



# **SILVER WOLF EXPLORATION LTD.**

*(formerly Gray Rock Resources Ltd.)*

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2022 and 2021

*(Unaudited)*

## MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements of Silver Wolf Exploration Ltd. (the “Company”) are the responsibility of the Company’s management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and reflect management’s best estimates and judgment based on information currently available.

Management has developed and is maintaining a system of internal controls to ensure that the Company’s assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities, and reviews the results of the audit and reviews the condensed consolidated interim financial statements prior to their approval.

The condensed consolidated interim financial statements as at June 30, 2022, and for the periods ended June 30, 2022 and 2021, have not been reviewed or audited by the Company’s independent auditors.

*“David Wolfin”*

David Wolfin  
Chairman & CEO  
August 25, 2022

*“Nathan Harte”*

Nathan Harte, CPA  
Chief Financial Officer  
August 25, 2022

**Silver Wolf Exploration Ltd.**  
**Condensed Consolidated Interim of Financial Position**  
**Expressed in Canadian Dollars**

	Note	June 30, 2022 (Unaudited)	December 31, 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 457,793	\$ 364,784
Sales taxes receivables and other		205,393	58,356
		663,186	423,140
<b>Non-Current Assets</b>			
Investments	4	27,300	47,500
Exploration and evaluation assets	5	1,066,392	784,713
Property and equipment	6	34,094	93,422
Reclamation deposit	8	3,000	3,000
<b>TOTAL ASSETS</b>		<b>\$ 1,793,972</b>	<b>\$ 1,351,775</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		\$ 75,312	\$ 177,082
Current portion of lease liability	7	7,325	21,304
Due to related parties	10	186,757	78,859
		269,394	277,245
<b>Non-Current Liabilities</b>			
Lease liability	7	15,940	61,819
Site restoration obligation		3,000	3,000
		288,334	342,064
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	6,546,765	6,065,144
Contributed surplus		677,731	591,542
Accumulated other comprehensive loss		(160,508)	(545,831)
Deficit		(5,558,350)	(5,101,144)
		1,505,638	1,009,711
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 1,793,972</b>	<b>\$ 1,351,775</b>

Note 1 – Nature of Operations and Going Concern

Note 12 – Subsequent Event

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on August 25, 2022:

\_\_\_\_\_  
“David Wolfen”                      **Director**

\_\_\_\_\_  
“Stephen Williams”                      **Director**

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

**Silver Wolf Exploration Ltd.**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**  
**Expressed in Canadian Dollars**

	Three months ended June 30,		Six months ended June 30,		
	Note	2022	2021	2022	2021
<b>General and Administrative Expenses</b>					
Administrative benefits and salaries	\$	10,757	\$ 41,054	\$ 44,067	\$ 60,854
Automobile		183	549	732	1,418
Consulting fees		8,394	950	17,702	12,700
Depreciation		1,137	2,690	5,033	5,380
Foreign exchange (gain) loss		16,798	(9,960)	15,754	(9,940)
Interest and bank charges		2,249	510	4,952	1,162
Listing and filing fees		14,657	9,136	23,532	48,877
Office and miscellaneous		12,998	22,097	34,447	32,248
Professional fees		6,983	269	205	18,272
Share-based compensation		-	1,800	242,400	160,200
Shareholder information		18,007	2,832	22,668	3,703
Transfer agent fees		2,619	3,302	5,249	5,783
<b>Operating Loss</b>		(94,782)	(75,229)	(416,741)	(340,657)
<b>Other Comprehensive Income (Loss):</b>					
Items that will not subsequently be re-classified to net income:					
Unrealized gain (loss) on investment securities	4	(3,410)	950	25,200	(3,800)
Reclassification of accumulated loss on investment sold	4	24,345	-	357,265	-
Currency translation differences		3,085	28	2,858	41
<b>Total Comprehensive Loss</b>	\$	(70,762)	\$ (74,251)	\$ (31,418)	\$ (344,416)
<b>Basic and Diluted Loss per Share</b>	\$	(0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
<b>Weighted Average Number of Shares Outstanding</b>		31,866,417	29,171,788	31,323,187	27,308,705

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

**Silver Wolf Exploration Ltd.**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
**Expressed in Canadian Dollars**

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
<b>Balance, January 1, 2021</b>		<b>23,912,048</b>	<b>\$ 4,611,274</b>	<b>\$ 369,092</b>	<b>\$ (4,177,498)</b>	<b>\$ (509,202)</b>	<b>\$ 320,666</b>
Common shares issued for cash:							
Private placement		5,000,000	1,000,000	-	-	-	1,000,000
Issuance of shares for Option Agreement		131,718	51,370	-	-	-	51,370
Issuance of share purchase warrants for Option Agreement		-	-	96,000	-	-	96,000
Exercise of warrants		100,000	15,000	-	-	-	15,000
Share-based compensation		-	-	160,200	-	-	160,200
Net loss for the period		-	-	-	(340,657)	-	(340,657)
Other comprehensive loss for the period		-	-	-	-	(3,759)	(3,759)
<b>Balance, June 30, 2021</b>		<b>29,143,766</b>	<b>\$ 5,677,644</b>	<b>\$ 652,292</b>	<b>\$ (4,518,155)</b>	<b>\$ (512,961)</b>	<b>\$ 1,298,820</b>
<b>Balance, January 1, 2022</b>		<b>30,998,766</b>	<b>\$ 6,065,144</b>	<b>\$ 591,542</b>	<b>\$ (5,101,144)</b>	<b>\$ (545,831)</b>	<b>\$ 1,009,711</b>
Common shares issued for cash:							
Private placement		4,014,734	441,621	160,589	-	-	602,210
Issuance of shares for Option Agreement	5, 9	250,000	40,000	-	-	-	40,000
Share-based compensation		-	-	242,400	-	-	242,400
Stock options cancelled or expired		-	-	(316,800)	316,800	-	-
Net loss for the period		-	-	-	(416,741)	-	(416,741)
Reclassification of accumulated losses on investments sold	4	-	-	-	(357,265)	357,265	-
Other comprehensive income for the period		-	-	-	-	28,058	28,058
<b>Balance, June 30, 2022</b>		<b>35,263,500</b>	<b>\$ 6,546,765</b>	<b>\$ 677,731</b>	<b>\$ (5,558,350)</b>	<b>\$ (160,508)</b>	<b>\$ 1,505,638</b>

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

**Silver Wolf Exploration Ltd.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**Expressed in Canadian Dollars**

	<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Net Loss	\$ (416,741)	\$ (340,657)
Items not involving cash in the period:		
Share-based compensation	242,400	160,200
Interest charges	2,889	3,269
Depreciation	5,033	5,380
Foreign exchange movements	(12,065)	(9,940)
Changes in non-cash working capital items:		
Sales taxes recoverable and other	(147,037)	(47,933)
Trade and other payables	(101,769)	43,810
Due to related parties	117,838	76,837
	<b>(309,452)</b>	<b>(109,034)</b>
<b>Financing Activities</b>		
Issuance of common shares or units for cash, net	602,210	1,000,000
Issuance of common shares on exercise of warrants	-	15,000
Finance lease payments	(9,639)	(8,350)
	<b>592,571</b>	<b>1,006,650</b>
<b>Investing Activities</b>		
Proceeds from disposition of investments	50,383	-
Additions to machinery and equipment	1,187	(7,676)
Exploration and evaluation expenditures	(241,680)	(189,855)
	<b>(190,110)</b>	<b>(197,531)</b>
<b>Change in Cash</b>	<b>93,009</b>	<b>700,085</b>
<b>Cash, Beginning of Period</b>	<b>364,784</b>	<b>26,027</b>
<b>Cash, End of Period</b>	<b>\$ 457,793</b>	<b>\$ 726,112</b>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Shares issued for Option Agreement payments	\$ 40,000	\$ 51,370
Issuance of share purchase warrants for Option Agreement	\$ -	\$ 96,000
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

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**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the six months ended June 30, 2022 and 2021**  
**Expressed in Canadian Dollars**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Silver Wolf Exploration Ltd. (formerly Gray Rock Resources Ltd.) (“Silver Wolf” or the “Company”) was incorporated under the laws of the Province of British Columbia, Canada. It is in the exploration stage with regards to its business of exploration and development of mineral properties. The Company has an option on the Ana Maria and Laberinto properties in Durango, Mexico. The Company’s head office and principal place of business is Suite 900, 570 Granville Street, Vancouver, BC, Canada.

Silver Wolf is in the exploration stage and has not yet determined whether the properties contain ore reserves which are economically recoverable. The underlying carrying value of the mineral property interest and related exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, confirmation of Silver Wolf’s interest in the mineral claims, the ability of Silver Wolf to obtain necessary financing to complete the exploration and development, and future profitable production or proceeds from the sale of all or an interest in its mineral claims.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2022, the Company has a working capital of \$393,792 and accumulated losses of \$5,558,350. The Company has not yet generated any revenues from its operations and requires financing through the sale of shares or issuance of debt to continue with its operations and to develop its mineral properties. Although management intends to secure additional financing, there is no assurance that management will be successful in its efforts to secure additional financing, or that it will ever develop a self-supporting business. These factors together form a material uncertainty that raises significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Risks associated with Public Health Crises, including COVID-19**

The Company’s business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the outbreak of COVID-19 that was designated as a pandemic by the World Health Organization on March 11, 2020. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating, supply chain and project development delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit risk and inflation. In addition, the current COVID-19 pandemic, and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company’s operations, and the operations of suppliers, contractors and service providers, including smelter and refining service providers, and the demand for the Company’s production.

The Company may experience business interruptions, including suspended (whether government mandated or otherwise) or reduced operations relating to COVID-19 and other such events outside of the Company’s control, which could have a material adverse impact on its business, operations and operating results, financial condition and liquidity.

As at the date of the consolidated financial statements, the duration of the business disruptions internationally and related financial impact of COVID-19 cannot be reasonably estimated. It is unknown whether and how the Company may be affected if the pandemic persists for an extended period of time. In particular, the region in which we operate may not have sufficient public infrastructure to adequately respond or efficiently and quickly recover from such event, which could have a materially adverse effect on the Company’s operations. The Company’s exposure to such public health crises also includes risks to employee health and safety. Should an employee, contractor, community member or visitor become infected with a serious illness that has the potential to spread rapidly, this could place the Company’s workforce at risk.

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**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the six months ended June 30, 2022 and 2021**  
**Expressed in Canadian Dollars**

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**2. BASIS OF PRESENTATION**

**Statement of compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements of the Company. These unaudited condensed consolidated interim financial statements do not contain all of the information required for full annual consolidated financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s December 31, 2021, annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

**Significant Accounting Judgments and Estimates**

The preparation of these condensed consolidated interim financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The condensed consolidated interim financial statements include judgements and estimates, which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period, in which the estimate is revised, and may affect both current and future periods.

The critical judgments and estimates applied in the preparation of the Company’s unaudited condensed consolidated interim financial statements for the six months ended June 30, 2022, are consistent with those applied and disclosed in Note 2 to the Company’s audited consolidated financial statements for the year ended December 31, 2021.

**Functional Currency**

The presentation and functional currency of the Company and its subsidiary is the Canadian dollar.

**Foreign Currency Translation**

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the condensed consolidated interim statement of financial position. Non-monetary items that denominated in foreign currencies are translated at historical rates.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

- Cortez, a company incorporated on June 21, 2006 in Nevada, USA.
- Compania Minera Mexicana de Gray Rock, S.A. de C.V., a company incorporated under the Mexican United States law on July 21, 2020.

Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.



**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
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**3. RECENT ACCOUNTING PRONOUNCEMENTS**

**Application of new and revised accounting standards:**

***Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. This amendment will impact the Company's accounting for proceeds from mineral sales prior to reaching commercial production at levels intended by management.

**Future Changes in Accounting Policies Not Yet Effective as at June 30, 2022:**

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company in the current or future reporting periods.

**4. INVESTMENTS**

Investments consist of the following:

	Number of Shares	Cost	Accumulated Unrealized Gain/(Loss)	June 30, 2022 Fair Value	December 31, 2021 Fair Value
Garibaldi Resources Corp	65,000	\$ 202,800	\$ (175,500)	\$ 27,300	\$ 47,500
		\$ 202,800	\$ (175,500)	\$ 27,300	\$ 47,500

During the six months ended June 30, 2022, the Company disposed of 125,000 common shares of Garibaldi Resources Corp. for proceeds of \$50,383 and recognized a loss on sale of \$357,265.

**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
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**5. EXPLORATION AND EVALUATION ASSETS**

Exploration and evaluation assets consist of the following:

	Ana Maria & El Laberinto Option	Silver Stream Claims	Total
Balance, January 1, 2021	\$ 4,409	\$ 306,844	\$ 311,253
Exploration costs incurred during the year:			
Acquisition costs	147,370	-	147,370
Geological consulting	204,865	-	204,865
Field expenditures	200,836	-	200,836
Mapping	168,516	-	168,516
Taxes and Licensing	34,064	16,775	50,839
Assays	24,653	-	24,653
Impairment charges	-	(323,619)	(323,619)
Balance, December 31, 2021	784,713	-	784,713
Exploration costs incurred during the year:			
Geological consulting	109,911	-	109,911
Field expenditures	66,878	-	66,878
Acquisition costs	40,000	-	40,000
Taxes and licensing	32,118	-	32,118
Assays	16,557	-	16,557
Foreign exchange	16,215	-	16,215
Balance, June 30, 2022	\$ 1,066,392	\$ -	\$ 1,066,392

a) Ana Maria & Laberinto Properties

During 2020, the Company announced the signing of an option agreement (the "Option Agreement") with Avino Silver & Gold Mines Ltd. ("Avino"), a company with directors and management in common, as optionor. Pursuant to the terms of the Option Agreement, the Company was granted the exclusive right to acquire an 100% interest in the Ana Maria and El Laberinto properties in Mexico (the "Option"), in consideration of the issuance to Avino of share purchase warrants to acquire 300,000 common shares of the Company at an exercise price of \$0.20 per share for a period of 36 months from the date of the TSX Venture Exchange's final approval date of the Option Agreement of March 8, 2021.

During year ended December 31, 2021, the Company received final acceptance from the TSX Venture Exchange and issued to Avino the share purchase warrants to acquire 300,000 common shares and issued 131,718 common shares at an average price of \$0.3796, valued at \$50,000, to satisfy the terms laid out in Item 1 a) of the Option Agreement

In order to exercise the Option, the Company will:

1. Pay or issue to Avino a total of \$600,000 in cash or common shares of the Company as follows:
  - a. \$50,000 in common shares of the Company within 30 days of March 8, 2021;
  - b. A further \$50,000 on or before March 8, 2022;
  - c. A further \$100,000 on or before March 8, 2023;
  - d. A further \$200,000 on or before March 8, 2024; and
  - e. A further \$200,000 on or before March 8, 2025; and

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**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
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2. Incur a total of \$750,000 in exploration expenditures on the properties, as follows:
  - a. \$50,000 on or before March 8, 2022;
  - b. A further \$100,000 on or before March 8, 2023; and
  - c. A further \$600,000 on or before March 8, 2025.

All share issuances will be based on the average volume weighted trading price of the Company's shares on the TSX Venture Exchange for the ten (10) trading days immediately preceding the date of issuance of the shares, and the shares will be subject to resale restrictions under applicable securities legislation for 4 months and a day from their date of issue.

Any exploration expenditures in excess of any period stated above will be applied towards the next succeeding period's minimum requirements. During the option period, the Company will also assume liability and be responsible for all required semi-annual property payments required to maintain the properties in good standing.

The Company also granted to Avino a right of first refusal on 60 days' notice to Avino to purchase and process any ore or concentrate extracted from the properties under a custom milling contract at Avino's mine facilities.

On March 30, 2022, the Company issued 250,000 common shares to Avino as part of the terms outlined in 1.b. in the Option Agreement, and as of the date of these financial statements, all requirements have been fulfilled within the timeline of the Option Agreement outlined above.

#### ***Ana Maria Property***

The Ana Maria property is located 21 kilometres (km) northwest of the City of Gómez Palacio and the adjacent City of Torreón, and 1 km north of the town of Dinimita, in the municipality of Gómez Palacio, Durango, Mexico. The claims are located in the Minitas mining district in the Guadalupe Victoria mining region. The property consists of 9 mining concessions encompassing 2,549 hectares ("ha").

#### ***Laberinto Project***

The Laberinto Project is located in the "Sierra de la Silla" northwest of the town of Francisco I. Madero in the municipality of Panuco de Coronado. It is approximately 60 kilometres northeast of the city of Durango City, México. The property consists of mining concession encompassing 91.7 ha.

#### **b) Silver Stream Claims**

The Company has a 100% interest in two mineral claims in the Lillooet mining district of British Columbia, subject to a 3% net smelter returns royalty, known as Silver Stream 1 and Silver Stream 2 claims, collectively the Silver Stream Claims. The claims comprising the Silver Stream Claims remain in good standing until July 29, 2022.

As of December 31, 2021, the Company performed an evaluation of the exploration and evaluation asset at Silver Stream and recorded an impairment charge of \$323,619 against the carrying value, reducing the carrying value to nil.

The impairment charge results from the Company's decision in 2021 to focus its efforts and resources on the Ana Maria and Laberinto properties.

Subsequent to June 30, 2022, the Company dropped the Silver Stream Claims as part of the continued focus on the Option properties.

**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
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**6. PROPERTY AND EQUIPMENT**

	Right of Use Asset (Note 7)	Office equipment, furniture, and fixtures	Computer equipment	Machinery and equipment	Total
	\$	\$	\$	\$	\$
<b>COST</b>					
Balance at January 1, 2021	61,853	-	-	-	61,853
Additions / Transfers	35,681	2,762	8,891	2,741	50,075
Effect of movements in exchange rates	-	-	-	-	-
Balance at December 31, 2021	97,534	2,762	8,891	2,741	111,928
Additions / Transfers	(53,109)	-	-	-	(53,109)
Effect of movements in exchange rates	-	118	330	120	568
<b>Balance at June 30, 2022</b>	<b>44,425</b>	<b>2,880</b>	<b>9,221</b>	<b>2,861</b>	<b>59,387</b>
<b>ACCUMULATED DEPLETION AND DEPRECIATION</b>					
Balance at January 1, 2021	5,807	-	-	-	5,807
Additions / Transfers	10,759	169	1,670	101	12,699
Effect of movements in exchange rates	-	-	-	-	-
Balance at December 31, 2021	16,566	169	1,670	101	18,506
Additions / Transfers	5,033	288	1,394	72	6,787
Effect of movements in exchange rates	-	-	-	-	-
<b>Balance at June 30, 2022</b>	<b>21,599</b>	<b>457</b>	<b>3,064</b>	<b>173</b>	<b>25,293</b>
<b>NET BOOK VALUE</b>					
<b>At June 30, 2022</b>	<b>22,826</b>	<b>2,423</b>	<b>6,157</b>	<b>2,688</b>	<b>34,094</b>
At December 31, 2021	80,968	2,593	7,221	2,640	93,422
At January 1, 2021	56,046	-	-	-	56,046

**7. LEASE LIABILITY & RIGHT-OF-USE ASSET**

(a) Right-of-use asset

The Company shares office space with other companies related to it by virtue of certain directors and management in common (Note 10). In 2020 the Company recognized a right-of-use asset in relation to its share of office space lease allocated through Oniva International Services Corp. ("Oniva")

	June 30 2022	December 31 2021
Balance, beginning	\$ 80,968	\$ 56,046
Additions	-	35,681
Changes to lease terms	(53,109)	-
Depreciation	(5,033)	(10,759)
Balance, ending	\$ 22,826	\$ 80,968

**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
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(b) Lease liability

The contractual maturities and interest charges in respect of the Company's lease obligations in connection with its share of the office lease are as follows:

	June 30, 2022	December 31, 2021
Not later than one year	\$ 9,015	\$ 29,837
Later than one year and not later than five years	17,194	71,597
Less: future interest charges	(2,944)	(18,311)
Present value of lease payments	23,265	83,123
Less: current portion	(7,325)	(21,304)
Non-current portion	\$ 15,940	\$ 61,819

During the six months ended June 30, 2022, the Company and Oniva amended the share of rental expense allocated to Silver Wolf. As a result, the Company recognized a lease modification and adjusted the right-of-use asset and lease liability accordingly as noted above.

(c) Amounts Recognized in Statement of Operations and Comprehensive Loss

Payments relating to short-term leases recognized as an expense during the six months ended June 30, 2022, totalled \$Nil (2021 - \$Nil).

Amounts Recognized in Statement of Cash Flows

Cash payments relating to short-term leases during the six months ended June 30, 2022, totalled \$Nil (2021 - \$Nil).

**8. RECLAMATION DEPOSIT**

As at June 30, 2022 and December 31, 2021, the Company has hypothecated a term deposit in the amount of \$3,000 as security to the Province of British Columbia for future mineral claims site reclamation costs.

**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
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**9. SHARE CAPITAL**

(a) Authorized: Unlimited common shares without par value.

(b) Issued:

- (i) During the six months ended June 30, 2022, the Company closed a non-brokered private placement which consist of 4,014,734 units at a price of \$0.15 per unit for gross proceeds of \$602,160. Each unit consists of one common share and one non-transferable common share purchase warrant to purchase a common share at an exercise price of \$0.25.

During the six months ended June 30, 2022, the Company the Company issued 250,000 common shares at an average price of \$0.16, valued at \$40,000, to satisfy the terms laid out in Item 1 b) of the Option Agreement. For full details of the Option Agreement

- (ii) During the year ended December 31, 2021, the Company closed a non-brokered private placement of 5,000,000 shares at a price of \$0.20 per unit for gross proceeds of \$1,000,000.

During the year ended December 31, 2021, the Company closed a non-brokered private placement of 750,000 units at a price of \$0.25 per unit for gross proceeds of \$187,500. Each unit consists of one common share and one half (1/2) of a non-transferable common share purchase warrant to purchase a common share at an exercise price of \$0.35.

During the year ended December 31, 2021, the Company received final acceptance from the TSX Venture Exchange ("TSX-V") and issued to Avino the share purchase warrants to acquire 300,000 common shares and issued 131,718 common shares at an average price of \$0.3796, valued at \$50,000, to satisfy the terms laid out in Item 1 a) of the Option Agreement. See Note 5 for details on the Option Agreement. The shares issued were recorded to share capital at a fair value of \$51,370, which represents the closing TSX-V share price on the date of issuance.

During the year ended December 31, 2021, the Company received proceeds of \$150,500 upon exercise of 1,205,000 share purchase warrants, which includes the exercise by Avino of 300,000 share purchase warrants for proceeds of \$60,000.

(c) Share purchase warrants

At June 30, 2022, the Company had 4,709,650 (December 31, 2021 – 695,250) share purchase warrants outstanding and exercisable. Continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, January 1, 2021	1,225,250	\$0.23
Issued	675,000	\$0.28
Exercised	(1,205,000)	\$0.12
Outstanding and exercisable, December 31, 2021	695,250	\$0.47
Issued	4,014,400	\$0.25
Outstanding and exercisable, June 30, 2022	4,709,650	\$0.28

At June 30, 2022, weighted average remaining contractual life of warrants outstanding was 1.34 years (December 31, 2021 – 1.47 years).

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The following table summarizes information about the Company's warrants outstanding at June 30, 2022:

Expiry Date	Exercise Price	Warrants Outstanding and Exercisable
September 15, 2022	\$0.60	320,250
June 20, 2023	\$0.35	375,000
December 16, 2023	\$0.25	4,014,400
		<b>4,709,650</b>

(d) Stock option plan

The Company established a stock option plan, under which it may grant stock options totalling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis, and to any one optionee in a 12 month period not to exceed 5% of the total number of shares issued and outstanding on a non-diluted basis. The stock option plan limits the options issuable within a one-year period to regular employees and persons providing investor-relation or consulting services to 5% and 2% respectively of the Company's total number of issued and outstanding shares on a non-diluted basis on the date of grant.

The stock options are fully vested on the date of grant. The option price must be greater or equal to the discounted market price on the grant date, and the option expiry date can not exceed five years after the grant date.

Continuity of stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, December 31, 2020	1,190,000	\$0.40
Granted	1,000,000	\$0.20
Forfeited	(35,000)	\$0.20
Outstanding, December 31, 2021	2,155,000	\$0.31
Granted	1,830,000	\$0.20
Forfeited	(1,290,000)	\$0.38
Outstanding, June 30, 2022	2,695,000	\$0.20
Outstanding and exercisable, June 30, 2022	2,695,000	\$0.20

Details of stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Options Outstanding and Exercisable
January 8, 2026	\$0.20	865,000
March 30, 2027	\$0.20	1,830,000
		<b>2,695,000</b>

As at June 30, 2022, the weighted average remaining contractual life of stock options outstanding was 4.36 years (December 31, 2021 – 1.91 years).

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Option pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing stock options is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates.

The fair value of the options granted during the six months ended June 30, 2022 was calculated using the Black-Scholes model with the following weighted average assumptions:

	2022
Weighted average assumptions:	
Share price	0.20
Risk-free interest rate	2.40%
Expected dividend yield	0%
Expected option life (years)	5.00
Expected stock price volatility	114.09%
Weighted average fair value at grant date	\$0.13

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

(a) Key management compensation

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Consulting fees, wages and benefits	\$ 2,143	\$ 17,417	\$ 13,803	\$ 24,813
Share-based payments	-	-	146,900	108,000
	\$ 2,143	\$ 17,417	\$ 160,703	\$ 132,813

(b) Amounts due to related parties

In the normal course of operations, the Company transacts with companies related to its directors or officers. All amounts payable are non-interest bearing, unsecured, and due on demand. As at June 30, 2022, and December 31, 2021, the following amounts were due to related parties:

	June 30, 2022	December 31, 2021
Oniva International Services Corp.	\$ 149,848	\$ 78,859
Avino Silver and Gold Mines Ltd.	36,909	-
	\$ 186,757	\$ 78,859



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(c) Related party transactions

During the six months ended June 30, 2022, \$65,960 (2021 - \$117,202) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$1,649 of administrative fees during the six months ended June 30, 2022 (2021 - \$3,104) to Oniva.

The Company takes part in a cost-sharing arrangement to reimburse Oniva for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on the total overhead and corporate expenses. The arrangement may be terminated with one-month notice by either party.

**11. FINANCIAL INSTRUMENTS**

The fair values of the Company's cash, trade and other payables, and amounts due to related party approximate their carrying values because of the short-term nature of these instruments. The fair value of the Company's investments is detailed in Note 4.

The Company's financial instruments are exposed to certain financial risks comprising credit risk, liquidity risk and market risk.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company manages credit risk, in respect of cash, by maintaining the majority of cash at high credit rated Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash, as the majority of the amounts are held with a single Canadian financial institution.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At June 30, 2022, the Company had cash in the amount of \$457,793 (December 31, 2021 - \$364,784) in order to meet short-term business requirements. At June 30, 2022, the Company had current liabilities of \$269,394 (December 31, 2021 - \$277,245). Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms.

The maturity profiles of the Company's contractual obligations and commitments as at June 30, 2022, are summarized as follows:

	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1-5 years</b>	<b>More Than 5 Years</b>
Trade and other payable	\$ 75,312	\$ 75,312	\$ -	\$ -
Finance lease obligations	23,265	7,325	15,940	-
Due to related parties	186,757	186,757	-	-
<b>Total</b>	<b>\$ 285,334</b>	<b>\$ 269,394</b>	<b>\$ 15,940</b>	<b>\$ -</b>

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(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk, and other price risk. These are discussed further below.

Interest Rate Risk

Interest rate risk consists of two components:

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

The Company's cash is currently held in highly liquid short-term investments and therefore management considers the interest rate risk to be minimal.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in Mexican pesos and US dollars:

	June 30, 2022		December 31, 2021	
	MXN	USD	MXN	USD
Cash and cash equivalents	\$ 163,490	\$ 50,634	\$ 53,645	\$ 50,220
Amounts receivable	1,440,431	-	723,635	-
Accounts payable and accrued liabilities	(1,372,622)	-	(875,942)	-
<b>Net exposure</b>	<b>(231,299)</b>	<b>50,634</b>	<b>(98,661)</b>	<b>50,220</b>
Canadian dollar equivalent	\$ 13,406	\$ 71,771	\$ (6,018)	\$(70,036)

Based on the net Canadian dollar denominated asset and liability exposures as at June 30, 2022, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates would impact the Company's earnings for the six months ended June 30, 2022 by approximately \$6,334 (year ended December 31, 2021 - \$6,428). The Company has not entered into any foreign currency contracts to mitigate this risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk with respect to its investment in marketable securities, as they are carried at fair value based on quoted market prices.

(d) Classification of Financial Instruments

IFRS 7 'Financial Instruments: Disclosures' establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;  
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and  
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as at June 30, 2022:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash	\$ 457,793	\$ -	\$ -
Investments	27,300	-	-
	<b>\$ 485,093</b>	<b>\$ -</b>	<b>\$ -</b>

## **12. SUBSEQUENT EVENT**

**Option Grant** – Subsequent to June 30, 2022, the Company granted 690,000 options, exercisable at \$0.15 per share for a period of 5 years from the grant date.