



# **SILVER WOLF EXPLORATION LTD.**

*(formerly Gray Rock Resources Ltd.)*

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020 and 2019

*(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.

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 September 30, 2020, and for the periods ended September 30, 2020 and 2019, have not been reviewed or audited by the Company's independent auditors.

*"David Wolfin"*

David Wolfin  
Chief Executive Officer  
November 26, 2020

*"Nathan Harte"*

Nathan Harte, CPA  
Chief Financial Officer  
November 26, 2020

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

	Note	September 30, 2020 (Unaudited)	December 31, 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 44,563	\$ 101,846
Sales taxes receivables and other		9,445	1,298
		54,008	103,144
<b>Non-Current Assets</b>			
Investments	3	127,163	189,118
Exploration and evaluation assets	4	311,253	306,844
Right-of-use asset	5	26,614	30,969
Reclamation deposit	6	3,000	3,000
Other assets		953	3,813
<b>TOTAL ASSETS</b>		<b>\$ 522,991</b>	<b>\$ 636,888</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		\$ 26,816	\$ 16,272
Current portion of lease liability	5	4,853	6,942
Due to related parties	8	40,766	-
		72,435	23,214
<b>Non-Current Liabilities</b>			
Promissory notes issued to related parties	8	-	227,996
Lease liability	5	23,381	24,027
Site restoration obligation		3,000	3,000
		98,816	278,237
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	4,627,790	4,297,472
Contributed surplus		486,092	503,692
Accumulated other comprehensive income		(466,302)	(404,346)
Deficit		(4,223,405)	(4,038,167)
		424,175	358,651
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 522,991</b>	<b>\$ 636,888</b>

Note 1 – Nature of operations and going concern

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on November 26, 2020:

\_\_\_\_\_  
“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 September 30,			Nine months ended September 30,	
	Note	2020	2019	2020	2019
<b>General and Administrative Expenses</b>					
Administrative benefits and salaries	\$	5,549	\$ 6,440	\$ 17,552	\$ 23,252
Automobile		55	453	244	1,061
Consulting fees		21,566	7,663	26,566	22,663
Depreciation		2,405	953	7,215	2,861
Foreign exchange loss		51	113	60	117
Interest and bank charges		1,254	43	3,054	111
Listing and filing fees		13,108	1,300	16,889	6,224
Office and miscellaneous		4,112	4,262	13,187	16,599
Professional fees		6,497	-	15,752	2,735
Shareholder information		1,007	74	1,031	1,837
Transfer agent fees		3,185	3,368	4,154	4,934
Travel expense		62	271	62	330
<b>Operating Loss</b>		(58,851)	(24,940)	(105,766)	(82,724)
<b>Other Items</b>					
Realized loss on sale of marketable securities		-	(11,200)	-	(11,200)
Fair value adjustment for promissory note payable		(83,178)	(5,184)	(97,072)	(15,104)
<b>Net Loss For The Period</b>		(142,029)	(41,324)	(202,838)	(109,028)
<b>Other Comprehensive Income (Loss)</b>					
Items that may be reclassified subsequently to income or loss:					
Unrealized gain (loss) on investment securities	3	(29,972)	113,599	(61,957)	179,322
<b>Total Comprehensive Income (Loss)</b>	\$	(172,001)	\$ 72,275	\$ (264,795)	\$ 70,294
<b>Basic and Diluted Loss per Share</b>	\$	(0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)
<b>Weighted Average Number of Shares Outstanding</b>		22,475,885	22,260,461	22,332,793	22,260,461

*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**  
**For the nine months ended September 30, 2020 and 2019**  
**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, 2019</b>		<b>22,260,461</b>	<b>\$ 4,297,472</b>	<b>\$ 576,092</b>	<b>\$ (3,999,864)</b>	<b>\$ (429,014)</b>	<b>\$ 444,686</b>
Stock options cancelled or expired		-	-	(75,300)	75,300	-	-
Net loss for the period		-	-	-	(109,028)	-	(109,028)
Other comprehensive income for the period	3	-	-	-	-	179,323	179,323
<b>Balance, September 30, 2019</b>		<b>22,260,461</b>	<b>\$ 4,297,472</b>	<b>\$ 500,792</b>	<b>\$ (4,033,592)</b>	<b>\$ (249,691)</b>	<b>\$ 514,981</b>
<b>Balance, January 1, 2020</b>		<b>22,260,461</b>	<b>\$ 4,297,472</b>	<b>\$ 503,692</b>	<b>\$ (4,038,167)</b>	<b>\$ (404,346)</b>	<b>\$ 358,651</b>
Common shares issued for debt settlement		-	330,318	-	-	-	330,318
Stock options cancelled or expired		-	-	(17,600)	17,600	-	-
Net loss for the period		-	-	-	(202,838)	-	(202,838)
Other comprehensive loss for the period	3	-	-	-	-	(61,956)	(61,956)
<b>Balance, September 30, 2020</b>		<b>22,260,461</b>	<b>\$ 4,627,790</b>	<b>\$ 486,092</b>	<b>\$ (4,223,405)</b>	<b>\$ (466,302)</b>	<b>\$ 424,175</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**  
**For the nine months ended September 30, 2020 and 2019**  
**Expressed in Canadian Dollars**

	<b>2020</b>	<b>2019</b>
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Net Loss	\$ (202,838)	\$ (109,028)
Items not involving cash in the period		
Loss on sale of investments	-	11,200
Depreciation	7,215	2,861
Fair value adjustment for promissory note payable	97,072	15,104
Interest charges	2,640	-
Foreign exchange movements	(1)	-
Changes in non-cash working capital items:		
Sales taxes receivables and other	(8,147)	(2,204)
Trade and other payables	10,544	(15,340)
Due to related parties	46,016	66,262
	<b>(47,499)</b>	<b>(31,145)</b>
<b>Financing Activities</b>		
Finance lease payments	(5,376)	-
	<b>(5,376)</b>	<b>-</b>
<b>Investing Activities</b>		
Disposition of marketable securities	-	20,000
Exploration and evaluation expenditures	(4,409)	(2,996)
	<b>(4,409)</b>	<b>17,004</b>
<b>Change in Cash</b>	<b>(57,284)</b>	<b>(14,141)</b>
<b>Cash, Beginning of Period</b>	<b>101,846</b>	<b>115,242</b>
<b>Cash, End of Period</b>	<b>\$ 44,562</b>	<b>\$ 101,101</b>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Interest Expense	\$ -	\$ -
Income Taxes	\$ -	\$ -

*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 nine months ended September 30, 2020 and 2019**  
**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. Silver Wolf is in the exploration stage focused on silver as target metal for both Ana Maria and El Laberinto properties that are located in a well known, prolific carbonate replacement deposit district in Mexico and has not yet determined whether the property contains ore reserves which are economically recoverable. The Company also owns the Silver Stream mineral claims in British Columbia, Canada. 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. The Company’s head office and principal place of business is Suite 900, 570 Granville Street, Vancouver, BC, Canada.

On October 6, 2020, the Company changed its name from Gray Rock Resources Limited to Silver Wolf Exploration Limited to better reflect the company’s new business focus. The Company’s shares commence trading on the TSX Venture Exchange under the new name at the opening of trading on October 8, 2020 under the new trading symbol “**SWLF**”. There was no consolidation of capital.

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 September 30, 2020, the Company has accumulated losses of \$4,223,405. 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 are 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 condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company, except for the accounting policies, which have changed as a result of the adoption of new and revised standards and interpretations, which are effective January 1, 2020. These condensed consolidated interim financial statements do not contain all of the financial information required for full annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s December 31, 2019 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.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2020 and 2019**  
**Expressed in Canadian Dollars**

**2. BASIS OF PRESENTATION (continued)**

The critical judgments and estimates applied in the preparation of the Company's unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2020, are consistent with those applied and disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2019

**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 subsidiary Cortez, a company incorporated on June 21, 2006 in Nevada, USA.

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

**3. INVESTMENTS**

Investments consist of the following:

	Number of Shares	Cost	Accumulated Unrealized Gain/(Loss)	September 30, 2020 Fair Value	December 31, 2019 Fair Value
Discovery Metals Corp.	3,250	\$ 125	\$ 6,070	\$ 6,196	\$ 2,323
SciVac Therapeutics Inc.	332	539	728	1,267	595
Garibaldi Resources Corp	190,000	592,800	(473,100)	119,700	186,200
		\$ 593,464	\$ (466,302)	\$ 127,163	\$ 189,118



**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2020 and 2019**  
**Expressed in Canadian Dollars**

**4. EXPLORATION AND EVALUATION ASSETS**

Exploration and evaluation assets consist of the following:

	Ana Maria & El Laberinto Option	Silver Stream Claims	Total
Balance, January 1, 2019	\$ -	\$ 303,848	\$ 303,848
Exploration costs incurred during the period:			
Taxes and licensing	-	500	500
Geological	-	2,496	2,496
Balance, December 31, 2019	-	306,844	306,844
Exploration costs incurred during the period:			
Acquisition costs	4,409	-	4,409
Balance, September 30, 2020	\$ 4,409	\$ 306,844	\$ 311,253

a) Ana Maria & Laberinto Properties

On August 12, 2020, the Company announced the signing of an option agreement (the "Option Agreement") with Avino Silver & Gold Mines Ltd. ("Avino"), as optionor. Pursuant to the terms of the Option Agreement, Silver Wolf 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 acceptance of the Option Agreement (the "Approval Date").

In order to exercise the Option, Silver Wolf 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 the Approval Date;
  - b. A further \$50,000 on or before the first anniversary of the Approval Date;
  - c. A further \$100,000 on or before the second anniversary of the Approval Date;
  - d. A further \$200,000 on or before the third anniversary of the Approval Date; and
  - e. A further \$200,000 on or before the fourth anniversary of the Approval Date; and
2. Incur a total of \$750,000 in exploration expenditures on the properties, as follows:
  - a. \$50,000 on or before the first anniversary of the Approval Date;
  - b. A further \$100,000 on or before the second anniversary of the Approval Date; and
  - c. A further \$600,000 on or before the fourth anniversary of the Approval Date.

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. Under the Option Agreement, the parties intend that the first two year's payments (\$200,000 in cash or shares), and first \$150,000 in exploration work will be firm commitments by the Company.

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**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2020 and 2019**  
**Expressed in Canadian Dollars**

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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.

***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).

These projects are located in the North West-South East (NW-SE) striking fold-thrust belt of the Sierra Madre Oriental within a west trending prong known as the Sierras Transversales or the Monterrey-Torreón transverse system. It divides the Mesa Central, an elevated plateau to the South, from the eastern Mexican Basin and Range to the North.

The region hosts a number of carbonate replacement deposits (CRD's) within Cretaceous limestones and dolomites. Mineralization is associated with large stocks, dykes or sills of granitoids ranging from diorites to quartz monzonites and rhyolites and inferred to be lower crustal in origin. Mineralization is present as skarns or massive sulphides and occurred during Mid-Tertiary volcanism when the aforementioned intrusions were emplaced (Megaw et al., 1988 and references therein). The deposits typically produce silver, lead, zinc and copper although some districts, such as Ojuela (~10 kilometres from Ana Maria and La Zorra), are enriched in gold relative to typical CRD's.

***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.

El Laberinto is situated within the Tepehuano terrane, as are Ana Maria, La Recompensa, and the El Soldado projects, but in close proximity to the contact with the Tahue terrane, W of the Sierra Madre Oriental. The carbonates that host the CRD projects are absent; no Mesozoic rocks survived erosional processes in the region. Instead of the thrust belts of the Sierra Madre Oriental, the region is controlled by a series of North West-South East (NW-SE) to North North West-South South East (NNW-SSE) striking faults that create a horst-and-graben topography.

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 Company has entered into a mining lease agreement for the Silver Stream 2 property with David R. Deering ("Deering") and Saxifrage Geological Services Ltd. ("Saxifrage"). In accordance with the terms of the agreement, Deering and Saxifrage have agreed to pay the Company an annual rental of \$10,000 for a term of seven years, with the first payment due on December 12, 2015. On December 12, 2015, the parties agreed that the first annual rental payment of \$10,000 would be postponed, added to the succeeding annual rentals, and paid in equal annual installments of \$2,000 starting December 12, 2016. In addition, the Company granted Deering and Saxifrage an option to purchase the property for \$500,000 payable at any time during the term of the agreement, subject to a 5% Net Smelter Returns Royalty on metals and a 5%

**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2020 and 2019**  
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Gross Overriding Royalty on any jade production. Any future royalty payments due to the Company from Deering and Saxifrage after the exercise of option shall be reduced by \$500,000. On May 2, 2016, the parties further agreed that Deering and Saxifrage would perform exploration and development work of at least \$12,000 in value in lieu of the \$12,000 payment due on December 12, 2016.

In October 2017, the Company amended the existing mineral lease claim agreement for the Silver Stream I and II properties, by assigning and transferring to Marshall Creek Jade Inc. all rights, titles, interest and obligations from Saxifrage Geological Services Ltd.

During the year ended December 31, 2018, the Company received a notice from David Deering and Marshall Creek Jade Inc. to terminate the mineral claims lease agreement, as amended and assigned, for the Silver Stream Property.

The claims comprising the Silver Stream Claims remain in good standing until July 29, 2021.

**5. 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 8(d)). During the year ended December 31, 2019, as a result of the adoption of IFRS 16, the Company recognized a right-of-use asset in relation to its share of office space lease allocated through Oniva International Services Corp.

	2020	2019
Balance, beginning	\$ 30,969	\$ -
Additions	-	30,969
Changes to lease terms	-	-
Depreciation	4,355	-
Balance, ending	\$ 26,614	\$ 30,969

(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:

	September 30, 2020	December 31, 2019
Not later than one year	\$ 7,901	\$ 7,351
Later than one year and not later than five years	28,625	31,865
Later than five years	-	2,686
Less: future interest charges	(8,292)	(10,933)
Present value of lease payments	28,234	30,969
Less: current portion	(4,853)	(6,942)
Non-current portion	\$ 23,381	\$ 24,027

**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2020 and 2019**  
**Expressed in Canadian Dollars**

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

Payments relating to short-term leases recognized as an expense during the nine months ended September 30, 2020, totalled \$Nil (2019 - \$2,794).

Amounts Recognized in Statement of Cash Flows

Cash payments relating to short-term leases during the nine months ended September 30, 2020, totalled \$Nil (2019 - \$2,794).

**6. RECLAMATION DEPOSIT**

As at September 30, 2020 and December 31, 2019, 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.

**7. SHARE CAPITAL**

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

(b) Issued during 2020 and 2019:

1,651,587 shares were issued in September 18, 2020 for further details see Note 8 c), no shares were issued in 2019.

(c) Share purchase warrants

At September 30, 2020, the Company had 1,225,250 (December 31, 2019 – 1,725,250) 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, 2019	1,725,250	\$0.31
Expired	(500,000)	\$0.50
Outstanding and exercisable, December 31, 2019 and September 30, 2020	1,225,250	\$0.23

At September 30, 2020, weighted average remaining contractual life of warrants outstanding was 1.41 years (December 31, 2019 – 0.50 years).

The following table summarizes information about the Company's warrants outstanding at September 30, 2020:

Expiry Date	Exercise Price	Warrants Outstanding and Exercisable
August 15, 2021	\$0.10	905,000
September 15, 2022	\$0.60	320,250
		<b>1,225,250</b>

**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2020 and 2019**  
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(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, January 1, 2019	1,715,000	\$0.40
Cancelled	(100,000)	\$0.39
Forfeited	(120,000)	\$0.44
Outstanding and exercisable, December 31, 2019	1,495,000	\$0.40
Forfeited	(95,000)	\$0.39
Outstanding and exercisable, September 30, 2020	1,400,000	\$0.40

Details of stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Options Outstanding and Exercisable
February 23, 2022	\$0.39	1,000,000
June 23, 2022	\$0.44	400,000
		<b>1,400,000</b>

As at September 30, 2020, the weighted average remaining contractual life of stock options outstanding was 1.49 years (December 31, 2019 – 2.24 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.

**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2020 and 2019**  
**Expressed in Canadian Dollars**

**8. 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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Salaries, benefits, and consulting fees	\$ 2,556	\$ 10,772	\$ 12,956	\$ 30,662
Share-based payments	-	-	-	-
	\$ 2,556	\$ 10,772	\$ 12,956	\$ 30,662

(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 September 30, 2020 and December 31, 2019 the following amounts were due to related parties:

	September 30, 2020	December 31, 2019
Oniva International Services Corp.	\$ 40,766	\$ -
Intermark Capital Corp.	-	-
	\$ 40,766	\$ -

(c) Promissory notes issued to related parties

	Intermark Capital Corp.		Oniva	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Beginning balance	\$ 29,458	\$ 7,364	\$ 198,538	\$ 155,512
Borrowing	5,250	31,500	-	61,345
Shares issued to settle debt	(47,250)	-	(283,068)	-
Unwinding of the discount	1,794	924	12,091	19,518
Fair market value adjustment	10,748	(10,330)	72,439	(37,837)
Ending balance	\$ -	\$ 29,458	\$ -	\$ 198,538

On August 14, the Company announced that it has entered into debt settlement agreements with two of its principal creditors, Oniva International Services Corp., which provides administrative services to the Company, and Intermark Capital Corp., which provides management services to the Company, through the Company's President & CEO, David Wolfen.

The Company settle an aggregate of \$330,318 in indebtedness in exchange for the issuance of a total of 1,651,587 common shares at a deemed price of \$0.20 per share. The shares are subject to resale restrictions for a period of 4 months and a day from their issuance.

As at September 30, \$Nil (December 31, 2019 - \$283,068) was due to Oniva International Services Corp. ("Oniva") as a promissory note payable. The Company receives rent, office and administrative supplies, and services from Oniva, a private company related by common management.

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**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2020 and 2019**  
**Expressed in Canadian Dollars**

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At December 31, 2019, the Company and Oniva agreed to convert the current portion due to Oniva of \$61,345, along with the existing \$221,723, to a long-term promissory note payable of \$283,068 that is non-interest bearing, unsecured, and due on demand after December 31, 2022.

The fair value of the promissory note at September 30, 2020 was \$210,629 (December 31, 2019 - \$198,538), reflecting a fair market interest rate. The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the three year period. The initial fair value adjustment of \$37,837 was recognized in the statement of operations and comprehensive income (loss). The Company further recorded expenses of \$12,091 related to the unwinding of the discount during the nine months ended September 30, 2020 (2019 - \$9,471).

During the year ended December 31, 2019, the Company entered into a loan agreement with one of its directors. The Company and the director agreed to convert the current portion due to the director of \$31,500 to a long-term promissory note payable. The note payable is non-interest bearing, unsecured and is due on demand after December 31, 2022.

The fair value of the promissory note at September 30, 2020 was \$Nil (December 31, 2019 - \$29,458) The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the period. The initial fair value adjustment of \$10,330 was recognized in the statement of operations and comprehensive loss. The Company further recorded expenses of \$1,794 related to the unwinding of the discount during the nine months ended September 30, 2020 (2019 - \$449).

(d) Related party transactions

During the nine months ended September 30, 2020, \$37,878 (2019 - \$43,607) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$947 of administrative fees during the nine months ended September 30, 2020 (2019 - \$990) to Oniva and \$Nil (2019 - \$500) for reimbursement of mineral claim taxes, license fees, and staking.

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.

## 9. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, loan from a related party, 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 available for sale investments is detailed in Note 3, and promissory notes payable are detailed in Note 8.

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.

**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2020 and 2019**  
**Expressed in Canadian Dollars**

(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 September 30, 2020, the Company had cash in the amount of \$44,563 (December 31, 2019 - \$101,846) in order to meet short-term business requirements. At September 30, 2020, the Company had current liabilities of \$72,435 (December 31, 2019 – \$23,214). 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 September 30, 2020, are summarized as follows:

	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1-5 years</b>	<b>More Than 5 Years</b>
Accounts payable and accrued liabilities	\$ 31,669	\$ 31,669	\$ -	\$ -
Due to related parties	40,766	40,766	-	-
Promissory notes payable to related parties	-	-	-	-
<b>Total</b>	<b>\$ 72,435</b>	<b>\$ 72,435</b>	<b>\$ -</b>	<b>\$ -</b>

(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.

At this time, the Company is not exposed to significant foreign currency risk, as the company currently has minimal transactions and balances in currencies other than the Canadian dollars.

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.



**Silver Wolf Exploration Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2020 and 2019**  
**Expressed in Canadian Dollars**

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 September 30, 2020:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash	\$ 44,563	\$ -	\$ -
Investments	127,163	-	-
	\$ 171,726	\$ -	\$ -