



SILVER WOLF EXPLORATION LTD.

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2023 and 2022

(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, 2023, and for the periods ended June 30, 2023 and 2022, have not been reviewed or audited by the Company's independent auditors.

"David Wolfin"

David Wolfin
Chairman & CEO
August 24, 2023

"Nathan Harte"

Nathan Harte, CPA
Chief Financial Officer
August 24, 2023

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

| | Note | June 30, 2023 (Unaudited) | December 31, 2022 |
|---|------|---------------------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | | \$ 76,332 | \$ 208,715 |
| Sales taxes receivables and other | | 168,916 | 122,628 |
| | | 245,248 | 331,343 |
| Non-Current Assets | | | |
| Investments | 4 | 9,425 | 13,649 |
| Exploration and evaluation assets | 5 | 1,673,475 | 1,354,363 |
| Property and equipment | 6 | 27,629 | 30,877 |
| Reclamation deposit | 8 | 3,000 | 3,000 |
| TOTAL ASSETS | | \$ 1,958,777 | \$ 1,733,232 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | \$ 96,807 | \$ 110,424 |
| Current portion of lease liability | 7 | 8,330 | 7,828 |
| Due to related parties | 10 | 402,037 | 246,394 |
| | | 507,174 | 364,646 |
| Non-Current Liabilities | | | |
| Lease liability | 7 | 7,609 | 11,882 |
| Site restoration obligation | | 3,000 | 3,000 |
| | | 517,783 | 379,528 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 9 | 6,623,015 | 6,546,765 |
| Contributed surplus | | 615,171 | 641,421 |
| Accumulated other comprehensive income | | 154,147 | 4 |
| Deficit | | (5,951,339) | (5,834,486) |
| | | 1,440,994 | 1,353,704 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 1,958,777 | \$ 1,733,232 |

Note 1 – Nature of Operations and Going Concern

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on August 24, 2023:

“David Wolfin” **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 Income (Loss)
Expressed in Canadian Dollars

| | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|--------------------|---------------------------|--------------------|
| Note | 2023 | 2022 | 2023 | 2022 |
| General and Administrative Expenses | | | | |
| Administrative benefits and salaries | \$ 11,347 | \$ 10,757 | \$ 22,551 | \$ 44,067 |
| Automobile | 275 | 183 | 549 | 732 |
| Consulting fees | 7,500 | 8,394 | 15,000 | 17,702 |
| Depreciation | 1,137 | 1,137 | 2,273 | 5,033 |
| Foreign exchange loss | 1,303 | 16,798 | 5,519 | 15,754 |
| Interest and bank charges | 671 | 2,249 | 1,877 | 4,952 |
| Listing and filing fees | 8,184 | 14,657 | 14,715 | 23,532 |
| Office and miscellaneous | 1,828 | 12,998 | 4,144 | 34,447 |
| Professional fees | 4,571 | 6,983 | 21,436 | 205 |
| Share-based compensation | - | - | - | 242,400 |
| Shareholder information | 9,103 | 18,007 | 21,672 | 22,668 |
| Transfer agent fees | 3,724 | 2,619 | 7,117 | 5,249 |
| Operating Loss | (49,643) | (94,782) | (116,853) | (416,741) |
| Other Comprehensive Income (Loss): | | | | |
| Items that will not subsequently be re-classified to net income: | | | | |
| Unrealized gain (loss) on investment securities | 4 (2,600) | (3,410) | (4,225) | 25,200 |
| Reclassification of accumulated loss on investment sold | 4 - | 24,345 | - | 357,265 |
| Currency translation differences | 58,742 | 3,085 | 158,368 | 2,858 |
| Total Comprehensive Income (Loss) | \$ 6,499 | \$ (70,762) | \$ 37,290 | \$ (31,418) |
| Basic and Diluted Loss per Share | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.01) |
| Weighted Average Number of Shares Outstanding | 35,763,500 | 31,866,417 | 35,636,500 | 31,323,187 |

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 |
|--|-------------|----------------------------|---------------------|------------------------|------------------------|---|---------------------|
| Balance, January 1, 2022 | | 30,998,766 | \$ 6,065,144 | \$ 591,542 | \$ (5,101,144) | \$ (545,831) | \$ 1,009,711 |
| 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 |
| Balance, June 30, 2022 | | 35,263,500 | \$ 6,546,765 | \$ 677,731 | \$ (5,558,350) | \$ (160,508) | \$ 1,505,638 |
| Balance, January 1, 2023 | | 35,263,500 | \$ 6,546,765 | \$ 641,421 | \$ (5,834,486) | \$ 4 | \$ 1,353,704 |
| Issuance of shares for Option Agreement | 5, 9 | 500,000 | 50,000 | - | - | - | 50,000 |
| Warrants expired | | - | 26,250 | (26,250) | - | - | - |
| Net loss for the period | | - | - | - | (116,853) | - | (116,853) |
| Other comprehensive income for the period | | - | - | - | - | 154,143 | 154,143 |
| Balance, June 30, 2023 | | 35,763,500 | \$ 6,623,015 | \$ 615,171 | \$ (5,951,339) | \$ 154,147 | \$ 1,440,994 |

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

| | For the six months ended June 30, | |
|--|--|-------------------|
| | 2023 | 2022 |
| Cash provided by (used in): | | |
| Operating Activities | | |
| Net Loss | \$ (116,853) | \$ (416,741) |
| Items not involving cash in the period | | |
| Share-based compensation | - | 242,400 |
| Interest charges | 765 | 2,889 |
| Depreciation | 2,273 | 5,033 |
| Foreign exchange movements | 9,159 | (12,065) |
| Changes in non-cash working capital items: | | |
| Sales taxes recoverable and other | (46,288) | (147,037) |
| Trade and other payables | (13,619) | (101,769) |
| Due to related parties | 155,643 | 117,838 |
| | (8,920) | (309,452) |
| Financing Activities | | |
| Issuance of common shares or units for cash, net | (4,536) | 602,210 |
| Finance lease payments | - | (9,639) |
| | (4,536) | 592,571 |
| Investing Activities | | |
| Proceeds from disposition of investments | - | 50,383 |
| Additions to machinery and equipment | 975 | 1,187 |
| Exploration and evaluation expenditures | (119,902) | (241,680) |
| | (118,927) | (190,110) |
| Change in Cash | (132,383) | 93,009 |
| Cash, Beginning of Period | 208,715 | 364,784 |
| Cash, End of Period | \$ 76,331 | \$ 457,793 |
| Supplementary Disclosure of Cash Flow Information | | |
| Shares issued for Option Agreement payments | \$ 50,000 | \$ 40,000 |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

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

Silver Wolf Exploration Ltd.
Notes to the condensed consolidated interim financial statements
For the six months ended June 30, 2023 and 2022
Expressed in Canadian Dollars

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 the 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, 2023, the Company has a working capital deficit of \$261,926 and accumulated losses of \$5,951,339. 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.

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, 2022, 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.

Silver Wolf Exploration Ltd.
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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, 2023, are consistent with those applied and disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2022.

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.

3. RECENT ACCOUNTING PRONOUNCEMENTS

New and amended IFRS that are effective for the current year:

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. These standards did not have a material impact on the Company's disclosures or on the amounts in the current reporting periods.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 Making Material Judgments – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regards to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information." Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonable by expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events, or conditions, is immaterial and not required to be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events, or conditions, even of the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events, or conditions, is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2.

Silver Wolf Exploration Ltd.
Notes to the condensed consolidated interim financial statements
For the six months ended June 30, 2023 and 2022
Expressed in Canadian Dollars

The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's interim consolidated financial statements.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.”

The definition of a change in accounting estimates was deleted; however, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not a correct of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's interim consolidated financial statements.

Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and decommissioning liabilities. The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's interim consolidated financial statements.

Future Changes in Accounting Policies Not Yet Effective as at June 30, 2023:

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.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current with Covenants

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

In addition, the amendment requires entities to disclose information to enable users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2024, with early application permitted. The amendment is not expected to have a material impact on the Company's consolidated financial statements.

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Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

The amendments require a seller/lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller/lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors* to sale or leaseback transactions entered into after the date of initial application.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2024, with early application permitted. The amendment is not expected to have a material impact on the Company's consolidated financial statements.

4. INVESTMENTS

Investments consist of the following:

| | Number of Shares | Cost | Accumulated Unrealized Gain/(Loss) | June 30, 2023 Fair Value | December 31, 2022 Fair Value |
|--------------------------|---------------------|------------|--|--------------------------------|------------------------------------|
| Garibaldi Resources Corp | 65,000 | \$ 202,800 | \$ (193,375) | \$ 9,425 | \$ 13,650 |
| | | \$ 202,800 | \$ (193,375) | \$ 9,425 | \$ 13,650 |

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of the following:

| | Ana Maria & El Laberinto Option | Total |
|---|------------------------------------|--------------|
| Balance, January 1, 2022 | \$ 784,713 | \$ 784,713 |
| Exploration costs incurred during the year: | | |
| Geological consulting | 251,355 | 251,355 |
| Field expenditures | 153,773 | 153,773 |
| Taxes and Licensing | 70,753 | 70,753 |
| Acquisition costs | 40,000 | 40,000 |
| Assays | 24,472 | 24,472 |
| Foreign exchange | 29,297 | 29,297 |
| Balance, December 31, 2022 | 1,354,363 | 1,354,363 |
| Exploration costs incurred during the year: | | |
| Acquisition costs | 50,000 | 50,000 |
| Field expenditures | 65,177 | 65,177 |
| Taxes and Licensing | 54,726 | 54,726 |
| Foreign exchange | 149,209 | 149,209 |
| Balance, June 30, 2023 | \$ 1,673,475 | \$ 1,673,475 |

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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
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.

During the six months ended June 30, 2023, the Company issued 250,000 common shares to Avino as part of the terms outlined in 1.c. 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").

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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.

6. PROPERTY AND EQUIPMENT

| | Right of Use Asset (Note 7) | Office equipment, furniture, and fixtures | Computer equipment | Machinery and equipment | Total |
|---|-----------------------------------|---|-----------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ |
| COST | | | | | |
| Balance at January 1, 2022 | 97,534 | 2,762 | 8,891 | 2,741 | 111,928 |
| Additions / Transfers | (53,109) | - | - | - | (53,109) |
| Effect of movements in exchange rates | - | 349 | 973 | 356 | 1,678 |
| Balance at December 31, 2022 | 44,425 | 3,111 | 9,864 | 3,097 | 60,497 |
| Additions / Transfers | - | - | - | - | - |
| Effect of movements in exchange rates | - | 255 | 570 | 313 | 1,138 |
| Balance at June 30, 2023 | 44,425 | 3,366 | 10,434 | 3,410 | 61,635 |
| ACCUMULATED DEPLETION AND DEPRECIATION | | | | | |
| Balance at January 1, 2022 | 16,566 | 168 | 1,669 | 101 | 18,504 |
| Additions / Transfers | 7,306 | 627 | 3,027 | 156 | 11,114 |
| Effect of movements in exchange rates | - | - | - | - | - |
| Balance at December 31, 2022 | 23,872 | 795 | 4,696 | 257 | 29,620 |
| Additions / Transfers | 2,272 | 348 | 1,680 | 86 | 4,386 |
| Effect of movements in exchange rates | - | - | - | - | - |
| Balance at June 30, 2023 | 26,144 | 1,143 | 6,376 | 343 | 34,006 |
| NET BOOK VALUE | | | | | |
| At June 30, 2023 | 18,281 | 2,223 | 4,058 | 3,067 | 27,629 |
| At December 31, 2022 | 20,553 | 2,316 | 5,168 | 2,840 | 30,877 |
| At January 1, 2022 | 80,968 | 2,594 | 7,222 | 2,640 | 93,424 |

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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 2023 | December 31 2022 |
|------------------------|-----------------|---------------------|
| Balance, beginning | \$ 20,553 | \$ 80,968 |
| Changes to lease terms | - | (53,109) |
| Depreciation | (2,272) | (7,306) |
| Balance, ending | \$ 18,281 | \$ 20,553 |

(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, 2023 | December 31, 2022 |
|---|------------------|----------------------|
| Not later than one year | \$ 9,333 | \$ 9,186 |
| Later than one year and not later than five years | 7,861 | 12,545 |
| Less: future interest charges | (1,255) | (2,021) |
| Present value of lease payments | 15,939 | 19,710 |
| Less: current portion | (8,330) | (7,828) |
| Non-current portion | \$ 7,609 | \$ 11,882 |

During the six months ended June 30, 2023, 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, 2023, totalled \$Nil (2022 - \$Nil).

Amounts Recognized in Statement of Cash Flows

Cash payments relating to short-term leases during the six months ended June 30, 2023, totalled \$Nil (2022 - \$Nil).

8. RECLAMATION DEPOSIT

As at June 30, 2023 and December 31, 2022, 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.

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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, 2023, the Company issued 500,000 common shares at an average price of \$0.10, valued at \$50,000, to satisfy the terms laid out in Item 1 c) of the Option Agreement. For full details of the Option Agreement, see Note 5.
- (ii) During the year ended December 31, 2022, the Company closed a non-brokered private placement of 4,014,734 shares at a price of \$0.15 per unit for gross proceeds of \$602,160. The Company also 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, see Note 5.

(c) Share purchase warrants

At June 30, 2023, the Company had 4,014,734 (December 31, 2022 – 4,389,734) 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, 2022 | 695,250 | \$0.47 |
| Issued | 4,014,734 | \$0.25 |
| Expired | (320,250) | \$0.60 |
| Outstanding and exercisable, December 31, 2022 | 4,389,734 | \$0.26 |
| Expired | (375,000) | \$0.35 |
| Outstanding and exercisable, June 30, 2023 | 4,014,734 | \$0.25 |

At June 30, 2023, weighted average remaining contractual life of warrants outstanding was 0.46 years (December 31, 2022 – 0.92 years).

The following table summarizes information about the Company's warrants outstanding at June 30, 2023:

| Expiry Date | Exercise Price | Warrants Outstanding and Exercisable |
|-------------------|----------------|--------------------------------------|
| December 16, 2023 | \$0.25 | 4,014,734 |
| | | 4,014,734 |

(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.

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Continuity of stock options is as follows:

| | Number of Options | Weighted Average Exercise Price |
|--|-------------------|------------------------------------|
| Outstanding and exercisable, December 31, 2021 | 2,155,000 | \$0.31 |
| Granted | 2,520,000 | \$0.19 |
| Forfeited | (1,330,000) | \$0.38 |
| Outstanding, December 31, 2022 | 3,345,000 | \$0.19 |
| Outstanding and exercisable, June 30, 2023 | 3,345,000 | \$0.19 |

Details of stock options outstanding and exercisable are as follows:

| Expiry Date | Exercise Price | Options Outstanding and Exercisable |
|-----------------|----------------|--|
| January 8, 2026 | \$0.20 | 845,000 |
| March 30, 2027 | \$0.20 | 1,810,000 |
| August 8, 2027 | \$0.15 | 690,000 |
| | | 3,345,000 |

As at June 30, 2023, the weighted average remaining contractual life of stock options outstanding was 3.52 years (December 31, 2022 – 4.01 years).

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.

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, | |
|-------------------------------------|-----------------------------|----------|---------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Consulting fees, wages and benefits | \$ 2,342 | \$ 2,143 | \$ 4,796 | \$ 13,803 |
| Share-based payments | - | - | - | 146,900 |
| | \$ 2,342 | \$ 2,143 | \$ 4,796 | \$ 160,703 |

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(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, 2023 and December 31, 2022, the following amounts were due to related parties:

| | June 30, 2023 | December 31, 2022 |
|------------------------------------|-------------------|----------------------|
| Oniva International Services Corp. | \$ 164,098 | \$ 128,909 |
| Avino Silver and Gold Mines Ltd. | 237,939 | 117,485 |
| | \$ 402,037 | \$ 246,394 |

(c) Related party transactions

During the six months ended June 30, 2023, \$32,696 (2022 - \$65,960) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$817 of administrative fees during the six months ended June 30, 2023 (2022 - \$1,649) 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, 2023, the Company had cash in the amount of \$76,332 (December 31, 2022 - \$208,715) in order to meet short-term business requirements. At June 30, 2023, the Company had current liabilities of \$507,172 (December 31, 2022 - \$364,646). Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms.

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The maturity profiles of the Company's contractual obligations and commitments as at June 30, 2023, are summarized as follows:

| | Total | Less Than 1 Year | 1-5 years | More Than 5 Years |
|---------------------------|-------------------|-----------------------------|------------------|------------------------------|
| Trade and other payable | \$ 96,805 | \$ 96,805 | \$ - | \$ - |
| Finance lease obligations | 15,939 | 8,330 | 7,609 | - |
| Due to related parties | 402,037 | 402,037 | - | - |
| Total | \$ 514,781 | \$ 507,172 | \$ 7,609 | \$ - |

(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, 2023 | | December 31, 2022 | |
|--|--------------------|--------------|-------------------|--------------|
| | MXN | USD | MXN | USD |
| Cash and cash equivalents | \$ - | \$ 1,828 | \$ 201,936 | \$ 3,552 |
| Amounts receivable | 1,806,851 | - | 1,596,057 | - |
| Accounts payable and accrued liabilities | (3,375,092) | - | (2,026,316) | - |
| Net exposure | (1,568,241) | 1,828 | (228,323) | 3,552 |
| Canadian dollar equivalent | \$ 1,222 | \$ 243 | \$ (21,616) | \$4,810 |

Based on the net Canadian dollar denominated asset and liability exposures as at June 30, 2023, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates would impact the Company's earnings for the year ended June 30, 2023 by approximately \$1,465 (year ended December 31, 2022 - \$640). The Company has not entered into any foreign currency contracts to mitigate this risk.

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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:

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, 2023:

| | | Level 1 | Level 2 | Level 3 |
|-------------|----|----------------|----------------|----------------|
| Cash | \$ | 76,332 | \$ - | \$ - |
| Investments | | 9,425 | - | - |
| | \$ | 85,757 | \$ - | \$ - |