



# **SILVER WOLF EXPLORATION LTD.**

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Consolidated financial statements of Silver Wolf Exploration Ltd. (the "Company") are the responsibility of the Company's management. The Consolidated 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 Consolidated financial statements prior to their approval.

The consolidated financial statements as at December 31, 2023, and for the year ended December 31, 2023 and 2022, have been audited by Manning Elliott LLP, an independent registered public accounting firm, and their report outlines the scope of their examination, and gives their opinion on the consolidated financial statements.

*"David Wolfin"*

David Wolfin  
Chairman & CEO  
April 26, 2024

*"Nathan Harte"*

Nathan Harte, CPA  
Chief Financial Officer  
April 26, 2024

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of Silver Wolf Exploration Ltd

**Opinion**

We have audited the consolidated financial statements of Silver Wolf Exploration Ltd. and its subsidiaries (the Company) which comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

**Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

**Other Information**

Management is responsible for the other information. The other information comprises the Company's Management Discussion and Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
April 26, 2024

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

|  | Note | December 31,<br>2023 | December 31,<br>2022<br>(Note 15) |
|--|------|----------------------|-----------------------------------|
| <b>ASSETS</b>                          |      |                      |                                   |
| <b>Current Assets</b>                  |      |                      |                                   |
| Cash                                   |      | \$ 59,221            | \$ 208,715                        |
| Sales taxes receivables and other      |      | 15,945               | 15,416                            |
|  |      | 75,166               | 224,131                           |
| <b>Non-Current Assets</b>              |      |                      |                                   |
| Investments                            | 5    | 5,200                | 13,649                            |
| Exploration and evaluation assets      | 6    | 1,935,621            | 1,461,575                         |
| Property and equipment                 | 7    | 19,828               | 30,877                            |
| Reclamation deposit                    | 9    | -                    | 3,000                             |
| <b>TOTAL ASSETS</b>                    |      | <b>\$ 2,035,815</b>  | <b>\$ 1,733,232</b>               |
| <b>LIABILITIES</b>                     |      |                      |                                   |
| <b>Current Liabilities</b>             |      |                      |                                   |
| Trade and other payables               |      | \$ 179,605           | \$ 110,424                        |
| Current portion of lease liability     | 8    | 8,772                | 7,828                             |
| Due to related parties                 | 11   | 552,519              | 246,394                           |
|  |      | 740,896              | 364,646                           |
| <b>Non-Current Liabilities</b>         |      |                      |                                   |
| Lease liability                        | 8    | 3,110                | 11,882                            |
| Site restoration obligation            |      | -                    | 3,000                             |
|  |      | 744,006              | 379,528                           |
| <b>EQUITY</b>                          |      |                      |                                   |
| Share capital                          | 10   | 6,623,015            | 6,546,765                         |
| Contributed surplus                    |      | 612,771              | 641,421                           |
| Accumulated other comprehensive income |      | 163,063              | 4                                 |
| Deficit                                |      | (6,107,040)          | (5,834,486)                       |
|  |      | 1,291,809            | 1,353,704                         |
| <b>TOTAL LIABILITIES AND EQUITY</b>    |      | <b>\$ 2,035,815</b>  | <b>\$ 1,733,232</b>               |

Note 1 – Nature of Operations and Going Concern

These Consolidated financial statements are authorized for issue by the Board of Directors on April 26, 2024:

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

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

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

|   |               | Years ended December 31, |                     |
|---|---------------|--------------------------|---------------------|
|   | Note          | 2023                     | 2022                |
| <b>General and Administrative Expenses</b>              |               |                          |                     |
| Administrative benefits and salaries                    |               | \$ 43,460                | \$ 63,997           |
| Automobile  |               | 1,097                    | 1,280               |
| Consulting fees   |               | 30,000                   | 35,202              |
| Depreciation  |               | 8,024                    | 7,306               |
| Foreign exchange (gain) loss                            |               | 4,322                    | 110,368             |
| Interest and bank charges                               |               | 3,585                    | 7,870               |
| Listing and filing fees                                 |               | 19,674                   | 38,087              |
| Office and miscellaneous                                |               | 46,062                   | 67,334              |
| Professional fees                                       |               | 64,906                   | 115,907             |
| Share-based compensation                                |               | -                        | 304,500             |
| Shareholder information                                 |               | 41,053                   | 115,173             |
| Transfer agent fees                                     |               | 15,771                   | 15,419              |
| <b>Loss Before Other Items</b>                          |               | <b>(277,954)</b>         | <b>(882,443)</b>    |
| <b>Other Items</b>                                      |               |                          |                     |
| Other income  |               | 3,000                    | -                   |
| Gain on forgiveness of debt – related party             |               | -                        | 56,849              |
| <b>Net Loss For the Year</b>                            | <b>10 (e)</b> | <b>(274,954)</b>         | <b>(825,594)</b>    |
| <b>Other Comprehensive Loss</b>                         |               |                          |                     |
| Unrealized gain (loss) on investment securities         |               | (8,450)                  | 33,723              |
| Reclassification of accumulated loss on investment sold | <b>5</b>      | -                        | 322,958             |
| Currency translation differences                        |               | 171,509                  | 189,154             |
| <b>Total Comprehensive Loss</b>                         |               | <b>\$ (111,895)</b>      | <b>\$ (279,759)</b> |
| <b>Basic and Diluted Loss per Share</b>                 | <b>10 (e)</b> | <b>\$ (0.01)</b>         | <b>\$ (0.02)</b>    |
| <b>Weighted Average Number of Shares Outstanding</b>    |               |                          |                     |
| <b>Basic and Diluted</b>                                |               | <b>35,664,870</b>        | <b>33,368,403</b>   |

*The accompanying notes are an integral part of the Consolidated financial statements*

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

|  | Note   | Number of<br>Common Shares | Share Capital       | Contributed<br>Surplus | Accumulated<br>Deficit | Accumulated Other<br>Comprehensive<br>Income (Loss) | Total Equity        |
|--|--------|----------------------------|---------------------|------------------------|------------------------|---|---------------------|
| <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  | 10 (b) | 4,014,734                  | 441,621             | -                      | -                      | -   | 441,621             |
| Common shares issued for mineral property                  | 10 (b) | 250,000                    | 40,000              | -                      | -                      | -   | 40,000              |
| Share-based compensation                                   | 10 (d) | -                          | -                   | 304,500                | -                      | -   | 304,500             |
| Stock options cancelled or expired                         | 10 (d) | -                          | -                   | (415,210)              | 415,210                | -   | -                   |
| Fair value of warrant issued                               | 10 (c) | -                          | -                   | 160,589                | -                      | -   | 160,589             |
| Net loss for the year                                      | 10 (e) | -                          | -                   | -                      | (825,594)              | -   | (825,594)           |
| Reclassification of accumulated losses on investments sold | 5      | -                          | -                   | -                      | (322,958)              | 322,958   | -                   |
| Other comprehensive income for the year                    |        | -                          | -                   | -                      | -                      | 222,877   | 222,877             |
| <b>Balance, December 31, 2022</b>                          |        | <b>35,263,500</b>          | <b>\$ 6,546,765</b> | <b>\$ 641,421</b>      | <b>\$ (5,834,486)</b>  | <b>\$ 4</b>   | <b>\$ 1,353,704</b> |
| <b>Balance, January 1, 2023</b>                            |        | <b>35,263,500</b>          | <b>\$ 6,546,765</b> | <b>\$ 641,421</b>      | <b>\$ (5,834,486)</b>  | <b>\$ 4</b>   | <b>\$ 1,353,704</b> |
| Issuance of shares for Option Agreement                    | 10 (b) | 500,000                    | 50,000              | -                      | -                      | -   | 50,000              |
| Warrants expired   | 10 (c) | -                          | 26,250              | (26,250)               | -                      | -   | -                   |
| Stock options cancelled or expired                         | 10 (d) | -                          | -                   | (2,400)                | 2,400                  | -   | -                   |
| Net loss for the year                                      | 10 (e) | -                          | -                   | -                      | (274,954)              | -   | (274,954)           |
| Other comprehensive income for the year                    |        | -                          | -                   | -                      | -                      | 163,059   | 163,059             |
| <b>Balance, December 31, 2023</b>                          |        | <b>35,763,500</b>          | <b>\$ 6,634,265</b> | <b>\$ 612,771</b>      | <b>\$ (6,107,040)</b>  | <b>\$ 163,063</b>                                   | <b>\$ 1,291,809</b> |

*The accompanying notes are an integral part of the Consolidated financial statements*

**Silver Wolf Exploration Ltd.**  
**Consolidated Statements of Cash Flow**  
**Expressed in Canadian Dollars**

|  | Years ended December 31, |              |
|--|--------------------------|--------------|
|  | 2023                     | 2022         |
| <b>Cash provided by (used in):</b>                       |                          |              |
| <b>Operating Activities</b>                              |                          |              |
| Net Loss   | \$ (274,954)             | \$ (825,594) |
| Items not involving cash in the year:                    |                          |              |
| Share-based compensation                                 | -                        | 304,500      |
| Interest charges   | 1,357                    | 3,814        |
| Depreciation   | 8,024                    | 7,306        |
| Foreign exchange movements                               | 4,065                    | 206,345      |
| Gain on forgiveness of debt – related party              | -                        | 56,849       |
| Changes in non-cash working capital items:               |                          |              |
| Sales taxes recoverable and other                        | (529)                    | 3,902        |
| Trade and other payables                                 | 66,181                   | (66,657)     |
| Due to related parties                                   | 306,125                  | 110,686      |
|  | 110,269                  | (198,850)    |
| <b>Financing Activities</b>                              |                          |              |
| Issuance of common shares or units for cash, net         | -                        | 602,210      |
| Finance lease payments                                   | (9,186)                  | (14,118)     |
|  | (9,186)                  | 588,092      |
| <b>Investing Activities</b>                              |                          |              |
| Proceeds from disposition of investments                 | -                        | 50,383       |
| Additions to property and equipment                      | -                        | 2,130        |
| Exploration and evaluation expenditures                  | (250,577)                | (597,824)    |
|  | (250,577)                | (545,311)    |
| <b>Change in Cash</b>                                    | (149,494)                | (156,069)    |
| <b>Cash, Beginning of Year</b>                           | 208,715                  | 364,784      |
| <b>Cash, End of Year</b>                                 | \$ 59,221                | \$ 208,715   |
| <b>Supplementary Disclosure of Cash Flow Information</b> |                          |              |
| Shares issued for option agreement payments              | \$ 50,000                | \$ 40,000    |
| Interest paid  | \$ -                     | \$ -         |
| Income taxes paid  | \$ -                     | \$ -         |

*The accompanying notes are an integral part of the Consolidated financial statements*

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**Silver Wolf Exploration Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2023 and 2022**  
**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 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 consolidated 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 December 31, 2023, the Company has a working capital deficit of \$665,730 and accumulated losses of \$6,107,040. 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 Consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**2. BASIS OF PRESENTATION**

**Statement of compliance**

These consolidated financial statements are prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board.

**Functional Currency**

The presentation and functional currency of the Company is the Canadian dollar, and the functional currency of the Company’s Mexican subsidiary is the Mexican peso, which is determined to the currency of the primary economic environment in which it operates. The Company’s US subsidiary is inactive.

**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 consolidated statement of financial position. Non-monetary items that denominated in foreign currencies are translated at historical rates.

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**Silver Wolf Exploration Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2023 and 2022**  
**Expressed in Canadian Dollars**

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

**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.

**Significant Accounting Judgments and Estimates**

The preparation of these Consolidated 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 Consolidated financial statements include judgements and estimates, which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the Consolidated 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.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Exploration and Evaluation Expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

*Site Closure and Reclamation Provisions*

The Company assesses its reclamation provision at each reporting date or when new material information becomes available. Exploration, development, and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated. The Company's exploration work to date has resulted in no significant site disturbance and therefore the Company's reclamation provision is limited to the amount posted as a reclamation bond.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

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**Silver Wolf Exploration Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2023 and 2022**  
**Expressed in Canadian Dollars**

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

*Title to Mineral Properties*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

*Share-Based Payments*

Management uses valuation techniques in measuring the fair value of share options granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions for any share options granted could have a material impact on the Company's consolidated financial statements.

*Deferred Income Taxes*

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognise deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

*Going Concern*

The assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its projects and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.

**3. MATERIAL ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

Cash and cash equivalents in the statement of consolidated financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company does not hold any cash equivalents as at December 31, 2023 and 2022.

**Financial Instruments**

Measurement – initial recognition

All financial assets and financial liabilities are initially recorded on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial asset and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as fair value through profit or loss ("FVTPL"). Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

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**Silver Wolf Exploration Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2023 and 2022**  
**Expressed in Canadian Dollars**

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

Classification – financial assets

*Amortized cost*

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequent to initial recognition at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognized using the effective interest method, and is recognized in interest and other income, on the consolidated statements of operations and comprehensive income (loss).

The Company has no financial assets recognized at amortized cost.

*Fair value through other comprehensive income (“FVTOCI”)*

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to deficit.

The Company financial assets designated as FVTOCI includes investments.

*Fair value through profit or loss (“FVTPL”)*

By default, all other financial assets are measured subsequently at FVTPL, which includes cash, and reclamation deposit.

Classification – financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost include trade and other payables, and due to related parties.

Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of operations. Financial liabilities designated at FVTPL include its lease liability.

The Company has no hedging arrangements and does not apply hedge accounting.

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets when necessary. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

**Exploration and Evaluation Assets**

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for, and development of mineral claims and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling, sampling and value added taxes deemed recoverable in the future. At such time as production commences at levels intended by management, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. General exploration costs not related to specific mineral property are expensed as incurred. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment.

An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

Incidental revenues and operating costs are included in mineral properties and development costs prior to production at levels intended by management. Accrued tax credits on eligible exploration expenditures are accounted for as deduction from mineral properties and development costs, on a property by property basis, and will be charged to operations on the same basis as the acquisition, exploration, and development expenditures. The exploration tax credits are accrued in the year when the exploration expenditures are incurred and the tax credit is applied for provided there is reasonable assurance that the tax credits will be realized.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining properties under development.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to operations.

The amounts shown for exploration and evaluation assets represent net costs incurred to the date of the consolidated financial statements and do not necessarily reflect present or future values.

**Property, equipment and mining properties**

Property and equipment are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs include expenditures that are directly attributable to bringing the asset to a location and condition necessary to operate in a manner intended by management. Such costs are accumulated as construction in progress until the asset is available for use, at which point the asset is classified as plant, equipment and mining properties and depreciation commences.

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

Accumulated machinery and equipment are depreciated using the straight-line method over their estimated useful lives. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (or components) of property and equipment.

Property and equipment are depreciated using the following annual rates and methods:

|   |                               |
|---|-------------------------------|
| Office equipment, furniture, and fixtures | 5 years straight line balance |
| Computer equipment                        | 3 years straight line balance |
| Machinery and equipment                   | 5 years straight line balance |
| Right of use asset                        | 5 - 20 years straight line    |

**Impairment**

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. The revised increased carrying amount must not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Share Capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The proceeds from the issue of units are allocated between common shares and share purchase warrants based on the fair value of the warrants issued, with the residual allocated to common shares.

The share purchase warrants are recognized at fair value using the Black-Scholes option pricing model or the listed trading price at the date of issue and as vesting occurs. Share purchase warrants are initially recorded into equity reserves and future changes in fair value are not recognized.

Upon exercise of the share purchase warrants, the initial value allocated to equity reserves is reversed and the residual of the cash proceeds over the initial fair value is recorded as to issued capital.

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**Share-Based Payment Transactions**

The share option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

**Income Taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Provisions**

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**Site Restoration Obligation**

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

These costs are charged against profit or loss over the economic life of the related asset, through depreciation using either the unit-of-production or the straight-line method. The related liability is adjusted for each year for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage, which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company evaluated its site restoration obligation to be Nil as at December 31, 2023 (2022 - \$3,000).

**Earnings or Loss per Share**

The Company presents basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Diluted earnings or loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

**Comprehensive Income (Loss)**

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on investments, gains or losses on certain derivative instruments, and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income and (loss), components of other comprehensive income and (loss) and cumulative translation adjustments are presented in the consolidated statements of operations and comprehensive loss and the consolidated statements of changes in equity.

**Leases**

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense within profit and loss, unless they are attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed, in which case that systematic basis is used. Operating lease payments are recorded within profit and loss unless they are attributable to qualifying assets, in which case they are capitalized.

#### **4. 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 reasonably be 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 if 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.

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

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**4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)**

**Future Changes in Accounting Policies Not Yet Effective as at December 31, 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.

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

**5. INVESTMENTS**

Investments consist of the following:

|                          | Number of<br>Shares | Cost       | Accumulated<br>Unrealized<br>Gain/(Loss) | December<br>31, 2023<br>Fair Value | December 31,<br>2022<br>Fair Value |
|--------------------------|---------------------|------------|--|------------------------------------|------------------------------------|
| Garibaldi Resources Corp | 65,000              | \$ 202,800 | \$ (197,600)                             | \$ 5,200                           | \$ 13,649                          |

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**6. EXPLORATION AND EVALUATION ASSETS**

Exploration and evaluation assets consist of the following:

|   | Ana Maria & El<br>Laberinto Option |
|---|------------------------------------|
| Balance, January 1, 2022 – (Note 15)        | \$ 822,055                         |
| Exploration costs incurred during the year: |                                    |
| Geological consulting                       | 251,355                            |
| Field expenditures                          | 153,773                            |
| Taxes and Licensing                         | 131,047                            |
| Acquisition costs                           | 40,000                             |
| Assays                                      | 24,472                             |
| Foreign exchange                            | 38,873                             |
| Balance, December 31, 2022 – (Note 15)      | 1,461,575                          |
| Exploration costs incurred during the year: |                                    |
| Acquisition costs                           | 50,000                             |
| Field expenditures                          | 117,056                            |
| Taxes and Licensing                         | 135,471                            |
| Foreign exchange                            | 171,519                            |
| Balance, December 31, 2023                  | \$ 1,935,621                       |

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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**6. EXPLORATION AND EVALUATION ASSETS ( continued)**

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. All shares issued are subject to a price floor of \$0.20.

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 year ended December 31, 2023, the Company issued 500,000 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").

***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.

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**7. PROPERTY AND EQUIPMENT**

|   | Right of Use<br>Asset<br>(Note 8) | Office equipment,<br>furniture, and<br>fixtures | Computer<br>equipment | Machinery<br>and<br>equipment | Total         |
|---|-----------------------------------|---|-----------------------|-------------------------------|---------------|
|   | \$                                | \$  | \$                    | \$                            | \$            |
| <b>COST</b>                                       |                                   |   |                       |                               |               |
| 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<br>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<br>exchange rates          | -                                 | 279   | 621                   | 341                           | 1,241         |
| <b>Balance at December 31, 2023</b>               | <b>44,425</b>                     | <b>3,390</b>                                    | <b>10,485</b>         | <b>3,438</b>                  | <b>61,738</b> |
| <b>ACCUMULATED DEPLETION<br/>AND DEPRECIATION</b> |                                   |   |                       |                               |               |
| 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<br>exchange rates          | -                                 | -   | -                     | -                             | -             |
| Balance at December 31, 2022                      | 23,872                            | 795   | 4,696                 | 257                           | 29,620        |
| Additions / Transfers                             | 8,024                             | 702   | 3,391                 | 173                           | 12,290        |
| Effect of movements in<br>exchange rates          | -                                 | -   | -                     | -                             | -             |
| <b>Balance at December 31, 2023</b>               | <b>31,896</b>                     | <b>1,497</b>                                    | <b>8,087</b>          | <b>430</b>                    | <b>41,910</b> |
| <b>NET BOOK VALUE</b>                             |                                   |   |                       |                               |               |
| <b>At December 31, 2023</b>                       | <b>12,529</b>                     | <b>1,893</b>                                    | <b>2,398</b>          | <b>3,008</b>                  | <b>19,828</b> |
| At December 31, 2022                              | 20,553                            | 2,316   | 5,168                 | 2,840                         | 30,877        |

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**8. 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")

|                        | December 31,<br>2023 | December 31,<br>2022 |
|------------------------|----------------------|----------------------|
| Balance, beginning     | \$ 20,553            | \$ 80,968            |
| Changes to lease terms | -                    | (53,109)             |
| Depreciation           | (8,024)              | (7,306)              |
| Balance, ending        | \$ 12,529            | \$ 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:

|   | December 31,<br>2023 | December 31,<br>2022 |
|---|----------------------|----------------------|
| Not later than one year                     | \$ 9,400             | \$ 9,186             |
| Later than one year and not later than five | 3,145                | 12,545               |
| Less: future interest charges               | (663)                | (2,021)              |
| Present value of lease payments             | 11,882               | 19,710               |
| Less: current portion                       | (8,772)              | (7,828)              |
| Non-current portion                         | \$ 3,110             | \$ 11,882            |

During the year ended December 31, 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.

**9. RECLAMATION DEPOSIT**

As at December 4, 2023 the Province of British Columbia, released the hypothecated term deposit with a value of \$3,000. Accordingly, the company derecognized its site restoration obligation liability of \$3,000 on the same date.

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**10. SHARE CAPITAL**

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

(b) Issued:

(i) During the year ended December 31, 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 6.

During the year ended December 31, 2023, the Company issued 150,000 common shares valued at \$11,250, to settle payables owed to an arms-length creditor for services provided. At December 31, 2023, the shares had not yet been issued and as such, are recorded in the consolidated statements of changes in equity as "Shares to be issued".

(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 6.

(c) Share purchase warrants

At December 31, 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, December 31, 2023 | 4,014,734          | \$0.25                          |

At December 31, 2023, weighted average remaining contractual life of warrants outstanding was 0.96 years (December 31, 2022 – 0.92 years).

The following table summarizes information about the Company's warrants outstanding at December 31, 2023:

| Expiry Date       | Exercise Price | Warrants Outstanding and Exercisable |
|-------------------|----------------|--------------------------------------|
| December 16, 2024 | \$0.25         | 4,014,734                            |
|                   |                | <b>4,014,734</b>                     |

The Company has received approval to extend the expiry date for the 4,014,734 warrants that were granted by Silver Wolf in June 2022. These warrants would have expired on December 16, 2023, and have an exercise price of \$0.25 per common share. The new expiry date is now December 16, 2024.

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**10. SHARE CAPITAL (continued)**

(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<br>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                             |
| Cancelled / forfeited                          | (20,000)          | \$0.12                             |
| Outstanding and exercisable, December 31, 2023 | 3,325,000         | \$0.19                             |

Details of stock options outstanding and exercisable are as follows:

| Expiry Date     | Exercise Price | Options Outstanding<br>and Exercisable |
|-----------------|----------------|--|
| January 8, 2026 | \$0.20         | 845,000                                |
| March 30, 2027  | \$0.20         | 1,795,000                              |
| August 8, 2027  | \$0.15         | 685,000                                |
|                 |                | 3,325,000                              |

As at December 31, 2023, the weighted average remaining contractual life of stock options outstanding was 2.99 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.

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**10. SHARE CAPITAL (continued)**

The fair value of the options granted during the year ended December 31, 2022, was calculated using the Black-Scholes model with the following weighted average assumptions:

|   | 2022    |
|---|---------|
| Weighted average assumptions:             |         |
| Share price                               | 0.19    |
| Risk-free interest rate                   | 2.54%   |
| Expected dividend yield                   | 0%      |
| Expected option life (years)              | 5.00    |
| Expected stock price volatility           | 114.67% |
| Weighted average fair value at grant date | \$0.12  |

(e) Loss per share

The calculations for basic and diluted earnings per share are as follows:

|   | 2023         | 2022         |
|---|--------------|--------------|
| Net loss for the year                                 | \$ (274,954) | \$ (825,594) |
| Basic weighted average number of shares outstanding   | 35,664,870   | 33,368,403   |
| Effect of dilutive share options and warrants (i)     | -            | -            |
| Diluted weighted average number of shares outstanding | 35,664,870   | 33,368,403   |
| Basic loss per share                                  | \$ (0.01)    | \$ (0.02)    |
| Diluted loss per share (i)                            | \$ (0.01)    | \$ (0.02)    |

As the effect of dilutive share options and warrants is anti-dilutive on loss per share, the diluted amounts presented are the same as the basic loss per share amounts.

**11. 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:

|                                     | 2023 |       | 2022 |         |
|-------------------------------------|------|-------|------|---------|
| Consulting fees, wages and benefits | \$   | 9,403 | \$   | 17,998  |
| Share-based payments                |      | -     |      | 207,450 |
|                                     | \$   | 9,403 | \$   | 225,448 |

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**11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

|                                    | 2023              | 2022              |
|------------------------------------|-------------------|-------------------|
| Oniva International Services Corp. | \$ 195,608        | \$ 128,909        |
| Avino Silver and Gold Mines Ltd.   | 356,911           | 117,485           |
|                                    | <u>\$ 552,519</u> | <u>\$ 246,394</u> |

(c) Related party transactions

During the year ended December 31, 2023, \$61,974 (2022 - \$99,328) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$1,549 of administrative fees during the year ended December 31, 2023 (2022 - \$2,483) 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.

**12. 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 5.

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 December 31, 2023, the Company had cash in the amount of \$59,221 (December 31, 2022 - \$208,715) in order to meet short-term business requirements. At December 31, 2023, the Company had current liabilities of 740,896 (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. The company requires additional financing to fund its current obligations.

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**12. FINANCIAL INSTRUMENTS (continued)**

The maturity profiles of the Company's contractual obligations and commitments as at December 31, 2023, are summarized as follows:

|                           | Total             | Less Than<br>1 Year | 1-5 years       | More Than 5<br>Years |
|---------------------------|-------------------|---------------------|-----------------|----------------------|
| Trade and other payable   | \$ 179,605        | \$ 179,605          | \$ -            | \$ -                 |
| Finance lease obligations | 11,882            | 8,772               | 3,110           | -                    |
| Due to related parties    | 552,519           | 552,519             | -               | -                    |
| <b>Total</b>              | <b>\$ 744,006</b> | <b>\$ 740,896</b>   | <b>\$ 3,110</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.

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:

|  | December 31, 2023  |              | December 31, 2022  |              |
|--|--------------------|--------------|--------------------|--------------|
|  | MXN                | USD          | MXN                | USD          |
| Cash and cash equivalents                | \$ 83,385          | \$ 1,732     | \$ 201,936         | \$ 3,552     |
| Accounts payable and accrued liabilities | (5,385,955)        | -            | (2,026,316)        | -            |
| <b>Net exposure</b>                      | <b>(5,302,570)</b> | <b>1,732</b> | <b>(1,824,380)</b> | <b>3,552</b> |
| Canadian dollar equivalent               | \$ (414,555)       | \$ 2,291     | \$ (127,342)       | \$ 4,810     |

Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2023, a 10% fluctuation in the Canadian/Mexican and Canadian/US exchange rates would impact the Company's earnings for the year ended December 31, 2023 by approximately \$26,758 (year ended December 31, 2022 - \$640). The Company has not entered into any foreign currency contracts to mitigate this risk.

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**12. FINANCIAL INSTRUMENTS (continued)**

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 December 31, 2023:

|             |    | <b>Level 1</b> |    | <b>Level 2</b> |    | <b>Level 3</b> |
|-------------|----|----------------|----|----------------|----|----------------|
| Cash        | \$ | 59,221         | \$ | -              | \$ | -              |
| Investments |    | 5,200          |    | -              |    | -              |
|             | \$ | 64,421         | \$ | -              | \$ | -              |

**13. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and expansion of its properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company considers equity, comprising of all issued share capital, accumulated deficit, and accumulated other comprehensive income, as well as its promissory notes payable and lease liability, as follows:

|                 | December 31,<br>2023 | December 31,<br>2022 |
|-----------------|----------------------|----------------------|
| Equity          | \$ 1,352,288         | \$ 1,353,704         |
| Lease liability | 11,882               | 19,710               |
|                 | \$ 1,364,170         | \$ 1,373,414         |

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. At December 31, 2023, the Company is not subject to any externally imposed capital requirements.

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**14. INCOME TAXES**

The potential benefit of net operating loss carry forwards has not been recognized in the consolidated financial statements since the Company cannot be assured that it is probable that such benefit will be utilized in future years.

The components of the deferred tax asset, the statutory tax rate, the effective tax rate and the unrecognized deferred income tax asset are as follows:

|   | 2023         | 2022         |
|---|--------------|--------------|
| Loss before income taxes                              | \$ (274,954) | \$ (825,594) |
| Corporate tax rate                                    | 27%          | 27%          |
| Expected tax recovery                                 | (74,000)     | (223,000)    |
| Decrease resulting from:                              |              |              |
| Non-deductible items for tax purposes and other items | 39,000       | 125,000      |
| Change in unrecognized deferred income tax assets     | 35,000       | 98,000       |
| Deferred income tax expense (recovery)                | \$ -         | \$ -         |

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

|  | 2023        | 2022        |
|--|-------------|-------------|
| Unrecognized deferred income tax assets include: |             |             |
| Non-capital losses                               | \$ 671,000  | \$ 708,000  |
| Investments                                      | 27,000      | 26,000      |
| Exploration and evaluation assets                | 459,000     | 460,000     |
| Share issuance costs                             | 1,000       | 1,000       |
| Capital assets and other                         | 1,000       | (1,000)     |
|  | 1,159,000   | 1,194,000   |
| Unrecognized deferred income tax assets          | (1,159,000) | (1,194,000) |
|  | \$ -        | \$ -        |

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**14. INCOME TAXES (continued)**

At December 31, 2023, the Company has non-capital losses of approximately \$2,396,000 (2022 - \$2,316,000) for Canadian income tax purposes which are available to reduce future taxable income. If not utilized, the losses expire through 2042 as follows:

|      | \$               |
|------|------------------|
| 2026 | 177,000          |
| 2027 | 126,000          |
| 2028 | 112,000          |
| 2029 | 147,000          |
| 2030 | 102,000          |
| 2031 | 118,000          |
| 2032 | 54,000           |
| 2033 | 70,000           |
| 2034 | 59,000           |
| 2036 | 82,000           |
| 2037 | 188,000          |
| 2038 | 142,000          |
| 2039 | 132,000          |
| 2040 | 173,000          |
| 2041 | 401,000          |
| 2042 | 233,000          |
| 2043 | 77,000           |
|      | <u>2,393,000</u> |

As at December 31, 2023, the Company's U.S. subsidiary has U.S.-based non-capital tax losses of approximately US\$55,000 (2022 - US\$55,000) available to reduce future taxable income. These losses begin to expire in 2029.

As at December 31, 2023, the Company's Mexico subsidiary has Mexican-based non-capital tax losses of approximately MXN\$217,000 (2022 - MXN\$237,000) available to reduce future taxable income. These losses begin to expire in 2029.

In addition, the Company has accumulated Canadian Exploration Expenses, Canadian Development Expenses and Foreign Exploration and Development Expenses for income tax purposes of \$1,702,000 (2022 - \$1,703,000). The expenditures pools can be carried forward indefinitely to be applied against income of future years.

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**15. CHANGE IN ACCOUNTING POLICY**

During the year ended December 31, 2023, the Company adopted a change in accounting policy surrounding the recording of IVA related to exploration and evaluation assets, with a retrospective application. The Company pays value added taxes ("IVA") in Mexico and has changed its accounting policy to capitalize IVA costs and when any amounts of IVA are collected, a recovery will be recorded to reduce the amount capitalized for IVA. As such, the Company has made the following changes to the consolidated statement of financial position as at December 31, 2022:

The Company has made the following changes to Note 6 of the consolidated financial statements:

| <b>Consolidated Statement of Financial Position</b> | <b>December 31, 2022</b> | <b>Change in presentation</b> | <b>December 31, 2022</b> |
|---|--------------------------|-------------------------------|--------------------------|
| <b>Current Assets</b>                               |                          |                               |                          |
| Sales taxes receivable and other                    | \$ 122,628               | \$ (107,212)                  | \$ 15,416                |
| <b>Non-Current Assets</b>                           |                          |                               |                          |
| Exploration and evaluation assets                   | 1,354,363                | 107,212                       | 1,461,575                |
| <b>Total Assets</b>                                 | <b>\$1,733,232</b>       | <b>-</b>                      | <b>\$1,733,232</b>       |

|   | <b>Ana Maria &amp; El Laberinto Option</b> | <b>Change in presentation</b> | <b>Ana Maria &amp; El Laberinto Option</b> |
|---|--|-------------------------------|--|
| Balance, January 1, 2022                    | \$ 784,713                                 | \$ 37,342                     | \$ 822,055                                 |
| Exploration costs incurred during the year: |  |                               |  |
| Geological consulting                       | 251,355                                    |                               | 251,355                                    |
| Field expenditures                          | 153,773                                    |                               | 153,773                                    |
| Taxes and Licensing                         | 70,753                                     | 60,294                        | 131,047                                    |
| Acquisition costs                           | 40,000                                     | -                             | 40,000                                     |
| Assays                                      | 24,472                                     | -                             | 24,472                                     |
| Foreign exchange                            | 29,297                                     | 9,576                         | 38,873                                     |
| <b>Balance, December 31, 2022</b>           | <b>\$1,354,363</b>                         | <b>\$ 107,212</b>             | <b>\$1,461,575</b>                         |

| <b>Consolidated Statement of Cash Flow</b> | <b>December 31, 2022</b> | <b>Change in presentation</b> | <b>December 31, 2022</b> |
|--|--------------------------|-------------------------------|--------------------------|
| <b>Operating Activities</b>                |                          |                               |                          |
| Sales taxes receivable and other           | \$ (64,272)              | \$ 68,174                     | \$ 3,902                 |
| <b>Investing Activities</b>                |                          |                               |                          |
| Exploration and evaluation assets          | (529,650)                | (68,174)                      | (597,824)                |