



One World Lithium Inc.

Consolidated Financial Statements
Expressed in Canadian Dollars, unless otherwise noted

For the Years Ended December 31, 2021 and 2020

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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 "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 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 Company as at December 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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 Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has a working capital deficit of \$740,663 and an accumulated deficit of \$24,797,246. As stated in Note 1 these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis for the year ended December 31, 2021 (the "MD&A").

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 MD&A for the year ended December 31, 2021 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

The engagement partner on the audit resulting in this independent auditor's report is Rob Scupham.

BDO Canada LLP

Chartered Professional Accountants
Vancouver, British Columbia
May 2, 2022

One World Lithium Inc.
Consolidated Statements of Financial Position
As of December 31, 2021 and December 31, 2020
Expressed in Canadian Dollars

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash		\$ 685,108	\$ 4,490
Receivables and advances		135,396	130,467
Prepaid expenses and deposits	4	95,626	900
Total current assets		\$ 916,130	\$ 135,857
Non-current assets			
Exploration and evaluation assets	5	\$ 771,434	\$ 3,203,800
Total assets		\$ 1,687,564	\$ 3,339,657
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 1,588,411	\$ 2,449,874
Loans and borrowings	7	34,122	22,523
Share subscriptions payable	8(iii)	34,260	142,500
Total liabilities		\$ 1,656,793	\$ 2,614,897
SHAREHOLDERS' EQUITY			
Share capital	8(a)	\$ 22,865,481	\$ 18,797,923
Contributed surplus		66,955	66,955
Share-based payments and warrants reserve	9	1,895,581	1,306,364
Accumulated deficit		(24,797,246)	(19,446,482)
Total shareholders' equity		\$ 30,771	\$ 724,760
Total liabilities and shareholders' equity		\$ 1,687,564	\$ 3,339,657

Events after reporting period (Notes 5 and 14)

Approved on behalf of the Board of Directors on May 2, 2022

"Douglas Fulcher"

Director

"Kevin Milledge"

Director

One World Lithium Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2021 and 2020
Expressed in Canadian Dollars except number of shares

	Notes	For the year ended December 31:	
		2021	2020
Expenses			
Exploration and evaluation	5	\$ 1,165,506	\$ 314,537
General and administration	10	495,769	245,631
Professional and consulting fees	10	731,883	676,360
Share-based payments	9(a)	521,094	90,338
Total expenses		\$ 2,914,252	\$ 1,326,866
Operating loss		\$ (2,914,252)	\$ (1,326,866)
Other income (expenses)			
Net financing cost	7	\$ (57,860)	\$ (25,660)
Foreign exchange gain		72,067	-
Government grant	7	30,523	-
Impairment of exploration and evaluation asset	5	(2,440,366)	-
Other expenses	8(b)	(377,945)	(229,025)
Other income		247	18,433
Net loss and comprehensive loss for the year		\$ (5,687,586)	\$ (1,563,118)
Basic and diluted loss per common share		\$ 0.04	\$ 0.02
Weighted average number of common shares outstanding – basic and diluted		145,328,688	99,992,892

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

One World Lithium Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2021 and 2020
Expressed in Canadian Dollars except number of shares

	Notes	Share capital	Contributed surplus	Share-based payments and warrants reserve	Accumulated deficit	Total shareholder's equity
Balance - December 31, 2019		\$ 18,446,426	\$ 55,555	\$ 1,222,286	\$ (18,108,586)	\$ 1,615,681
Shares issued in private placement, net of share issuance costs	8(a)(i)	285,497	-	-	-	285,497
Shares issued to settle liabilities	8(a)(i)	50,000	-	-	-	50,000
Shares issued for property	8(a)	16,000	-	-	-	16,000
Warrants issued on loans		-	-	3,189	-	3,189
Warrants expired		-	11,400	(11,400)	-	-
Warrants modification	7(iv),8(b)(ii)	-	-	227,173	-	227,173
Share based payments	9(a)	-	-	90,338	-	90,338
Transfer of share-based payments expired		-	-	(225,222)	225,222	-
Loss for the year		-	-	-	(1,563,118)	(1,563,118)
Balance - December 30, 2020		\$ 18,797,923	\$ 66,955	\$ 1,306,364	\$ (19,446,482)	\$ 724,760
Shares issued in private placement, net of share issuance costs	8(a)(ii)(iii)	4,045,558	-	-	-	4,045,558
Shares issued for property	5, 8(a)	22,000	-	-	-	22,000
Warrants modification	7(iv), 8(b)(iii)(iv)	-	-	404,945	-	404,945
Share based payments	9(a)	-	-	521,094	-	521,094
Transfer of share-based payments expired	9(a)(v)	-	-	(336,822)	336,882	-
Loss for the year		-	-	-	(5,687,586)	(5,687,586)
Balance - December 31, 2021		\$ 22,865,481	\$ 66,955	\$ 1,895,581	\$ (24,797,246)	\$ 30,771

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

One World Lithium Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
Expressed in Canadian Dollars

	Notes	For the Years Ended December 31,	
		2021	2020
OPERATING ACTIVITIES			
Net loss for the year		\$ (5,687,586)	\$ (1,563,118)
<i>Non-cash items:</i>			
Government grant	7	(30,523)	-
Gain on debt settlement		-	(18,433)
Share-based payments	9	521,094	90,338
Loss on warrant modification	8(b)	377,945	227,173
Loss on debt modification	7	-	1,852
Net financing cost	7,8(b)	57,860	25,660
Impairment of exploration and evaluation asset		2,440,366	-
Foreign exchange gain		(72,067)	-
<i>Changes in non-cash working capital items:</i>			
Receivables		(4,929)	42,376
Prepaid expenses and deposits	4	(94,726)	10,768
Accounts payable and accrued liabilities	6	(801,293)	773,922
Net cash used in operating activities		\$ (3,293,859)	\$ (409,462)
INVESTING ACTIVITIES			
Exploration and evaluation advance	5	-	(33,071)
Net cash used in investing activities		\$ -	\$ (33,071)
FINANCING ACTIVITIES			
Interest paid	7	\$ (52)	\$ -
Repayment of loans and borrowings	7	(42,789)	(7,250)
Proceeds from loans	7	80,000	10,250
Advance for private placement	8	34,260	142,500
Proceeds from private placement, net of share issue cost	8	3,903,058	280,497
Net cash provided by financing activities		\$ 3,974,477	\$ 425,997
Decrease/Increase in cash in the year		\$ 680,618	\$ (16,536)
Cash – beginning of the year		4,490	21,026
Cash – end of the year		\$ 685,108	\$ 4,490

Supplemental cash flow information

For the years ended:		December 31, 2021	December 31, 2020
Fair value of warrants issued to lender	7	\$ -	\$ 1,000
Fair value of common shares issued for options assignment	5	-	16,000
Fair value of common shares issuable pursuant to the option agreement	9	-	14,000
Accounts payable included in exploration and evaluation asset		-	33,075
Fair value of units (each unit comprising of one common share and one share purchase warrant) issued to settle debt and accounts payable		-	50,000
Settlement of liabilities through issuance of common shares	5	22,000	-

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

NOTE 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 lithium resource properties and a new potential lithium separation extraction technology. The Company is considered to be in the exploration stage and early development of its separation technology. The Company's head office and records offices are located at Suite 615, 800 West Pender Street, Vancouver, British Columbia, V6C 2V6. 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 changed 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 of 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, 2021, the Company generated a net loss of \$5,687,586 and cash used in operating activities of \$3,293,859. As at December 31, 2021, the Company has an accumulated deficit of \$24,797,246 and a working capital deficit of \$740,663. As a result, the Company may not have sufficient capital to fund its current planned operations for the foreseeable future. On December 9, 2021, the Company closed a second tranche of a non-brokered private placement raising gross proceeds of \$1,041,051 (Note 8). The proceeds will assist the Company in continuing its activities for the next twelve months from December 31, 2021.

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, development of its lithium separation technology 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 material uncertainties 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.

NOTE 2 - BASIS OF PREPARATION AND PRESENTATION, STATEMENT OF COMPLIANCE

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

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at 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 Lithium Investments Ltd., its wholly-owned subsidiary, a Canadian company.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 2, 2022.

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.

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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

New accounting policy adopted in the current year

The Company's government grants reflect compensation received from various provincial and national bodies related to the research and development and COVID-19 support. Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as other income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. Government loans are analyzed to determine whether they qualify as grants or are required to be treated as financial liabilities.

Cash

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

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.

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.

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 are classified as and measured at amortized cost.
- Accounts payable and accrued liabilities, loans and borrowings, shares subscriptions 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.

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.

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 the 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 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 either the grant date or date goods or services are received, 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 of 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.

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.

One World Lithium Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
Expressed in Canadian Dollars except otherwise noted

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.

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.

Segmented information

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

NOTE 4 – PREPAID EXPENSES AND DEPOSITS

	December 31, 2021	December 31, 2020
Insurance	\$ 1,475	\$ -
Consulting fees	89,151	-
Advertising and promotion	5,000	-
Other prepaid expenses	-	900
Total prepaid expenses and deposits	\$ 95,626	\$ 900

NOTE 5 – EXPLORATION AND EVALUATION ASSETS

	Salar del Diablo Property
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
Remeasurement of 200,000 common shares on issuance	8,000
Impairment	(2,440,366)
Balance - December 31, 2021	\$ 771,434

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 closing date.

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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 "Property"). In order to earn an 80% interest in the Property, the Company is required to issue 1,800,002 common shares and make payments up to US\$380,000. As at December 31, 2021, 1,600,002 shares have been issued and US\$260,000 has been paid to the third parties in stages. The Company issued 200,000 common shares on April 29, 2021 valued at \$22,000 to partially settle the obligation previously accrued and recorded in accounts payable and accrued liabilities. The obligation to issue the shares was revalued from \$14,000 to \$22,000 during the year ended prior to the settlement.

On April 28, 2021, the Parties further agreed to extend the deemed completion date of the Phase Three drilling program from December 31, 2020 to July 31, 2021. For this extension, the Company agreed to make an additional US\$20,000 payment of which US\$5,000 (\$6,188 CAD equivalent paid in April 2021) of the extension payment will be applied to the Phase Three option payment at the earlier of (i) July 31, 2021, or (ii) completion of Phase 3 drilling.

On September 27, 2021, the Parties further agreed to extend the deemed completion date of the Phase Three drilling program from July 31, 2021 to December 31, 2021. For this extension, the Company agreed to make an additional US\$15,000 payment.

On December 31, 2021, the Company received the results of a drilling program that were not in line with management's expectation. Based on assessment of these results, management concluded that no further exploration and evaluation activities would be continued. This event triggered an impairment assessment and management concluded that the property's recoverable amount is \$771,434 as at December 31, 2021. The impairment of exploration and evaluation asset of \$2,440,366 was recorded as impairment expense in the consolidated statement of loss and comprehensive loss.

On April 29, 2022, the Parties enter into a Conveyance and Mutual Termination and Release Agreement whereby the Company conveyed all of its right, title and earned interest in the Property to the third parties. All the Parties agreed to release each other from any and all claims that they may have against each other to date and the Company would have no further rights, title and earned interest in the Property. The Company de-recognized the recoverable amount of the exploration and evaluation asset of \$771,434 and the related concession fee accrual of \$771,434 on the same date.

As well on April 29, 2022, the Company and the original shareholders terminated the October 10, 2017 Share Purchase Agreement for a termination fee of \$25,000 and agreed to release each other from any and all claims they may have against each other and the Company has no further payments or share issuances owing to the former and original shareholders except the \$25,000 termination fee that is due no later than December 31, 2022 by way of a Promissory Note dated April 29, 2022.

The following table summarizes exploration and evaluation expenditures disclosed on the statement of loss:

	Year ended December 31	
	2021	2020
Consulting	\$ 6,397	\$ 23,248
Concession fees	279,371	283,853
Drilling	589,995	3,240
Geology	108,392	-
Travel	48,990	3,448
Supplies and other	132,361	748
Total	\$ 1,165,506	\$ 314,537

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
Trade payables and accrued liabilities	\$ 1,185,421	\$ 1,987,045
Part XII.6 tax payable	256,412	230,487
Due to related parties (Note 10)	146,578	232,342
Total accounts payable and accrued liabilities	\$ 1,588,411	\$ 2,449,874

NOTE 7 – LOANS AND BORROWINGS

The loans and borrowings on December 31, 2021 and December 31, 2020 and the movements for the years then ended, respectively, are as follows:

	December 31, 2021	December 31, 2020
Opening balance	\$ 22,523	\$ 73,054
Additions (i)(v)	80,000	10,250
Effect of favourable interest rate on government loans as government grant income	(30,523)	-
Fair value adjustment on issuance of warrants	-	(1,000)
Interest	52	3,948
Accretion	4,911	12,290
Repayments	(42,841)	(7,250)
Debt settlement through issuance of Company's common shares	-	(50,000)
Net gain from debt modification	-	(336)
Gain from debt settlement	-	(18,433)
Ending balance	\$ 34,122	\$ 22,523

	December 31, 2021	December 31, 2020
Unsecured federal government term loan principal due on December 31, 2025 with monthly interest payments beginning in January 2023 and ending in December 2025 at a fixed rate of 5%. The portion of the loan may be forgiven with early repayment by January 2023 (i).	\$ 34,122	\$ -
Unsecured term loan principal with interest accrued at an annual fixed rate of 8.00% and repayable in January 2021 (ii).	-	5,011
Unsecured term loan principal with interest accrued at an annual fixed rate of 8.00% and repayable in January 2021 (iii).	-	5,011
Unsecured credit facility bearing interest at an annual fixed rate of 8.00% (iv)	-	12,501
Total loans and borrowings	\$ 34,122	\$ 22,523
Less: current portion of loans and borrowings	34,122	22,523
Non-current loans and borrowings	\$ -	\$ -

- (i) The benefits received by the Company from this loan, where interest rate is lower than market rate, were accounted for under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance and recorded as government grant income in the statement of loss and comprehensive loss. Market interest rate of 15% was determined by looking at comparable loans with similar terms, adjusted for credit risk rating of the Company. The government grant income of \$30,523 was recognized in its entirety in the consolidated statement of loss as funds received were fully spent in the reporting period on designated activities.

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(ii) The Company issued 62,500 share purchase warrants to the lender in consideration for the loan. Each warrant will entitle the lender to purchase one common share at \$0.08 per share for a period of two 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 loan was originally repayable on August 24, 2020, however the maturity date was extended to January 24, 2021. As a compensation for the maturity date extension, the Company issued additional 31,250 share purchase warrants with the same terms. Management accounted for these changes as debt modification and recognized a loss on debt modification of \$926.

(iii) The Company issued 62,500 share purchase warrants to the lender in consideration for the loan. Each warrant will entitle the lender to purchase one common share at \$0.08 per share for a period of two 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 loan was originally repayable on August 24, 2020, however the maturity date was extended to January 24, 2021. As a compensation for the maturity date extension, the Company issued additional 31,250 share purchase warrants with the same terms. Management accounted for these changes as debt modification and recognized a loss on debt modification of \$926.

(iv) On February 26, 2021, 500,000 warrants, previously granted on April 24, 2019, in consideration for an extension of credit facilities provided by SUI, were extended for an additional two years with an amended expiry date of February 28, 2023. In addition, the exercise price was amended from \$0.20 to \$0.15. The modification date fair value was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: exercise price of \$0.15, risk-free interest rate of 0.30%, expected life of 2.01 years, expected volatility of 133.90% and dividend yield of 0%. The total fair value of the warrants was \$27,000, which was recognized during the year end December 31, 2021 as a net financing cost in the consolidated statement of loss.

(v) October 8, 2021, the Company received the promissory note of \$20,000 from a related party, which was repaid in November 2021. The principal did not bear any interest and was due on demand.

Repayments due on loans and borrowings, including interest, for the next five years and thereafter are as follows:

Year	
2022	\$ 40,000
2023	-
2024	-
2025	-
2026	-
Thereafter	-
	\$ 40,000

NOTE 8 – SHARE CAPITAL

a) Common shares

Authorized: unlimited common shares without par value

	Number of Shares	Amount
Balance, December 31, 2019	97,275,537	\$ 18,446,426
Common shares upon private placement, net of issuance costs (i)	6,720,500	335,497
Common shares issued for property (Note 5)	200,000	16,000
Balance, December 31, 2020	104,196,037	\$ 18,797,923
Common shares upon private placement, net of issuance costs (ii)(iii)	75,143,394	4,045,558
Common shares issued for property (Note 5)	200,000	22,000
Balance, December 31, 2021	179,539,431	\$ 22,865,481

- (i) 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. Five thousand (\$5,000) of the total proceeds was 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.

- (ii) On March 1, 2021 – the Company closed its non-brokered private placement. The Company received a total of \$2,251,111 cash proceeds through the issuance of 45,022,210 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 of which \$142,500 of the total proceeds was received in December 2020 and was initially recognized as share subscription payable. The Company incurred \$8,381 of share issuance costs in connection with the private placement.

A total of 45,022,210 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 Company's common shares on closing was greater than the consideration received on the units subscribed, 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.

- (iii) On November 3, 2021 – the Company closed the first tranche of a non-brokered private placement. The Company received a total of \$766,220 cash proceeds through the issuance of 12,770,341 units at a price of \$0.06 per unit. Each Unit consists of one common share of the Company and one non-transferable Common Share purchase warrant.

On December 8, 2021 – the Company closed its non-brokered private placement. The Company received a total of \$1,041,051 cash proceeds through the issuance of 17,350,843 units at a price of \$0.06 per unit. Each Unit consists of one common share of the Company and one non-transferable Common Share purchase warrant. The Company incurred \$4,443 of share issuance costs in connection with the private placement.

A total of 30,121,184 warrants were issued in connection with the private placement. Each Warrant will entitle the holder to purchase one Common Share at a price of \$0.12 for a period of 36 months from the closing of the offering. As the fair value of the Company's common shares on closing was greater than the consideration received on the units subscribed, 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.

In connection with the December private placement, the Company owes \$34,260 back to a subscriber who had initially intended to invest in the December private placement but subsequently cancelled. As at December 31, 2021, the funds from the subscriber had been sent and received by the Company is recognized as a share subscription payable.

b) Warrants

The Company's warrants outstanding as at December 31, 2021 and December 31, 2020 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2019	25,052,623	\$ 0.15
Issued (i)	6,908,000	0.10
Expired	(725,000)	0.17
Balance, December 31, 2020	31,235,623	\$ 0.14
Issued (Note 8(a)(ii)(iii))	75,143,394	0.11
Expired	(14,951,233)	0.15
Balance, December 31, 2021	91,427,784	\$ 0.11

- (i) On August 24, 2020, the Company issued a total of 125,000 share purchase warrants as part of consideration for two loans provided (Note 7(iv) and (v)) in the year. Each lender received 62,500 share purchase warrants; each warrant will entitle the Lender to purchase one common share of the at \$0.08 per share for a period of 2 years. The total grant date fair value of the warrants was \$5,375, estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 0.28%, expected life of 2 years, expected volatility of 117% and dividend yield of 0%.
- (ii) 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 other income (loss) during the 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:

	Amended Warrants	Original Warrants
Grant date share price	\$0.07	\$0.07
Exercise price	\$0.15	\$0.15
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%

- (iii) On April 12, 2021, the Company decided to amend the terms (the "Amendment") of an aggregate of 4,584,390 outstanding common share purchase warrants ("Warrants") previously issued by the Company to acquire common shares of the Company at a price of \$0.20. From the total amended, 1,752,257 warrants were exercisable until April 10, 2021, 995,668 warrants were exercisable until June 4, 2021, and 1,836,465 warrants were exercisable until July 8, 2021. 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 until April 10, 2022, June 4, 2022 and July 8, 2022 respectively.
- (iv) The total cost of the warrant amendment is \$244,893 which has been recorded as a loss on warrant modification in other expenses during the year ended December 31, 2021. 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:

	Amended Warrants	Original Warrants
Grant date share price	\$0.12	\$0.12
Exercise price	\$0.15	\$0.15
Risk free rate	0.25%	0.25%
Expected life (years)	0.99	0.15 – 0.24
Expected volatility	140%	134% - 146%
Expected dividends	0%	0%
Forfeiture rate	0%	0%

- (v) On December 8, 2021, the Company decided to amend the terms ("December Amendment") of 4,292,000 outstanding common share purchase warrants ("December Warrants") previously issued by the Company to acquire common shares of the Company at a price of \$0.10. The December Warrants were originally exercisable until December 23, 2021. Under the terms of the December Amendment, the exercise price of the December Warrants remained the same but the term of the December Warrants was extended by an additional twelve months until December 23, 2022.

The total cost of the warrant amendment is \$133,052 which has been recorded as a loss on warrant modification in other expenses during the year ended December 31, 2021. 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:

	Amended Warrants	Original Warrants
Grant date share price	\$0.09	\$0.09
Exercise price	\$0.10	\$0.10
Risk free rate	1.07%	1.07%
Expected life (years)	1.04	0.04
Expected volatility	105%	89%
Expected dividends	0%	0%
Forfeiture rate	0%	0%

Warrants outstanding at December 31, 2021 were as follows:

Expiry Date	Exercise Price	Outstanding Warrants
April 10, 2022	\$ 0.15	1,752,257
June 4, 2022	0.15	995,668
July 8, 2022	0.15	1,836,465
December 23, 2021	0.10	4,292,000
August 24, 2022	0.08	125,000
December 24, 2022	0.07	62,500
August 10, 2023	0.10	6,720,500
February 28, 2023	0.15	500,000
March 1, 2024	0.10	45,022,210
November 3, 2024	0.12	12,770,341

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Expiry Date	Exercise Price	Outstanding Warrants
December 7, 2024	0.12	17,350,843
	\$ 0.11	91,427,784

The weighted average remaining contractual life of warrants outstanding at December 31, 2021 is 2.21 years (December 31, 2020 - 0.98 years).

NOTE 9 – 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 policies 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.

a) Stock options

The Company’s recorded share-based compensation expense for years ended December 31, 2021 and 2020 comprised of the following:

	Years Ended December 31,	
	2021	2020
Stock Options	\$ 521,094	\$ 90,338

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

	Number of options	Weighted average exercise price
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
Granted (v)	9,300,000	0.11
Expired (vi)	(3,465,000)	0.19
Balance, December 31, 2021	12,900,000	\$ 0.10

- (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

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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:
 - a. 150,000 will vest on February 21, 2021
 - b. 250,000 will vest on March 21, 2021
 - c. 250,000 will vest on April 21, 2021
- (v) During the year ended December 31, 2021, the Company granted a total of 9,300,000 incentive stock options with 500,000 granted to an officer of the Company. The remaining 8,800,000 were granted to consultants of the Company. The options have an exercise price of between \$0.06 - \$0.13 per common share.
- (vi) During the year ended December 31, 2021 a total of 3,465,000 stock options expired without exercise resulting in a transfer of \$336,822 from share-based payment reserve to accumulated deficit.

The Company fair valued the options granted during the years ended December 31, 2021 and 2020 using the Black-Scholes option pricing model with the following weighted average inputs:

	Year ended December 31, 2021	Year ended December 31, 2020
Grant date share price	\$0.06 - \$0.11	\$0.07 - \$0.08
Exercise price	\$0.06 - \$0.13	\$0.08 - \$0.10
Risk free rate	0.25% - 1.14%	0.23% - 1.51%
Expected life (years)	2.00	1.00- 2.00
Expected volatility	125% - 136%	105% - 133%
Expected dividends	0%	0%
Forfeiture rate	0%	0%

Total fair value of stock options granted for the year ended December 31, 2021 was \$572,700 (December 31, 2020 - \$111,900).

Stock options outstanding and exercisable as at December 31, 2021 are as follows:

Number of Options Outstanding	Number of Options		Exercise Price	Expiry Date
		Exercisable		
1,300,000	1,300,000	\$	0.05	February 28, 2022
1,500,000	1,500,000		0.10	April 23, 2022
800,000	800,000		0.08	October 21, 2022
4,900,000	4,900,000		0.13	March 1, 2023
800,000	800,000		0.11	May 4, 2023
400,000	400,000		0.11	May 5, 2023
350,000	350,000		0.08	July 8, 2023
1,000,000	-		0.07	October 6, 2023
1,100,000	300,000		0.10	October 19, 2023
750,000	-		0.09	December 7, 2024
12,900,000	10,350,000	\$	0.10	

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The weighted average remaining contractual life of stock options outstanding and exercisable at December 31, 2021 is 0.94 years (December 31, 2020 – 0.70 years).

NOTE 10 – RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company defines key management personnel as being the directors and key officers.

The compensation awarded to key management personnel is as follows:

	Year ended December 31	
	2021	2020
Professional and consulting fees	\$ 231,250	\$ 240,000
Director fees	6,000	-
Share-based payments	32,000	-
Total compensation	\$ 269,250	\$ 240,000

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, office and parking expenses:

	Year ended December 31	
	2021	2020
Rent, office and parking	\$ 94,551	\$ 88,819

Due to related parties

Balances owed to key management personnel and related parties, which are included in accounts payable and accrued liabilities are as follows:

	December 31, 2021	December 31, 2020
Due to Chief Executive Officer	\$ -	\$ 109,451
Due to Chief Financial Officer	127,544	92,281
Due to directors	12,571	-
Due to an officer and director for rent, office and parking expenses	6,463	30,610
Total due to related parties	\$ 146,578	\$ 232,342

NOTE 11 – FINANCIAL INSTRUMENTS

Fair values

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The carrying values of cash, receivables, accounts payable and accrued liabilities, and share subscriptions payable approximate their fair values due to the immediate or short-term nature of these instruments. The fair values of loans and borrowings

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approximate their carrying values due to the market rate of interest being applied. There has been no significant change in credit and market interest rates since the date of its receipt.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Change in assumptions could significantly affect the estimates.

The following table summarizes the classification of the Company's financial instruments under IFRS 9 – *Financial Instruments*:

Financial assets	
Cash	Amortized cost
Receivables	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost
Share subscriptions payable	Amortized cost

Capital and risk management

The Company's objective and policies for managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes changes based on economic conditions, risks that impact the operations and future significant capital investment opportunities. In order to maintain or adjust its capital structure, the Company may issue new equity instruments or raise additional debt financing.

The Company is exposed to a variety of financial risks by virtue of its activities: market risk, interest rate risk, liquidity risk and foreign currency risk. The Board of Directors has overall responsibility for the determination of the Company's capital and risk management objectives and policies while retaining ultimate responsibility for them. The Company's overall capital and risk management program has not changed throughout the period. It focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the finance department under policies approved by the Board of Directors. The finance department identifies and evaluates financial risks in close cooperation with management.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing debt instrument has a fixed interest rate and is not subject to interest rate cash flow risk.

The interest-bearing financial instruments, as reported in the consolidated financial statements, have the following interest rate profile:

	December 31, 2021	December 31, 2020
Fixed rate instruments	\$ 34,122	\$ 22,523

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on external financing or key management to provide sufficient liquidity to meet budgeted operating requirements. The following table sets forth details of the payment profile of financial liabilities based on their undiscounted cash flows:

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	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 1,588,411	\$ 1,588,411	\$ 1,588,411	\$ -	\$ -
Loans and borrowings	34,122	40,000	40,000	-	-
Share subscriptions payable	34,260	34,260	34,260	-	-
Total	\$ 1,656,793	\$ 1,662,671	\$ 1,662,671	\$ -	\$ -

On April 29, 2022, the Company's concession fee liability of \$771,434 was settled pursuant to the Conveyance and Mutual Termination and Release Agreement; see Note 5 for more details.

Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is continuing to review its needs to seek financing opportunities in accordance to its capital risk management strategy.

Foreign currency risk

Foreign currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains financial instruments and enters into transactions denominated in foreign currencies, principally in USD, which exposes the Company to fluctuating balances and cash flows due to various in foreign exchange rates. The current exposure to foreign currency risk is limited to the process of billing and settlement of invoices from a Mexico-based vendor that bills the Company for drilling services rendered.

NOTE 12 – INCOME TAXES

The total income tax recovery (expense) recorded in the consolidated financial statements differs from the amount computed by applying the combined federal and provincial tax rates of 27% (2020 – 27%) to income (loss) before tax as follows:

	December 31, 2021	December 31, 2020
Loss before taxes	\$ (5,687,586)	\$ (1,563,118)
Statutory income tax rate	27%	27%
Expected recovery at statutory rate	\$ (1,536,000)	\$ (422,000)
Increase (decrease) in taxes resulting from:		
Non-deductible items and other	\$ 241,000	\$ 86,000
Change in unrecognized deferred income tax assets	1,295,000	336,000
Income tax expense (recovery)	\$ -	\$ -

Deferred income tax assets are recorded to the extent that the realization of the related tax benefit is probable based on estimated future earnings. Deferred income tax assets have not been recognized with respect to the following deductible temporary differences:

	December 31, 2021	December 31, 2020
Non-capital loss carried forward	\$ 9,280,000	\$ 8,037,000
Capital losses carried forward	46,000	44,000
Exploration and evaluation assets	7,302,000	3,885,000
Capital assets	389,000	389,000
Financing costs	15,000	11,000
Total gross deferred income tax assets	\$ 17,032,000	\$ 12,366,000
Unrecognized deferred income tax assets	(17,032,000)	(12,366,000)
Net deferred income tax asset	\$ -	\$ -

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The Company has a non-capital loss of \$9.280 million (2020 – \$8.031 million) which is available to reduce future year’s taxable income. The non-capital loss expires in 2026 through 2041 if not utilized. Management estimates future income using forecasts based on the based available current information.

NOTE 13 – SEGMENT REPORTING

All the Company’s operations are in the resource sector. The Company’s mineral exploration and development operations are based in Mexico, refer to note 5 for more details. The exploration and evaluation assets and total assets identifiable within these geographical areas are as follows:

	December 31, 2021	December 31, 2020
Exploration and evaluation assets		
Canada	\$ -	\$ -
Mexico	771,434	3,203,800
Total exploration and evaluation assets	\$ 771,434	\$ 3,203,800

The Company’s assets by country are as follows:

	December 31, 2021	December 31, 2020
Canada	\$ 916,130	\$ 135,857
Mexico	771,434	3,203,800
Total assets	\$ 1,687,564	\$ 3,339,657

NOTE 14 – EVENTS AFTER REPORTING PERIOD

On March 23, 2022, the Company announced signing a Non-Exclusive Research and Evaluation License with Option (Patent) (the “License”) with the US Department of Energy’s (“DOE”) National Energy Technology Laboratory (“NETL”) for the DOE’s Patents titled Selective Lithium Recovery as Lithium Carbonate from Natural Brine and any patents stemming therefrom. (the “Licensed Inventions”). The Agreement allows OWL to research and commercially evaluate the Licensed Inventions. The initial Option Period is for one year from March 2, 2022, with extensions available for an additional period of time. During the Option Period OWL may enter negotiations for an exclusive license within the agreed field of use which are naturally occurring brines with the exception of sea water and geothermal brines.