



# One World Lithium Inc.

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

For the Three and Nine months Ended September 30, 2022 and 2021

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**One World Lithium Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**As of September 30, 2022 and December 31, 2021**  
Unaudited - Expressed in Canadian Dollars

|                                                             | Notes | September 30,<br>2022 | December 31,<br>2021 |
|-------------------------------------------------------------|-------|-----------------------|----------------------|
| <b>ASSETS</b>                                               |       |                       |                      |
| <b>Current assets</b>                                       |       |                       |                      |
| Cash                                                        |       | \$ 293,153            | \$ 685,108           |
| Receivables and advances                                    |       | 74,715                | 135,396              |
| Prepaid expenses and deposits                               | 4     | 35,296                | 95,626               |
| <b>Total current assets</b>                                 |       | <b>\$ 403,164</b>     | <b>\$ 916,130</b>    |
| <b>Non-current assets</b>                                   |       |                       |                      |
| Exploration and evaluation assets                           | 5     | \$ -                  | \$ 771,434           |
| <b>Total assets</b>                                         |       | <b>\$ 403,164</b>     | <b>\$ 1,687,564</b>  |
| <b>LIABILITIES</b>                                          |       |                       |                      |
| <b>Current liabilities</b>                                  |       |                       |                      |
| Accounts payable and accrued liabilities                    | 6     | \$ 678,572            | \$ 1,588,411         |
| Loans and borrowings                                        |       | 64,062                | 34,122               |
| Share subscriptions payable                                 | 10    | 434,215               | 34,260               |
| <b>Total liabilities</b>                                    |       | <b>\$ 1,176,849</b>   | <b>\$ 1,656,793</b>  |
| <b>SHAREHOLDERS' EQUITY (DEFICIT)</b>                       |       |                       |                      |
| Share capital                                               | 7(a)  | \$ 22,865,481         | \$ 22,865,481        |
| Contributed surplus                                         |       | 66,955                | 66,955               |
| Share-based payments and warrants reserve                   | 8     | 844,381               | 1,895,581            |
| Accumulated deficit                                         |       | (24,550,502)          | (24,797,246)         |
| <b>Total shareholders' equity (deficit)</b>                 |       | <b>\$ 773,685</b>     | <b>\$ 30,771</b>     |
| <b>Total liabilities and shareholders' equity (deficit)</b> |       | <b>\$ 403,164</b>     | <b>\$ 1,687,564</b>  |

Approved on behalf of the Board of Directors on November 29, 2022

"Douglas Fulcher"

Director

"Kevin Milledge"

Director

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

# One World Lithium Inc.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the Three and Nine Months Ended September 30, 2022 and 2021

Unaudited - Expressed in Canadian Dollars except number of shares

|                                                                          | Notes | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |                |
|--------------------------------------------------------------------------|-------|-------------------------------------|--------------|------------------------------------|----------------|
|                                                                          |       | 2022                                | 2021         | 2022                               | 2021           |
| <b>Expenses</b>                                                          |       |                                     |              |                                    |                |
| Exploration and evaluation                                               | \$    | -                                   | \$ 125,710   | \$ 2,746                           | \$ 410,567     |
| General and administration                                               |       | 110,777                             | 44,706       | 316,438                            | 216,785        |
| Professional and consulting fees                                         |       | 129,436                             | 66,235       | 443,412                            | 414,706        |
| Share-based payments                                                     |       | 120,208                             | 40,305       | 168,300                            | 420,745        |
| <b>Total expenses</b>                                                    | \$    | (360,421)                           | \$ (276,956) | \$ (930,896)                       | \$ (1,462,803) |
| <b>Operating loss</b>                                                    | \$    | (360,421)                           | \$ (276,956) | \$ (930,896)                       | \$ (1,462,803) |
| <b>Other income (expenses)</b>                                           |       |                                     |              |                                    |                |
| Net financing cost                                                       | \$    | (5,986)                             | \$ (4,424)   | \$ (15,548)                        | \$ (53,370)    |
| Foreign exchange gain (loss)                                             |       | (424)                               | (50,632)     | (1,304)                            | 27,330         |
| Government grant                                                         |       | -                                   | -            | -                                  | 30,523         |
| Other expenses                                                           |       | (8)                                 | (153,776)    | (25,008)                           | (370,248)      |
| Other income                                                             |       | -                                   | -            | -                                  | 38,179         |
| <b>Net loss and comprehensive loss for the period</b>                    | \$    | (366,839)                           | \$ (485,788) | \$ (972,756)                       | \$ (1,790,389) |
| Basic and diluted loss per common share                                  | \$    | (0.00)                              | \$ (0.00)    | \$ (0.01)                          | \$ (0.02)      |
| Weighted average number of common shares outstanding – basic and diluted |       | 179,539,431                         | 149,418,247  | 179,539,431                        | 104,265,650    |

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

**One World Lithium Inc.**
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficit)**
**For the Nine Months Ended September 30, 2022 and 2021**

Unaudited - 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 (deficit) |
|-----------------------------------------------------------------|-------|----------------------|---------------------|-------------------------------------------|------------------------|--------------------------------------|
| <b>Balance – December 31, 2020</b>                              |       | <b>\$ 18,797,923</b> | <b>\$ 66,955</b>    | <b>\$ 1,306,364</b>                       | <b>\$ (19,446,482)</b> | <b>\$ 724,760</b>                    |
| Shares issued in private placement, net of share issuance costs | 7     | 2,242,730            | -                   | -                                         | -                      | 2,242,730                            |
| Shares issued for property                                      | 7     | 22,000               | -                   | -                                         | -                      | 22,000                               |
| Warrants modification                                           | 7     | -                    | -                   | 397,247                                   | -                      | 397,247                              |
| Share based payments                                            | 8     | -                    | -                   | 420,745                                   | -                      | 420,745                              |
| Transfer of share-based payments expired                        | 8     | -                    | -                   | (336,822)                                 | 336,822                | -                                    |
| Loss for the period                                             |       | -                    | -                   | -                                         | (1,790,389)            | (1,790,389)                          |
| <b>Balance – September 30, 2021</b>                             |       | <b>\$ 21,062,653</b> | <b>\$ 66,955</b>    | <b>\$ 1,787,534</b>                       | <b>\$ (20,900,049)</b> | <b>\$ 2,017,093</b>                  |
| <b>Balance - December 31, 2021</b>                              |       | <b>\$ 22,865,481</b> | <b>\$ 66,955</b>    | <b>\$ 1,895,581</b>                       | <b>\$ (24,797,246)</b> | <b>\$ 30,771</b>                     |
| Share based payments                                            | 8     | -                    | -                   | 168,300                                   | -                      | 168,300                              |
| Transfer of share-based payments expired                        | 8     | -                    | -                   | (1,219,500)                               | 1,219,500              | -                                    |
| Loss for the period                                             |       | -                    | -                   | -                                         | (972,756)              | (972,756)                            |
| <b>Balance – September 30, 2022</b>                             |       | <b>\$ 22,865,481</b> | <b>\$ 66,955</b>    | <b>\$ 844,381</b>                         | <b>\$ (24,550,502)</b> | <b>\$ (773,685)</b>                  |

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

# One World Lithium Inc.

Notes to Condensed Consolidated Interim Financial Statements  
For the Three and Nine Months Ended September 30, 2022 and 2021  
Unaudited - Expressed in Canadian Dollars except otherwise noted

|                                                          | Notes | Nine Months ended September 30, |                       |
|----------------------------------------------------------|-------|---------------------------------|-----------------------|
|                                                          |       | 2022                            | 2021                  |
| <b>OPERATING ACTIVITIES</b>                              |       |                                 |                       |
| <b>Net loss for the period</b>                           |       | <b>\$ (972,756)</b>             | <b>\$ (1,790,389)</b> |
| <i>Non-cash items:</i>                                   |       |                                 |                       |
| Government grant                                         |       | -                               | (30,523)              |
| Gain on debt forgiveness                                 |       | -                               | (38,079)              |
| Other expenses                                           |       | 25,000                          | -                     |
| Share-based payments                                     | 8     | 168,300                         | 420,745               |
| Loss on warrant modification                             |       | -                               | 370,247               |
| Net financing cost                                       |       | 15,548                          | 53,370                |
| Foreign exchange gain                                    |       | -                               | (27,330)              |
| <i>Changes in non-cash working capital items:</i>        |       |                                 |                       |
| Receivables and advances                                 |       | 60,681                          | (25,620)              |
| Prepaid expenses and deposits                            | 4     | 60,330                          | (226,179)             |
| Accounts payable and accrued liabilities                 | 6     | (149,013)                       | (1,178,411)           |
| <b>Net cash used in operating activities</b>             |       | <b>\$ (791,910)</b>             | <b>\$ (2,472,169)</b> |
| <b>INVESTING ACTIVITIES</b>                              |       |                                 |                       |
| Exploration and evaluation asset expenditure             | 5     | -                               | (6,188)               |
| <b>Net cash used in investing activities</b>             |       | <b>\$ -</b>                     | <b>\$ (6,188)</b>     |
| <b>FINANCING ACTIVITIES</b>                              |       |                                 |                       |
| Interest paid                                            |       | \$ -                            | \$ (52)               |
| Repayment of loans and borrowings                        |       | -                               | (22,789)              |
| Proceeds from loans                                      |       | -                               | 60,000                |
| Advance for private placement                            |       | 399,955                         | 379,854               |
| Proceeds from private placement, net of share issue cost | 7     | -                               | 2,100,230             |
| <b>Net cash generated from financing activities</b>      |       | <b>\$ 399,955</b>               | <b>\$ 2,517,243</b>   |
| Increase (decrease) in cash in the period                |       | \$ (391,955)                    | \$ 38,886             |
| Cash – beginning of period                               |       | 685,108                         | 4,490                 |
| <b>Cash – end of the period</b>                          |       | <b>\$ 293,153</b>               | <b>\$ 43,376</b>      |

## **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 nine months ended September 30, 2022, the Company generated a net loss of \$972,756 and cash used in operating activities of \$791,910. As of September 30, 2022, the Company had an accumulated deficit of \$24,550,502 and a working capital deficit of \$773,685. As a result, the Company may not have sufficient capital to fund its current planned operations for the foreseeable future.

These condensed consolidated interim financial statements do not include any adjustments to the classification and amounts of assets and liabilities that may be required should the Company be unable to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of, participation in or interest in new properties, assets or business opportunities, as well as the successful results from exploration activities, 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 condensed consolidated interim financial statements for the three and nine months ended September 30, 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended December 31, 2021 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's consolidated financial position and performance since the last annual financial statements.

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

These condensed consolidated interim financial statements were authorized for issue by the Company's board of directors on November 29, 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.

**One World Lithium Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**For the Three and Nine Months Ended September 30, 2022 and 2021**  
Unaudited - Expressed in Canadian Dollars except otherwise noted

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

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2021.

### NOTE 4 – PREPAID EXPENSES AND DEPOSITS

|                                            | September 30,<br>2022 | December 31,<br>2021 |
|--------------------------------------------|-----------------------|----------------------|
| Insurance                                  | \$ -                  | \$ 1,475             |
| Consulting fees                            | 24,417                | 89,151               |
| Advertising and promotion                  | 1,875                 | 5,000                |
| Other                                      | 9,004                 | -                    |
| <b>Total prepaid expenses and deposits</b> | <b>\$ 35,296</b>      | <b>\$ 95,626</b>     |

### NOTE 5 – EXPLORATION AND EVALUATION ASSETS

|                                                            | Salar del Diablo Property |
|------------------------------------------------------------|---------------------------|
| <b>Balance - December 31, 2020</b>                         | <b>\$ 3,203,800</b>       |
| Remeasurement of 200,000 common shares on issuance         | 8,000                     |
| Impairment                                                 | (2,440,366)               |
| <b>Balance - December 31, 2021</b>                         | <b>\$ 771,434</b>         |
| Write-off upon termination of the share purchase agreement | (771,434)                 |
| <b>Balance - September 30, 2022</b>                        | <b>\$ -</b>               |

**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.

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.

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 with an annual interest rate of 6% dated April 29, 2022.

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

|                                                | Three Months Ended<br>September 30, |                   | Nine Months Ended<br>September 30, |                   |
|------------------------------------------------|-------------------------------------|-------------------|------------------------------------|-------------------|
|                                                | 2022                                | 2021              | 2022                               | 2021              |
| <b>Exploration and evaluation expenditures</b> |                                     |                   |                                    |                   |
| Consulting                                     | \$ -                                | \$ 6,398          | \$ 2,018                           | \$ 6,398          |
| Drilling                                       | -                                   | 95,722            | -                                  | 339,562           |
| Geology                                        | -                                   | -                 | -                                  | 19,875            |
| Travel                                         | -                                   | 13,971            | -                                  | 31,574            |
| Supplies and other                             | -                                   | 9,619             | 728                                | 13,158            |
| <b>Total</b>                                   | <b>\$ -</b>                         | <b>\$ 125,710</b> | <b>\$ 2,746</b>                    | <b>\$ 410,567</b> |

**NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                                                       | September 30,<br>2022 | December 31,<br>2021 |
|-------------------------------------------------------|-----------------------|----------------------|
| Trade payables and accrued liabilities                | \$ 391,688            | \$ 1,185,421         |
| Part XII.6 tax payable                                | 266,882               | 256,412              |
| Due to related parties (Note 9)                       | 20,002                | 146,578              |
| <b>Total accounts payable and accrued liabilities</b> | <b>\$ 678,572</b>     | <b>\$ 1,588,411</b>  |

**NOTE 7 – SHARE CAPITAL**

**a) Common shares**

Authorized: unlimited common shares without par value

|                                                             | Number of Shares   | Amount               |
|-------------------------------------------------------------|--------------------|----------------------|
| <b>Balance, December 31, 2020</b>                           | <b>104,196,037</b> | <b>\$ 18,797,923</b> |
| Common shares upon private placement, net of issuance costs | 75,143,394         | 4,045,558            |
| Common shares issued for property (Note 5)                  | 200,000            | 22,000               |
| <b>Balance, December 31, 2021 and September 30, 2022</b>    | <b>179,539,431</b> | <b>\$ 22,865,481</b> |

**b) Warrants**

The Company's warrants outstanding as of September 30, 2022 and December 31, 2021 are as follows:

|                                    | Number of Warrants | Weighted Average<br>Exercise Price |
|------------------------------------|--------------------|------------------------------------|
| <b>Balance, December 31, 2020</b>  | <b>31,235,623</b>  | <b>\$ 0.14</b>                     |
| Issued                             | 75,143,394         | 0.11                               |
| Expired                            | (14,951,233)       | 0.15                               |
| <b>Balance, December 31, 2021</b>  | <b>91,427,784</b>  | <b>\$ 0.11</b>                     |
| Expired                            | (4,584,390)        | 0.15                               |
| <b>Balance, September 30, 2022</b> | <b>86,843,394</b>  | <b>\$ 0.11</b>                     |

Warrants outstanding as of December 31, 2021 and September 30, 2022 were as follows:

| Expiry Date       | Exercise Price | Outstanding Warrants |
|-------------------|----------------|----------------------|
| December 23, 2022 | \$ 0.10        | 4,292,000            |
| December 24, 2022 | \$ 0.07        | 62,500               |
| February 28, 2023 | \$ 0.15        | 500,000              |
| August 10, 2023   | \$ 0.10        | 6,720,500            |
| August 24, 2023   | \$ 0.08        | 125,000              |
| March 1, 2024     | \$ 0.10        | 45,022,210           |
| November 3, 2024  | \$ 0.12        | 12,770,341           |
| December 7, 2024  | \$ 0.12        | 17,350,843           |
|                   | <b>\$ 0.11</b> | <b>86,843,394</b>    |

The weighted average remaining contractual life of warrants outstanding as of September 30, 2022 is 1.56 years (December 31, 2021 – 2.21 years).

## NOTE 8 – 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 the three and nine months ended September 30, 2022 and 2021 comprised of the following:

|                      |           | Three months ended September 30 |                  | Nine Months ended September 30 |                   |
|----------------------|-----------|---------------------------------|------------------|--------------------------------|-------------------|
|                      |           | 2022                            | 2021             | 2022                           | 2021              |
| <b>Stock Options</b> | <b>\$</b> | <b>119,950</b>                  | <b>\$ 14,350</b> | <b>\$ 168,300</b>              | <b>\$ 412,350</b> |

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 |
|------------------------------------|-------------------|---------------------------------|
| <b>Balance, December 31, 2020</b>  | <b>7,065,000</b>  | <b>\$ 0.13</b>                  |
| Granted                            | 9,300,000         | 0.11                            |
| Expired                            | (3,465,000)       | 0.19                            |
| <b>Balance, December 31, 2021</b>  | <b>12,900,000</b> | <b>\$ 0.10</b>                  |
| Granted                            | 3,300,000         | 0.07                            |
| Expired (i)                        | (2,800,000)       | 0.08                            |
| <b>Balance, September 30, 2022</b> | <b>13,400,000</b> | <b>\$ 0.10</b>                  |

- (i) During the nine-months ended September 30, 2022 a total of 2,800,000 stock options expired without exercise resulting in a transfer of \$1,219,500 from share-based payment reserve to accumulated deficit.

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The Company fair valued the options granted during the nine months ended September 30, 2022 using the Black-Scholes option pricing model with the following weighted average inputs:

|                        | Six-months ended<br>September 30, 2022 | Year-ended<br>December 31, 2021 |
|------------------------|----------------------------------------|---------------------------------|
| Grant date share price | \$0.05 - \$0.065                       | \$0.06 - \$0.11                 |
| Exercise price         | \$0.065 - \$0.07                       | \$0.06 - \$0.13                 |
| Risk free rate         | 2.64% - 3.58%                          | 0.25% - 1.14%                   |
| Expected life (years)  | 2.00 - 2.04                            | 2.00                            |
| Expected volatility    | 125% - 133%                            | 125% - 136%                     |
| Expected dividends     | 0%                                     | 0%                              |
| Forfeiture rate        | 0%                                     | 0%                              |

Total fair value of stock options granted for the nine-months ended September 30, 2022 was \$126,900 (September 30, 2021 - \$412,350).

Stock options outstanding and exercisable as of September 30, 2022 are as follows:

| Number of Options Outstanding | Number of Options<br>Exercisable | Exercise Price  | Expiry Date       |
|-------------------------------|----------------------------------|-----------------|-------------------|
| 800,000                       | 800,000                          | 0.075           | 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                     | 1,000,000                        | 0.065           | October 6, 2023   |
| 1,100,000                     | 1,100,000                        | 0.095           | October 19, 2023  |
| 600,000                       | 400,000                          | 0.07            | May 31, 2024      |
| 2,700,000                     | 2,700,000                        | 0.065           | September 2, 2024 |
| 750,000                       | 750,000                          | 0.09            | December 7, 2024  |
| <b>13,400,000</b>             | <b>13,200,000</b>                | <b>\$ 0.098</b> |                   |

The weighted average remaining contractual life of stock options outstanding and exercisable as of September 30, 2022 is 1.93 years (December 31, 2021 - 0.94 years).

## NOTE 9 – 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:

|                                  | Three months ended September 30, |                  | Nine Months ended September 30, |                   |
|----------------------------------|----------------------------------|------------------|---------------------------------|-------------------|
|                                  | 2022                             | 2021             | 2022                            |                   |
| Professional and consulting fees | \$ 37,500                        | \$ 37,500        | \$ 112,500                      | \$ 112,500        |
| Director fees                    | 9,000                            | -                | 21,000                          | -                 |
| Share-based payments             | 20,500                           | -                | 20,500                          | 32,000            |
| <b>Total compensation</b>        | <b>\$ 67,000</b>                 | <b>\$ 37,500</b> | <b>\$ 154,000</b>               | <b>\$ 144,500</b> |

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**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:

|                          | Three months ended September 30, |           | Nine Months ended September 30, |           |
|--------------------------|----------------------------------|-----------|---------------------------------|-----------|
|                          | 2022                             | 2021      | 2022                            | 2021      |
| Rent, office and parking | \$ 29,762                        | \$ 22,209 | \$ 66,777                       | \$ 67,477 |

**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:

|                                                                      | September 30,<br>2022 | December 31,<br>2021 |
|----------------------------------------------------------------------|-----------------------|----------------------|
| Due to Chief Financial Officer                                       | \$ 11,005             | \$ 127,544           |
| Due to directors                                                     | 1,014                 | 12,571               |
| Due to an officer and director for rent, office and parking expenses | 7,983                 | 6,463                |
| <b>Total due to related parties</b>                                  | <b>\$ 20,002</b>      | <b>\$ 146,578</b>    |

**NOTE 10 – SHARE SUBSCRIPTIONS PAYABLE**

- The Company owes \$34,260 back to a subscriber who had initially intended to invest in a December 2021 private placement but subsequently cancelled. The funds from the subscriber had been sent and received by the Company and is recognized as a share subscription payable.
- On September 2, 2022, the Company announced a non-brokered private placement to sell up to 12,000,000 units (each, a "Unit") of the Company, at a price of \$0.05 per Unit, for gross proceeds of up to \$600,000 (the "Offering"). Each Unit will consist of one common share of the Company (each, a "Common Share") and one non transferable Common Share purchase warrant (each, a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.08 for a period of 36 months from the closing of the Offering.

As at September 30, 2022 the Offering had not closed and the Company has collected total aggregate subscription proceeds of \$399,955. As no Units have been formally issued, the entire balance of subscription proceeds collected is recognized as a share subscription payable as at September 30, 2022.

**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 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.

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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*:

| <b>Financial assets</b>                  |                |
|------------------------------------------|----------------|
| Cash                                     | Amortized cost |
| Receivables and advances                 | Amortized cost |
| <b>Financial liabilities</b>             |                |
| 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:

|                        | September 30,<br>2022 | December 31,<br>2021 |
|------------------------|-----------------------|----------------------|
| Fixed rate instruments | \$ 64,062             | \$ 34,122            |

### 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:

|                                          | Total carrying<br>amount | Contractual<br>cash flows | Less than 1<br>year | 1 to 5<br>years | More than 5<br>years |
|------------------------------------------|--------------------------|---------------------------|---------------------|-----------------|----------------------|
| Accounts payable and accrued liabilities | \$ 678,572               | \$ 678,572                | \$ 678,572          | \$ -            | \$ -                 |
| Loans and borrowings                     | 64,062                   | 65,633                    | 65,633              | -               | -                    |
| Share subscriptions payable              | 434,215                  | 434,215                   | 434,215             | -               | -                    |
| <b>Total</b>                             | <b>\$ 1,176,849</b>      | <b>\$ 1,178,420</b>       | <b>\$ 1,178,420</b> | <b>\$ -</b>     | <b>\$ -</b>          |

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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 exposure to foreign currency risk was limited to the process of billing and settlement of invoices from a Mexico-based vendor that bills the Company for drilling services rendered in the comparative period.

**NOTE 12 – 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:

|                                                | September 30,<br>2022 | December 31,<br>2021 |
|------------------------------------------------|-----------------------|----------------------|
| <b>Exploration and evaluation assets</b>       |                       |                      |
| Canada                                         | \$ -                  | \$ -                 |
| Mexico                                         | -                     | 771,434              |
| <b>Total exploration and evaluation assets</b> | <b>\$ -</b>           | <b>\$ 771,434</b>    |

The Company's assets by country are as follows:

|                     | September 30,<br>2022 | December 31,<br>2021 |
|---------------------|-----------------------|----------------------|
| Canada              | \$ 403,164            | \$ 916,130           |
| Mexico              | -                     | 771,434              |
| <b>Total assets</b> | <b>\$ 403,164</b>     | <b>\$ 1,687,564</b>  |