DOLLY VARDEN SILVER CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016 AND 2015

UNAUDITED –Prepared by Management

(Expressed in Canadian Dollars)

TO THE SHAREHOLDERS OF DOLLY VARDEN SILVER CORPORATION

Under National Instrument 51-102, Part 4, Subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company as at and for the periods ended March 31, 2016 and 2015 have been prepared by management and have been reviewed and approved by the Company's Audit Committee and Board of Directors.

The Company's independent auditor, Davidson & Company LLP, has not performed a review of these condensed interim financial statements for the three period ended March 31, 2016 and 2015.

DOLLY VARDEN SILVER CORPORATION
Condensed Interim Statements of Financial Position
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

		March 31, 2016		December 31, 2015
Assets				
Current				
Cash	$	283,428	$	212,403
Prepaid expenses (Note 3)		10,866		20,824
Receivables (Note 4)		7,344		74,473
		301,638		307,700
Non-Current				
Equipment (Note 5)		128,643		140,262
Deposits (Note 6)		91,000		91,000
Exploration and evaluation assets (Note 6)		3,524,092		3,433,092
	$	4,045,373	$	3,972,054
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable & accrued liabilities (Note 7 and 11)	$	278,626	$	610,564
Loan and interest payable (Note 8)		2,041,667		1,518,750
		2,320,293		2,129,314
Shareholders' equity				
Share Capital (Note 9)		26,798,486		26,798,486
Reserves		3,419,980		3,419,980
Deficit		(28,493,385)		(28,375,726)
		1,725,080		1,842,740
	$	4,045,373	$	3,972,054

Nature of Operations and Going Concern - Note 1

APPROVED ON BEHALF OF THE BOARD:

"Tom Wharton"	*"Rosie Moore"*
DIRECTOR	DIRECTOR

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

(Expressed in Canadian Dollars)

		Three Months Ended March 31,		
		2016		**2015 (Restated Note 2)**
Expenses				
Exploration and evaluations (Note 6)	$	41,437	$	159,435
Adminstrative and consulting fees (Note 11)		8,640		14,404
Directors' fees (Note 9)		3,486		20,662
Management fees (Note 11)		37,322		37,962
Marketing and communications		891		96,246
Office		10,635		12,201
Professional fees		7,740		77,806
Rent and maintenance		690		7,853
Salaries and benefits		-		24,214
Share-based compensation (Note 9)		-		84,653
Transfer agent and filing fees		(3,717)		7,314
Travel and Accomodation		-		8,770
Exchange (gain)/loss		-		(407)
Operating loss		(107,123)		(551,113)
Finance and interest charges (Note 8 and 9)		(22,917)		-
Gain on sale of equipment		12,381		-
Interest income		-		4,034
Total loss and comprehensive loss for the period	$	(117,659)	$	(547,079)
Loss per common share, basic and diluted	$	(0.01)	$	(0.03)
Weighted average number of common shares outstanding		18,268,963		18,268,963

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

DOLLY VARDEN SILVER CORPORATION
Condensed Interim Statement of Changes in Equity
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

	Share Capital				
	Number	Amount	Reserves	Deficit	Total
Balance - December 31, 2014	**18,268,963**	**$ 26,798,884**	**$ 2,961,213**	**$ (24,811,071)**	**$ 4,949,026**
Share issuance costs	-	(398)	-	-	(398)
Share-based compensation	-	-	84,653	-	84,653
Total loss and comprehensive loss for the period	-	-	-	(547,079)	(547,079)
Balance - March 31, 2015	**18,268,963**	**26,798,486**	**3,045,866**	**(25,358,150)**	**4,486,202**
Fair value assigned to warrants	-	-	311,678	-	311,678
Share-based compensation	-	-	62,436	-	62,436
Total loss and comprehensive loss for the period	-	-	-	(3,017,576)	(3,017,576)
Balance - December 31, 2015	**18,268,963**	**26,798,486**	**3,419,980**	**(28,375,726)**	**1,842,740**
Total loss and comprehensive loss for the period	-	-	-	(117,659)	(117,659)
Balance - March 31, 2016	**18,268,963**	**$ 26,798,486**	**$ 3,419,980**	**$ (28,493,385)**	**$ 1,725,081**

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

DOLLY VARDEN SILVER CORPORATION
Condensed Interim Statement of Cash Flows
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2016	2015 (Restated - Note 2)
Cash flows from operating activities		
Loss for the period	$ (117,659)	$ (547,079)
Items not affecting cash:		
Share-based compensation	-	84,653
Directors' fees (Note 9)	(3,486)	(11,838)
Finance charges	22,917	-
Gain on sale of equipment	(12,381)	-
Depreciation of equipment	-	9,467
Changes in non-cash working capital items:		
Decrease (increase) in receivables	67,130	94,343
Decrease (increase) in prepaid expenses	9,958	74,807
Increase (Decrease) in accounts payable & accrued liabilities	(328,454)	(47,236)
Net cash used in operating activities	(361,974)	(342,883)
Cash flows from investing activities		
Exploration and evaluation assets	(91,000)	(193,333)
Proceeds from disposal of equipment	24,000	
Net cash used in investing activities	(67,000)	(193,333)
Cash flows from financing activities		
Proceeds from loan	500,000	-
Share issuance costs	-	(398)
Net cash provided by financing activities	500,000	(398)
Net change in cash for the period	71,026	(536,614)
Cash - beginning of the period	212,403	1,559,040
Cash - end of the period	$ 283,429	$ 1,022,426
Supplemental disclosure with respect to cash flows:		
Interest received in cash	$ -	$ 2,900

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

1 NATURE OF OPERATIONS AND GOING CONCERN

Dolly Varden Silver Corporation (the "Company") was incorporated under the Canada Business Corporation Act in the Province of British Columbia on March 4, 2011. The Company's primary business is the acquisition, exploration, evaluation and development of exploration and evaluation assets and it is considered to be in the exploration and evaluation stage. The Company's registered head office is suite 970 – 800 West Pender Street, Vancouver, BC, V6C 2V6.

The Company owns interests in multiple mineral titles and claims in the province of British Columbia. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements and to complete the development of properties and upon future profitable production or proceeds from the disposition thereof.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2016, the Company had incurred accumulated losses of $28,493,385 (December 31, 2015 accumulated loss of $28,375,726) since inception, and has a working capital deficiency of $2,018,655 (December 31, 2015: Working Capital Deficiency of $1,871,613). The Company expects to incur further losses in the development of its business and accordingly there is material uncertainty in the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to continue to raise adequate financing in the future to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with IAS 1 "Presentation of Financial Statements' ("IAS 1") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements were approved by the board of directors of the Company on May 16, 2016.

b) Basis of Presentation

The condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these condensed interim financial statements are in accordance with IFRS and have not been audited.

These condensed interim financial statements do not include all of the notes required for full annual financial statements.

(Expressed in Canadian Dollars)

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

The significant accounting policies for the periods are consistent with those disclosed in the audited annual financial statements of the Company for the year ended December 31, 2015 except as specified below. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2015.

For the comparative financial statements, the Company re-classified certain 2015 accounts in order to conform to the 2016 presentation.

c) Change in Accounting Policy – Exploration and evaluation expenditures

During fiscal 2015, the Company changed its accounting policy with respect to exploration and evaluation expenditures. In prior years, the Company's policy was to capitalize by property all costs directly related to the exploration and evaluation of mineral properties classified as exploration and evaluation assets. The Company has changed this accounting policy to now expense to operations exploration expenditures as incurred, effective with the presentation of the December 31, 2015 financial statements, on a retrospective basis. Accordingly, certain 2015 comparative amounts have been restated from amounts presented last year to reflect this change in accounting policy.

3 PREPAID EXPENSES

Prepaid expenses consist of:

	March 31, 2016	December 31, 2015
Insurance	$ 9,584	$ 17,812
Other	1,282	3,012
	$ 10,866	$ 20,824

4 RECEIVABLES

Receivables consist of:

	March 31, 2016	December 31, 2015
GST/HST	$ 4,046	$ 69,175
Other	3,298	5,298
	$ 7,344	$ 74,473

(Expressed in Canadian Dollars)

5 EQUIPMENT

	Boat	Dock	Tents & trailers	Equipment	Vehicles	Gas tank	Computer Hardware	Total
	$	$	$	$	$	$	$	$
Cost								
At December 31, 2015	43,095	15,571	138,521	51,879	129,136	40,000	10,346	428,548
Additions /(Disposals)	-	-	-	-	(56,933)	-	-	(56,933)
At March 31, 2016	43,095	15,571	138,521	51,879	72,203	40,000	10,346	371,615
Accumulated depreciation								
At December 31, 2015	22,287	3,205	107,646	27,041	102,693	15,068	10,346	288,286
Additions/(Disposals)	-	-	-	-	(45,314)	-	-	(45,314)
Depreciation for the period	-	-	-	-	-	-	-	-
At March 31, 2016	22,287	3,205	107,646	27,041	57,379	15,068	10,346	242,972
NET BOOK VALUE								
At December 31, 2015	20,808	12,366	30,875	24,838	26,443	24,932	-	140,262
At March 31, 2016	20,808	12,366	30,875	24,838	14,824	24,932	-	128,643

6 EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous convincing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of the exploration and evolution assets and to the best of its knowledge, title to all of its properties are in good standing.

Exploration and evaluation assets costs are set out below:

	Dolly Varden Property	Musketeer Property	Dolly Varden Project Total
Balance as of December 31, 2015	2,645,020	788,072	3,433,092
Additions	-	91,000	91,000
Balance as of March 31, 2016	$ 2,645,020	$ 879,072	$ 3,524,092

Dolly Varden Property

During 2011, the Company purchased the Dolly Varden Property, consisting of fee simple titles, mineral claims and mineral tenures in respect of certain lands located in the Kitsault area of British Columbia. A finder's fee of $62,500 was paid through the issuance of shares to a shareholder of the Company. The property is subject to a 2% net smelter return royalty ("NSR") of which one half (or 1% NSR) can be repurchased by the Company for $1,000,000 at any time.

The Company has provided deposits totalling $91,000 (December 31, 2015 - $91,000) as reclamation bonds for the property.

(Expressed in Canadian Dollars)

6 EXPLORATION AND EVALUATION ASSETS (cont'd)

Musketeer Property

On March 18, 2013, the Company entered into an option agreement to acquire a 100% interest in the Musketeer property located in northwestern BC, Canada for $1,050,000 payable over four years, subject to a 2% NSR.

The Company paid an aggregate option payment of $350,000 in fiscal 2013 and the second option payment of $233,333 in fiscal 2014. In early 2015, the remaining two payments were renegotiated for a fee of $10,000 included with the February 2015 payment of $183,333. In February 2016, the agreement was further for a fee of $10,000 and the remaining options are due as follows:

February 12, 2016	$81,000 + $10,000 (paid)
February 12, 2017	$102,334
February 11, 2018	$100,000

The following table summarizes the exploration costs incurred for the three months ended March 31, 2016:

	Dolly Varden Property	Musketeer Property	Total
Exploration Costs			
Assay	$ 2,846	$ 316	$ 3,162
Camp, food, supplies and miscellaneous	328	36	364
Equipment and warehouse rental	16,697	1,855	18,552
Field project and management	4,844	538	5,382
Geological and geoscience consulting	9,000	1,000	10,000
Geotechnical studies	155	17	172
Mapping and modelling	3,341	371	3,712
Survey and assessment	84	9	93
Total Exploration Costs	**$ 37,293**	**$ 4,144**	**$ 41,437**

The following table summarizes the exploration costs incurred for the three months ended March 31, 2015:

	Dolly Varden Property	Musketeer Property	Total 2015
Exploration Costs			
Assay	$ 2,925	$ 1,044	$ 3,969
Camp, food, supplies and miscellaneous	3,789	1,353	5,142
Claim maintenance	1,290	460	1,750
Depreciation	6,977	2,490	9,467
Equipment and warehouse rental	20,511	7,319	27,830
Field project and management	11,608	4,142	15,750
Geological and geoscience consulting	45,288	16,161	61,449
Mapping and modelling	20,910	7,462	28,372
Transport, travel and accomodations	4,205	1,501	5,706
Total Exploration Costs	**$ 117,503**	**$ 41,932**	**$ 159,435**

(Expressed in Canadian Dollars)

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Consists of:

	March 31, 2016	December 31, 201
Trade payables [1,2,3]	$ 209,572	$ 499,030
Other accrual [4]	69,054	111,534
	$ 278,626	$ 610,564

(1) Includes $7,800 (December 31, 2015 - $6,824) owed to directors and officers.

(2) Includes $158,141 (December 31, 2015 - $158,141) provisional amount owed to a Company owned by a former director and officer of the company.

(3) Includes $Nil (December 31, 2015 - $41,923) payable to independent directors for directors' fees outstanding as deferred share units "DSU", described more fully in Note 9.

(4) Includes $27,926 (December 31, 2015 - $44,293) payable to independent directors for directors' fees outstanding as deferred share units "DSU", described more fully in Note 9.

8 LOAN FACILITIES

On September 30, 2015, the Company entered into a definitive agreement with Hecla Canada Ltd. and Robert L. Gipson for up to $2,000,000 senior secured loan facility (the "Facility"). As of March 31, 2016, the Company has drawn down the full amount of the Facility (December 31 - $1,500,000).

The Facility bears interest at a rate of 5% per annum and will be repayable after one year, or repaid earlier with no penalty.

In connection with the Facility, the Company issued 1,250,000 to each lender, for a total of 2,500,000 warrants valued at $311,678. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.30 for a period of three ears from the date issuance (See Note 9).

9 SHARE CAPITAL AND RESERVES

During the year ended December 31, 2015, the Company consolidated its share capital on a 10:1 basis. All share and per share amounts have been retroactively restated.

a) Authorized Share Capital:

The authorized share capital of the Company is an unlimited number of common shares, without par value. All issued shares, consisting only of common shares are fully paid.

b) Issued Share Capital:

No common shares were issued by the Company during the three month period ended March 31, 2016 or for the year ended December 31, 2015.

(Expressed in Canadian Dollars)

9 SHARE CAPITAL AND RESERVES (cont'd)

c) Warrants:

Warrant transactions summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2015	512,238	$ 1.59
Issued for Facility (Note 8)	2,500,000	$ 0.30
Expired	(512,238)	$ 1.60
Balance, Deember 31, 2015 and March 31, 2016	2,500,000	$ 0.30

At March 31, 2016, share purchase warrants outstanding were as follows:

Number of Warrants	Exercise Price	Expiry Date
2,500,000	$ 0.30	September 30, 2018
2,500,000		

During the year ended December 31, 2015, the Company issued in connection with the Facility (note 8) 2,500,000 warrants with a fair value of $311,678. The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions: Risk-free interest rate of 0.54%, expected life of 3.0 years, expected volatility of 125% and a dividend rate of 0.00%.

d) Stock Options

The Company has a stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall be no less than the discounted market price of the Company's shares prior to the grant as in accordance with TSX Venture Exchange policies. Options are granted for a maximum term of 10 years. Vesting is at the discretion of the Board of directors. In the absence of a vesting schedule, such options shall vest immediately.

(Expressed in Canadian Dollars)

9 SHARE CAPITAL AND RESERVES (cont'd)

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Outstanding at - January 1, 2015	1,170,000	$ 2.16
Granted for services	530,000	$ 0.46
Forfeited	(345,000)	$ 2.14
Outstanding at December 31, 2015 and March 31, 2016	1,355,000	$ 1.50
Number of options exercisable at March 31, 2016	1,355,000	$ 1.50

At March 31, 2016, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

	Exercise Price	Expiry Date
100,000	$ 0.70	September 30, 2016
75,000	$ 3.50	March 1, 2017
50,000	$ 0.70	March 19, 2017
50,000	$ 2.00	June 4, 2017
330,000	$ 2.50	July 30, 2017
40,000	$ 1.80	March 18, 2018
283,975	$ 1.60	July 26, 2018
6,025	$ 1.60	February 14, 2019
40,000	$ 1.60	June 16, 2019
65,000	$ 0.70	February 26, 2020
315,000	$ 0.30	October 23, 2020
1,355,000		

The weighted average remaining contractual life of the stock options outstanding as at March 31, 2016, was 2.43 years.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	Three months ended March 31, 2016	2015
Risk free interest rate	NA	0.71%
Expected dividend yield	NA	0%
Annualized stock price volatility	NA	113.37%
Expected life of options	NA	4.3 years
Expected forfeiture rate	NA	0%

9 SHARE CAPITAL AND RESERVES (cont'd)

e) Deferred Share Units ("DSU")

The Company has a DSU plan, which entitles certain directors and officers to accrue share based compensation and to receive the cash equivalent of the DSUs when they retire from the Company. In October 2015, the Company ceased further accruals under the DSU plan. For the period ended March 31, 2016, the Company recognized share based compensation related to the DSU plan of $Nil (March 31, 2015 – $33,116) as directors' fees. In addition, the Company has recognized a change in the fair value of the DSU units of $3,486 (March 31, 2015 – Decrease of $44,954) in directors fees as a result of the change in the Company's common share price.

During the three month period ended March 31, 2015 the Company paid, in addition to the DSU plan, director's fees of $32,500. No additional directors fees were paid in the three month period ended March 31, 2016.

10 CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue other business opportunities and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The capital of the Company consists of share capital, warrants, and options.

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 its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets.

The Company is dependent on the capital markets as its main source of operating capital and the Company's capital resources are largely determined by the strength of the junior public markets, by the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements other than described in Note 8. Other than the issuance of debt, there have been no further changes to the Company's approach to capital management during the three month period ended March 31, 2016.

11 RELATED PARTY TRANSACTIONS

During the three month ended March 31, 2016 and 2015, the Company incurred the following amounts charged by officers and directors (being key management personnel) and companies controlled and/or owned by officers and directors of the Company in addition to the related parties transactions disclosed elsewhere in these financial statements:

(Expressed in Canadian Dollars)

11 RELATED PARTY TRANSACTIONS (Cont'd)

	Three months ended March 31, 2016	2015
Costs included in exploration and evaluation assets	$ 11,688	$ 40,500
Directors' fees (dollar value before share price adjustment)	-	65,616
Management & Consulting fees	42,410	49,727
Share-based compensation	-	70,950
	$ 54,098	$ 226,793

At March 31, 2016, included in accounts payable and accrued liabilities is $193,866 (December 31, 2015 - $255,831), provision for amounts owed to directors, an officer, and a company owned by a former director and officer of the Company.

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

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 Company's financial instruments include cash, receivables, deposits, and accounts payable and accrued liabilities and loan and interest payable.

Financial instruments

Cash and deposits are measured at fair value using level one as the basis for measurement in the fair value hierarchy. The carrying value of receivables, and payables and accrued liabilities, approximate fair value because of the short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of bank balances and demand Guaranteed Investment Certificates at reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments also included receivables from government agencies.

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Liquidity risk

The Company's ability to remain liquid over the long term depends on its ability to obtain additional financing through the issuance of additional securities, the entering into credit facilities or the entering into joint ventures, partnerships or other similar arrangements. As at March 31, 2016, the Company had a cash balance of $283,428 to settle current liabilities of $2,320,293. The Company is exposed to liquidity risk.

Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as investments are redeemable at anytime and interest can be earned up to the date of redemption.

Price risk

The Company is exposed to price risk with respect to commodity prices. The Company's future mining operations will be significantly affected by changes in the market prices for silver. Precious metal prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities, and stability of exchange rates can all cause significant fluctuations in commodity prices.