have occurred before a credit loss is recognized.

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

- Cash and receivables and advances are classified as and measured at amortized cost.
- Accounts payable and accrued liabilities, loans and borrowings, 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.

(g) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

When applicable, deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Share capital and Share-based payments

Share capital represents the amount received in exchange for the issuance of shares. Shares issued for consideration other than cash are recorded at their fair value according to quoted market price on the day the shares are issued. Proceeds from the exercise of share options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company along with the fair value of the option or warrant, if any, at the time of its grant.

The Company uses the residual method in determining the fair value of warrants issued to subscribers, which method provides for the allocation of the consideration received to the fair value to the shares issued and allocating any residual amount to the warrants issued. Upon expiry of the warrants, the amount allocated to the warrants is transferred to contributed surplus.

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as equity. Share issuance costs related to uncompleted share subscriptions are charged to operations.

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than the closing market price on the grant date.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period during which the options are earned. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number at options that vest. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry, the recorded value is transferred to accumulated deficit.

(i) Flow-through shares and unit offerings

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the “flow-through share premium”) as follows:

- Share capital – the market value of non-flow-through share.
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature based on the residual value method.
- Warrants – recorded as reserves based on the residual value method.

Thereafter, as qualifying resource expenditures are incurred, these costs are expensed and the flow-through share premium is amortized to profit or loss.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares.

For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting period).

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued and recorded to profit or loss.

(j) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares for years presented at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of exercise of options and warrants as they would be anti-dilutive.

Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

(k) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Under the guidance of IFRS 10, Consolidated Financial Statements, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquirer to affect the amount of the acquiror’s returns.

(Expressed in Canadian Dollars)

The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date. During the year ended December 31, 2017, the Company's acquisition of Lithium Investments Ltd. was recorded as an asset acquisitions given that it was not considered to be a business when applying the guidance within IFRS 3, Business Combinations ("IFRS 3").

(l) Segmented information

The Company has one operating segment, mineral exploration and development of lithium and operates in two geographical segments, being Canada and Mexico.

4. Financial instruments

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

		December 31, 2020		December 31, 2019
Financial assets				
Cash	**$**	**4,490**	$	21,026
Receivables and advances		**130,467**		172,843
	$	**134,957**	$	193,869
Financial liabilities				
Accounts payable and accrued liabilities	**$**	**2,449,874**	$	1,619,456
Loans and borrowings		**22,523**		73,054
Share subscriptions payable		**142,500**		5,000
	$	**2,614,897**	$	1,697,510

5. 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.

At December 31, 2020	**Total carrying amount**	**Contractual cash flow – less than one year**
Accounts payable and accrued liabilities	$ 2,449,874	$ 2,449,874
Loans and borrowings	22,523	22,840
	$ 2,472,397	**$ 2,472,714**

(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.

(d) 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.

(e) 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.

There were no changes during the year in the Company's approach to managing the above risks. The Company is not exposed to significant foreign currency risk and overall the Company's foreign currency risk has not changed significantly from the prior year.

6. Exploration and evaluation assets

	Salar del Diablo Property
Balance - December 31, 2018	**$ 3,107,654**
Consideration paid	-
Acquisition costs	-
Balance - December 31, 2019	**$ 3,107,654**
Consideration paid equivalent to $50,000 USD	66,146
Issuance of 400,000 shares	30,000
Balance – December 31, 2020	**$ 3,203,800**

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 of which US$25,000 was paid on August 20, 2020 ($33,071 CAD equivalent). The Company has accrued the commitment to pay the unpaid US$25,000 ($33,075 CAD equivalent) and the remaining issuance of 200,000 common shares of the Company valued at $14,000 at December 31, 2020 using the market price of the Company's common share on the same date.

After the year end, on April 28, 2021, the Parties further agreed to extend the deemed completion date from December 31, 2020 to July 31, 2021. For this extension, the Company agreed to make an additional US$20,000 payment. On payment of the extension payment, a US$5,000 credited will be applied to the milestone option payment of $100,000 at the early of July 31, 2021 or completion of Phase 3 Drilling.

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 the Company 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 LIL Purchase Agreement requires the Company to continue making the following additional payments and share issuance to the former and original shareholders of LIL:

(Expressed in Canadian Dollars)

	Pay to former shareholders of LIL		
On or before date		**Amount**	**# of OWL Shares**
October 10, 2018 (paid)	$	200,000	-
July 31, 2021		300,000	-
December 31, 2021		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 former 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 former LIL shareholders agreed to extend the date of the issuance of the shares to on or before December 31, 2020, to extend the October 10, 2019 payment of $300,000 to on or before October 31, 2020 and to extend the October 10, 2020 payment to on or before December 31, 2020 and the Company agreed to increase the final $400,000 payment by $100,000 to $500,000 in exchange for the former LIL shareholders agreeing to these extensions.
- As at December 31, 2020, the 16,000,000 shares have not been issued and the October 31, 2020 and December 31, 2020 payments had not been made. On April 15, 2021, the Company and the former LIL shareholders agreed to extend the date of the issuance of the shares to on or prior to December 31, 2021, to extend the October 31, 2020 payment of $300,000 to on or prior to July 31, 2021 and to extend the December 31, 2020 payment of $500,000 to on or prior to December 31, 2021.

The following table shows the activity by category of exploration and evaluation for the year ended December 31, 2020 and 2019:

Exploration and evaluation expenditures		**Year ended December 31, 2020**		**Year ended December 31, 2019**
Concession fees	$	283,853	$	140,000
Consulting		23,248		165,323
Drilling		3,240		1,315,321
Geology		-		35,850
Geophysics		-		5,618
Mapping		-		380
Permitting		-		41,748
Staking		-		39,257
Travel		3,448		69,167
Supplies and other		748		84,995
Total	**$**	**314,537**	**$**	**1,897,659**

7. Accounts payable and accrued liabilities

		December 31, 2020		**December 31, 2019**
Accounts payable and accrued liabilities	$	1,987,045	$	1,359,848
Part XII.6 tax payable		230,487		221,065
Due to related parties (Note 11)		232,342		38,543
	$	**2,449,874**	**$**	**1,619,456**

(Expressed in Canadian Dollars)

8. Loans and borrowings

The loans and borrowings on December 31, 2020 and December 31, 2019 and the movements for the year then ended, respectively, are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Opening balance	**$ 73,054**	**$ 157,364**
Additions (iii) (iv) (v)	10,250	7,000
Fair value adjustment on issuance of warrants (iv) (v) (vi)	(1,000)	(15,524)
Bonus warrants (ii)	-	(7,189)
Interest (i) (ii) (iv) (v)	3,948	11,484
Accretion (ii) (iv) (v)	12,290	30,122
Repayments (i) (ii) (iii)	(7,250)	(110,193)
Debt settlement through issuance of Company's common shares (ii)	(50,000)	-
Net gain from debt modifications (iv) (v)	(336)	-
Gain on debt settlement (ii)	(18,433)	-
Ending balance	**$ 22,523**	**$ 73,054**

	Year ended December 31, 2020	Year ended December 31, 2019
Loan #2	**$ -**	$ 53,553
Loan #3	-	7,000
Loan #4	5,011	-
Loan #5	5,011	-
Credit facility	12,501	12,501
Total loans and borrowings	**$ 22,523**	**$ 73,054**

(i) **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. On June 18, 2019, the Company settled the remaining principal of $20,000 plus accumulated accrued interest of $6,348 in cash. As of December 31, 2019, the total loan balance outstanding had been repaid and settled.

(ii) **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 $3,666 was accrued during the year ended December 31, 2020 (the year ended 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 year ended December 31, 2020, 312,500 warrants expired.

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 9(b)(iii)). 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 9(b)(iv)). Each Warrant will entitle the Lender to purchase one common share at $0.12 per share for a period of 2 years. The effective interest rate is 47%.

Loan accretion of $11,214 was recognized during the year ended December 31, 2020 (the year ended December 31, 2019 - $9,744).

On July 31, 2020, the Company settled the outstanding principal and interest balances to the Lender through the issuance of 1,000,000 units, with each unit comprised of one common share and one share purchase warrant, as part of the August 2020 non-brokered private placement (note 9(ix)). The Company recognized a gain of $18,433 on debt settlement.

(iii) **Loan #3**

On December 12, 2019, the Company received $7,000 as 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 repaid the outstanding balance of $7,250 in cash.

(iv) **Loan #4**

On August 24, 2020, the Company received $5,000 in respect of a loan. The loan is unsecured and bears interest at 8% per annum. The loan was repayable at maturity date on December 24, 2020. In consideration for the Loan the Company issued 62,500 share purchase warrants to the Lender. Each warrant will entitle the Lender to purchase one common share at $0.08 per share for a period of 2 years. The Company valued the liability component at $4,500 at inception using the market rate of 40% with the residual of $500 allocated to share purchase warrants. The Lender agreed to extend to January 24, 2021 from its original maturity date, as a compensation the Company issued additional 31,250 share purchase warrants. The management assessed changes to the terms of the loan as debt modification and recognized a loss on debt modification of $926 made up of the following:

- A gain of $168 due to changes to the expected cash flows using the same effective interest rate; and
- A loss on debt modification of $1,094 from issuance of share purchase warrants valued using the Black- Scholes option-pricing model (Note 9(b)(v)).

The Company recognized interest of $141 and accretion of $538 during the year ended December 31, 2020 (the year ended December 31, 2019 - $nil of interest expense and $nil of accretion respectively).

(v) **Loan #5**

On August 24, 2020, the Company received $5,000 in respect of a loan. The loan is unsecured and bears interest at 8% per annum. The loan is repayable at maturity date on December 24, 2020. In consideration for the Loan the Company issued 62,500 share purchase warrants to the Lender. Each warrant will entitle the Lender to purchase one common share at $0.08 per share for a period of 2 years. The Company valued the liability component at $4,500 at inception using the market rate of 40% with the residual of $500 allocated to share purchase warrants. The Lender agreed to extend to January 24, 2021 from its original maturity date, as a compensation the Company issued additional 31,250 share purchase warrants. The management assessed changes to the terms of the loan as debt modification and recognized a loss on debt modification of $926 made up of the following:

- A gain of $168 due to changes to the expected cash flows using the same effective interest rate; and
- A loss on debt modification of $1,094 from issuance of share purchase warrants valued using the Black- Scholes option-pricing model (Note 9(b)(v)).

The Company recognized interest of $141 and accretion of $538 during the year ended December 31, 2020 (the year ended December 31, 2019 - $nil of interest expense and $nil of accretion respectively).

(vi) **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.

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 year ended December 31, 2020, by agreement with the creditor, the Company did not accrue any interest on the remaining amount (the year ended December 31, 2019 – $8,000).

On February 26, 2021, the Company agreed to extend the term of the Warrants for an additional twenty-four (24) months such that the Warrants will now be exercisable until February 28, 2023 and to reduce the exercise price of the Warrants to $0.15 per share. All other Warrant terms remain the same.

(Expressed in Canadian Dollars)

9. Share Capital

a) Common shares

Authorized: unlimited common shares without par value

	Number of Shares		Amount
Balance, December 31, 2018	**83,236,548**	**$**	**16,359,655**
Common shares upon private placement, net (i) (ii) (iii) (iv) (v)	13,460,758		1,929,658
Common shares issued on debt (vi) (vii) (viii) (ix)	253,231		47,113
Issued for cash, upon exercise of stock options	150,000		7,500
Issued for cash, upon exercise of warrants	175,000		35,000
Reclassification adjustment upon exercise of stock options	-		67,500
Balance, December 31, 2019	**97,275,537**	**$**	**18,446,426**
Common shares upon private placement, net of issuance costs (ix)	6,720,500		335,497
Common shares issued for property (Note 6)	200,000		16,000
Balance, December 31, 2020	**104,196,037**	**$**	**18,797,923**

(i) On April 11, 2019 – the Company closed a second tranche of its non-brokered private placement, as previously announced on June 29, 2018. The Company raised $ 525,675 through the issuance of 3,504,497 units at a price of $0.15 per unit. Each Unit consists of one common share of the Company and one-half of a non-transferable Common Share purchase warrant. A total of 1,752,257 one-half (1/2) warrants were issued in connection with the second tranche. Each Warrant will entitle the holder to purchase one Common Share at a price of $0.20 for a period of 24 months from the closing of the offering. All securities are subject to a four month and one day hold from the closing date. In connection with this private placement, the Company received $92,000 in share subscriptions in advance as at December 31, 2018, which has been included in this private placement. No finder's fees were paid in connection with the private placement.

(ii) On June 4, 2019 – the Company closed its third tranche of its non-brokered private placement, as previously announced on June 29, 2018. The Company raised $ 298,700 through the issuance of 1,991,331 units at a price of $0.15 per unit. Each Unit consists of one common share of the Company and one-half of a non- transferable Common Share purchase warrant. A total of 995,668 one-half (1/2) warrants were issued in connection with the third tranche. Each Warrant will entitle the holder to purchase one Common Share at a price of $0.20 for a period of 24 months from the closing of the offering. All securities are subject to a four month and one day hold from the closing date. No finder's fees were paid in connection with the private placement.

(iii) On July 8, 2019 – the Company closed its non-brokered private placement, as previously announced on June 7, 2019. The Company raised $ 734,586 through the issuance of 3,672,930 units at a price of $0.20 per unit. Each Unit consists of one common share of the Company and one-half of a non-transferable Common Share purchase warrant. A total of 1,836,465 one-half (1/2) warrants were issued in connection with this private placement. Each Warrant will entitle the holder to purchase one Common Share at a price of $0.25 for a period of 24 months from the closing of the offering. All securities are subject to a four month and one day hold from the closing date. No finder's fees were paid in connection with the private placement.

(iv) On December 23, 2019 – the Company closed its non-brokered private placement. The Company raised $ 429,200 through the issuance of 4,292,000 units at a price of $0.10 per unit. Each Unit consists of one common share of the Company and one non-transferable Common Share purchase warrant. A total of 4,292,000 warrants were issued in connection with this private placement. Each Warrant will entitle the holder to purchase one Common Share at a price of $0.10 for a period of 24 months from the closing of the offering. All securities are subject to a four month and one day hold from the closing date. No finder's fees were paid in connection with the private placement.

(v) A total of $15,583 was paid in share issuance costs relating to the 2019 private placements.

(vi) On March 1, 2019, the Company in connection with the settlement of services with a third party issued 71,058 common shares at $0.19, the fair value of the shares on the grant date and paid $9,000 in cash. The fair value of the debt was $45,000, not including GST of $2,250. A portion of the debt ($22,500) was forgiven and treated as a gain on debt settlement.

(vii) On March 1, 2019, the Company settled a portion of debt owing to a related party by issuing 132,178 common shares at $0.19, the fair value of the shares on the grant date. The fair value of the debt was $25,114 (Note 10b).

(viii) On March 18, 2019, the Company in connection with the settlement of services with a third party issued 50,000 common shares at $0.17, the fair value of the shares on the grant date. The fair value of the debt was $25,000. A portion of the debt ($16,500) was forgiven and treated as a gain on debt settlement.

(ix) On August 11, 2020 – the Company closed its non-brokered private placement. The Company received a total of $336,025 cash proceeds through the issuance of 6,720,500 units at a price of $0.05 per unit. Each Unit consists of one common share of the Company and one non-transferable Common Share purchase warrant. From the total 6,720,500 units issued in this private placement, 1,000,000 units were issued as settlement of a loan payable (note 8(ii)). Five thousand ($5,000) of the total proceeds were received in December 2019 and was initially recognized as share subscription payable.

The Company incurred $528 of share issuance costs in connection with the private placement. A total of 6,720,500 warrants were issued in connection with the private placement. Each Warrant will entitle the holder to purchase one Common Share at a price of $0.10 for a period of 36 months from the closing of the offering. As the fair value of the shares was greater than the consideration received, no residual amount existed, and the warrants were valued at $Nil. All securities are subject to a four month and one day hold from the closing date.

(x) On March 6, 2020, the Company decided to amend the terms (the "Amendment") of an aggregate of 14,501,233 outstanding common share purchase warrants previously issued by the Company as follows:

- 6,857,667 of warrants previously 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 was reduced to $0.15 and the term of the Warrants extended by an additional twelve months (12) until March 22, 2021;

- 3,480,665 warrants previously 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 was reduced to $0.15 and the term of the warrants will be extended by an additional twelve months (12) until May 23, 2021; and

- 4,162,901 warrants previously 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 was reduced to $0.15 and the term of the warrants was extended by an additional twelve months (12) until November 08, 2021.

The total cost of the warrant amendment is $227,173 which has been recorded as a loss on warrant modification in the current year ended December 31, 2020. The fair value of the warrant modification was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period based on the effective date of the modification. The assumptions used to fair value the warrants were as follows:

(Expressed in Canadian Dollars)

	Amended Warrant	Original Warrants
Grant date share price	$0.07	$0.07
Exercise Price	$0.15	$0.20
Risk free rate	0.70%	0.70%
Expected life (years)	1.04 - 1.68	0.04 - 0.68
Expected volatility	106% - 115%	122% - 129%
Expected dividends	0%	0%
Forfeiture rate	0%	0%

b) Warrants

The Company's warrants outstanding as at December 31, 2020 and December 31, 2019 and the changes for the year ended December 31, 2020 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2018	**15,626,233**	**$ 0.14**
Issued (i), (ii), (iii), (iv), (note 9(a)(i), (a)(ii), (a)(iii) and (a)(iv))	10,101,390	0.16
Exercised	(175,000)	0.20
Expired	(500,000)	0.20
Balance, December 31, 2019	**25,052,623**	**$ 0.15**
Issued (note 9(a), (ix)), (note 8(iv),(v))	6,908,000	0.10
Expired	(725,000)	0.17
Balance, December 31, 2020	**31,235,623**	**$ 0.14**

(i) On February 28, 2019, the Company, in connection with the Credit Facility (Note 8), issued 500,000 warrants, with each warrant entitling the holder to purchase one common share at a price of $0.20 per share until on February 28, 2021. The warrants were valued at $15,524 being the residual value of the present value of the Credit Facility.

(ii) On February 28, 2019, the Company, in connection with the Credit Facility (Note 8), extended the maturity date of 100,000 warrants for an additional year, with each warrant entitling the holder to purchase one common share at a price of $0.20 per share until February 28, 2020. The warrants were valued at $6,700. 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%.

(iii) On April 1, 2019, the Company issued 312,500 share purchase warrants to the Lender (Note 7(ii)), each warrant will entitle the Lender to purchase one common share at $0.165 per share for a period of 2 years. The warrants were valued at $3,166 being the residual value of the $50,000 loan present valued using a market interest rate of 40% for comparable debt with a similar risk profile of the Company.

(iv) On November 1, 2019, the Company issued 312,500 share purchase warrants to the Lender (Note 7(ii)), each warrant will entitle the Lender to purchase one common share at $0.12 per share for a period of 2 years. The warrants were valued at $4,023 being the residual value of the $50,000 loan present valued using a market interest rate of 40% for comparable debt with a similar risk profile of the Company.

(Expressed in Canadian Dollars)

Warrants outstanding at December 31, 2020 were as follows:

Expiry Date		Exercise Price	Outstanding Warrants
February 28, 2021	$	0.20	500,000
March 22, 2021		0.15	6,682,667
April 1, 2021		0.17	312,500
April 10, 2021		0.15	1,752,257*
May 23, 2021		0.15	3,480,665
June 4, 2021		0.15	995,668*
July 8, 2021		0.15	1,836,465*
November 1, 2021		0.12	312,500
November 8, 2021		0.15	4,162,901
December 23, 2021		0.10	4,292,000
August 24, 2022		0.08	125,000
August 10, 2023		0.10	6,720,500
December 24, 2022		0.07	62,500
	$	**0.14**	**31,235,623**

*Subsequent to year end the exercise price of these warrants were amended; see note 16.

The weighted average remaining contractual life of warrants outstanding at December 31, 2020 is 0.98 years (December 31, 2019 - 1.04 years).

10. Share-Based Payments

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 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.

(Expressed in Canadian Dollars)

The Company's recorded share-based payment for the year ended December 31, 2020 and 2019 as follows:

	Year ended December 31, 2020	2019
Share-based payments	$ 90,338	$ 393,928

a) Stock Options

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted Avg exercise price
Balance, December 31, 2018	**3,649,000**	**$ 0.14**
Granted	4,565,000	0.19
Exercised	(150,000)	0.05
Expired	(1,200,000)	0.19
Balance, December 31, 2019	**6,864,000**	**$ 0.16**
Granted (i) (ii) (iii) (iv)	3,000,000	0.09
Forfeited (i)	(500,000)	0.10
Expired	(2,299,000)	0.18
Balance, December 31, 2020	**7,065,000**	**$ 0.13**
Balance, December 31, 2020 exercisable	**6,415,000**	**$ 0.13**

(i) 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 the grant all 500,000 stock options were forfeited due to a termination of services with the consultant for which options were granted.

(ii) 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.

(iii) 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.

(iv) On October 21, 2020, the Company granted 800,000 incentive stock options at an exercise price of $0.075 per common share. The stock options are exercisable on or before October 21, 2022 and as at December 31, 2020 150,000 of the options had vested and were exercisable. The remaining options vest according to the following schedule:

- 150,000 will vest on February 21, 2021
- 250,000 will vest on March 21, 2021
- 250,000 will vest on April 21, 2021

(Expressed in Canadian Dollars)

The Company fair valued the options using the Black-Scholes option pricing model with the following inputs:

	2020	**2019**
Grant date share price	$0.07 - $0.08	$0.13 - $0.20
Exercise Price	$0.08 - $0.10	$0.13 - $0.20
Risk free rate	0.23% - 1.51%	1.48% - 1.77%
Expected life (years)	1.00 - 2.00	0.75 - 2.00
Expected volatility	105% - 133%	92% - 143%
Expected dividends	0%	0%
Forfeiture rate	0%	0%

Stock options outstanding and exercisable at December 31, 2020 are as follows:

Number of Options Outstanding and Exercisable	**Exercise Price**	**Expiry Date**
200,000	$ 0.10	February 12, 2021*
2,450,000	0.19	March 1, 2021*
15,000	0.20	April 30, 2021*
400,000	0.19	May 22, 2021
400,000	0.20	May 31, 2021
1,300,000	0.05	February 28, 2022
1,500,000	0.10	April 23, 2022
150,000	0.075	October 21, 2022
6,415,000	**$ 0.14**	

*Subsequent to year end these options expired unexercised.

The weighted average remaining contractual life of stock options outstanding and exercisable at December 31, 2020 is 0.70 years (December 31, 2019 - 1.12 years).

11. 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 years ended December 31, 2020 and 2019 were as follows:

	For the year ended December 31	
	2020	**2019**
Professional and consulting fees	$ 240,000	$ 284,355
Share-based payments	-	101,690
	$ 240,000	$ 386,045

At December 31, 2020, $109,451 (December 31, 2019: $24,938) is owed to the CEO of the Company, $92,281 (December 31, 2019: $5,470) is owed to the CFO of the Company and $nil (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 7).

(Expressed in Canadian Dollars)

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. The Company was charged rent and office expenses for the following years:

	For the year ended December 31	
	2020	**2019**
Rent, office and parking	$ 88,819	$ 86,450

At December 31, 2020, the Company owes $30,610 (December 31, 2019: $5,464) for rent, office and parking. These amounts are included in accounts payable and accrued liabilities (see Note 7).

12. Management of capital

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern in order to facilitate the development of mineral properties and to maintain an optimal capital structure, while ensuring the Company's strategic objectives are met; and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, share-based payments reserve, loans, credit facility and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, and controlling the capital expenditures program. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management policies on an ongoing basis. During the year ended December 31, 2020, there has been no change in the Company's management of capital policies.

13. Income taxes

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	For the year ended December 31	
	2020	**2019**
Loss for the year before income tax taxes	$ (1,563,118)	$ (3,367,616)
Statutory tax rates	27%	27%
Recovery of income taxes based on statutory rates	**$ (422,000)**	**$ (909,000)**
Increase (decrease) in income tax recovery resulting from:		
Non-deductible expenses and other	86,000	106,000
Change in unrecognized deferred tax assets	336,000	803,000
	$ -	**$ -**

Effective December 31, 2020, the Federal and British Columbia provincial corporate tax rates were 15.00% and 12.00%. The nature and tax effect of the taxable temporary differences giving rise to deferred tax liabilities are summarized as follows:

(Expressed in Canadian Dollars)

	For the year ended December 31	
	2020	**2019***
Non-capital loss carried forward	$ 2,170,000	$ 1,914,000
Capital losses carried forward	12,000	12,000
Exploration and evaluation assets	1,049,000	964,000
Capital assets	105,000	105,000
Financing costs	3,000	3,000
	3,339,000	2,998,000
Unrecognized deferred tax asset	(3,339,000)	(2,998,000)
Net deferred tax assets	**$ -**	**$ -**

* Management revised the estimates to the taxable temporary differences for the year ended December 31, 2019. As a result, the disclosed figures have been revised in the disclosure.

The Company has non-capital losses of approximately $8.031 million (2019 - $7.085 million) which are available to reduce future year's taxable income. The non-capital losses will commence to expire in 2026 if not utilized. Management estimates future income using forecasts based on the best available information. The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

14. Segmented information

All 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:

	December 31, 2020	December 31, 2019
	$	$
Exploration and evaluation assets		
Canada	-	-
Mexico	3,230,800	3,107,654
	3,230,800	**3,107,654**
Total assets		
Canada	135,857	205,537
Mexico	3,203,800	3,107,654
	3,339,657	**3,313,191**

15. Supplemental cash flow information

The following are non-cash investing and financing activities that occurred during the years ended December 31, 2020 and 2019:

(Expressed in Canadian Dollars)

		Year ended December 31, 2020		Year ended December 31, 2019
Fair value of warrants issued for credit facility	$	-	$	15,524
Fair value of warrants issued to lender		1,000		7,189
Fair value of common shares issued for options assignment		16,000		-
Fair value of common shares issuable pursuant to the option agreement		14,000		-
Accounts payable included in Exploration and Evaluation asset		33,075		-
Fair value of units (each unit comprising one common share and one share purchase warrant) issued to settle debt and accounts payable	$	50,000	$	47,113

16. Subsequent events

- On January 29, 2021 and February 1, 2021, the Company received low interest loans totalling $60,000 from the Canadian government to help alleviate the impact of the COVID-19 outbreak to its business. A portion of these loans may be forgiven if certain conditions are met.

- On March 1, 2021, the Company closed a non-brokered private placement for gross proceeds of $2,251,110 by issuance of 45,022,210 units priced at $0.05 per unit, $142,500 of which was collected and recorded as share subscriptions payable as at December 31, 2020 and subsequently reclassified to share capital upon the issuance of common shares. Each unit consist of one common share and one non-transferable 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.

- On March 1, 2021, the Company granted 4,900,000 incentive stock options at an exercise price of $0.13 per common share. The stock options are exercisable on or before March 1, 2023.

- On April 12, 2021, the Company amended the terms of an aggregate of 4,584,390 outstanding common share purchase warrants previously issued by the Company as follows:

  - 1,752,257 of these Warrants are currently exercisable to acquire common shares of the Company at a price of $0.20 until April 10, 2021. 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 (12) such that they will now be exercisable until April 10, 2022;

  - 995,668 of these Warrants are currently exercisable to acquire common shares of the Company at a price of $0.20 until June 4, 2021. 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 (12) such that they will now be exercisable until June 4, 2022; and

  - 1,836,465 of these Warrants are currently exercisable to acquire common shares of the Company at a price of $0.25 until July 8, 2021. 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 (12) such that they will now be exercisable until July 8, 2022.