



CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(Unaudited – Expressed in Canadian Dollars)

NOTICE TO READER

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

The accompanying unaudited condensed interim financial statements of Dolly Varden Silver Corporation (the "Company") have been prepared by and are the responsibility of management. These condensed interim financial statements for the three months ended March 31, 2020 have not been reviewed or audited by the Company's independent auditors. All amounts are stated in Canadian dollars.

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

As At	March 31, 2020	December 31, 2019
ASSETS		
Current		
Cash	\$ 3,717,024	\$ 3,821,997
Prepaid expenses	90,750	98,917
Amounts receivable (Note 4)	26,975	566,635
	3,834,749	4,487,549
Non-current		
Equipment (Note 5)	83,032	87,137
Deposits (Note 6)	91,000	91,000
Exploration and evaluation assets (Note 6)	3,726,426	3,726,426
	\$ 7,735,207	\$ 8,392,112
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable (Note 9)	\$ 32,974	\$ 43,398
Accrued liabilities (Note 9)	96,394	64,229
Liability on flow-through share issuance (Note 7)	233,862	255,355
	363,230	362,982
Shareholders' Equity		
Share capital (Note 7)	54,748,282	54,628,282
Reserves (Note 7)	6,463,301	6,371,522
Deficit	(53,839,606)	(52,970,674)
	7,371,977	8,029,130
	\$ 7,735,207	\$ 8,392,112

Nature of Operations and Going Concern – Note 1
Subsequent Events – Note 11

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on June 1, 2020 and signed on its behalf by:

"James Sabala"

Director

"Thomas Wharton"

Director

DOLLY VARDEN SILVER CORPORATION
Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)

For the three months ended	March 31, 2020	March 31, 2019
EXPENSES		
Consulting fees (Note 9)	\$ 46,669	\$ 17,001
Directors' fees (Notes 7, 9)	16,015	12,787
Exploration and evaluation (Notes 6, 9)	213,015	224,999
Management fees (Note 9)	344,067	70,947
Marketing and communications (Note 9)	75,070	41,637
Office and administration (Note 9)	51,908	43,331
Professional fees	37,766	10,593
Rent and maintenance (Note 9)	20,250	15,000
Share-based payments (Notes 7, 9)	91,779	-
Transfer agent and filing fees	3,020	2,773
Travel and accommodation	6,467	9,090
Operating loss	(906,026)	(448,158)
Recovery on flow-through premium (Note 7)	21,493	36,400
Part XII.6 tax	(2,200)	(2,267)
Interest income	17,801	9,976
Loss and comprehensive loss for the period	\$ (868,932)	\$ (404,049)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	83,636,285	57,372,404

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

DOLLY VARDEN SILVER CORPORATION
Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited – Expressed in Canadian Dollars)

	Common Shares	Share Capital	Reserves	Deficit	Total Shareholders' Equity
Balance, December 31, 2018	57,372,404	\$ 48,556,081	\$ 5,998,267	\$ (47,995,691)	\$ 6,558,657
Loss and comprehensive loss for the period	-	-	-	(404,049)	(404,049)
Balance, March 31, 2019	57,372,404	48,556,081	5,998,267	(48,399,740)	6,154,608
Issuance of flow-through common shares	17,714,286	5,000,000	-	-	5,000,000
Issuance of common shares	6,948,026	2,014,273	-	-	2,014,273
Share issuance costs - cash	-	(56,358)	-	-	(56,358)
Share issuance costs - shares	1,429,333	-	-	-	-
Flow-through share premium	-	(885,714)	-	-	(885,714)
Share-based payments on option repricing	-	-	91,830	-	91,830
Share-based payments	-	-	281,425	-	281,425
Loss and comprehensive loss for the period	-	-	-	(4,570,934)	(4,570,934)
Balance, December 31, 2019	83,464,049	54,628,282	6,371,522	(52,970,674)	8,029,130
Issuance of common shares	489,795	120,000	-	-	120,000
Issuance of stock options	-	-	91,779	-	91,779
Loss and comprehensive loss for the period	-	-	-	(868,932)	(868,932)
Balance, March 31, 2020	83,953,844	\$ 54,748,282	\$ 6,463,301	\$ (53,839,606)	\$ 7,371,977

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

DOLLY VARDEN SILVER CORPORATION
Condensed Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian Dollars)

For the three months ended	March 31, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (868,932)	\$ (404,049)
Items not affecting cash:		
Share-based payments	211,779	-
Revaluation of deferred share units	(3,860)	(7,088)
Recovery on flow-through premium	(21,493)	(36,400)
Depreciation of equipment	4,105	5,017
Changes in non-cash working capital items:		
Prepaid expenses	8,167	(39,971)
Amounts receivable	539,660	205,393
Accounts payable and accrued liabilities	25,601	(5,319)
Cash used in operating activities	(104,973)	(282,417)
Change in cash during the period	(104,973)	(282,417)
Cash, beginning of period	3,821,997	2,562,774
Cash, end of period	\$ 3,717,024	\$ 2,280,357
Supplemental disclosure with respect to cash flows:		
Interest income received in cash	\$ -	\$ 1,823

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

DOLLY VARDEN SILVER CORPORATION
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

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 and evaluation of exploration and evaluation assets. The Company is considered to be in the exploration and evaluation stage. The Company’s head office is suite 1130 - 1055 Hastings Street West, Vancouver, British Columbia, Canada, V6E 2E9. The registered address and records office of the Company is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

The Company owns interests in multiple mineral titles and claims. 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 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 condensed interim 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. For the three months ended March 31, 2020, the Company incurred a loss of \$868,932 (2019 - \$404,049). As at March 31, 2020, the Company had incurred accumulated losses of \$53,839,606 (December 31, 2019 - \$52,970,674) and had a working capital surplus of \$3,471,519 (December 31, 2019 - \$4,124,567). The Company will continue to have to raise funds beyond its current working capital balance in order to continue to advance the Company’s mineral properties. While the Company has been successful in obtaining certain funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern.

2 BASIS OF PRESENTATION

(a) Statement of Compliance

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements for the fiscal year ended December 31, 2019, which have been prepared in accordance with IFRS.

The condensed interim financial statements were approved by the Board of Directors on June 1, 2020.

(b) Basis of Measurement

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.

(c) Functional and Foreign Currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional currency. Foreign currency transactions are translated into Canadian dollars using the exchange rates at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at year-end rate of monetary assets and liabilities denominated in foreign currencies are recognized in net income or loss.

2 BASIS OF PRESENTATION (cont'd)

(d) Use of Estimates and Judgments

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements, and the reported amounts of revenues and expenses during the period. These and other estimates are subject to measurement uncertainty and the effect on the condensed interim financial statements of changes in these estimates could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements include, but are not limited to, the following:

i) Recoverability of the carrying value of the Company's exploration and evaluation assets

Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities include, but are not limited to, the following:

i) Share-based payments

The fair value of share-based payments is determined using a Black-Scholes option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.

ii) Estimating useful life of equipment

Depreciation of equipment is charged to write-down the value of those assets to their residual value over their respective estimated useful lives. Management is required to assess the useful economic lives and residual values of the assets such that depreciation is charged on a systematic basis to the current carrying amount. The useful lives are estimated having regard to such factors as asset maintenance, rate of technical and commercial obsolescence, and asset usage. The useful lives of key assets are reviewed annually.

iii) Deferred income taxes

Judgment is required in determining whether deferred tax assets are recognized in the condensed interim statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and 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 the net deferred tax assets recorded at the date of the condensed interim statement of financial position could be impacted.

DOLLY VARDEN SILVER CORPORATION
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

2 BASIS OF PRESENTATION (cont'd)

(d) Use of Estimates and Judgments (cont'd)

iv) Accrual of British Columbia Mineral Exploration Tax Credit (“BC METC”)

The provincial government of British Columbia provides for a refundable tax on net qualified mining exploration expenditures incurred in British Columbia. The credit is calculated as 20% of qualified mining exploration expenses less the amount of any assistance received or receivable. The determination of the expenditures that would qualify as mining exploration expenses was based on the previous years’ tax filings and subsequent reviews by government auditors.

(e) Comparative figures

Certain prior period comparative figures have been reclassified to conform to the current period presentation.

3 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s audited annual financial statement for the fiscal year ended December 31, 2019.

4 AMOUNTS RECEIVABLE

Amounts receivable consist of:

	March 31, 2020	December 31, 2019
GST Receivable	\$ 26,975	\$ 29,400
BC METC	-	530,071
Other	-	7,164
	\$ 26,975	\$ 566,635

5 EQUIPMENT

	Dock	Tents and Trailers	Equipment	Vehicles	Gas Tank	Boat	Total
Cost							
At December 31, 2018	\$ 15,571	\$ 138,521	\$ 58,509	\$ 47,676	\$ 40,000	\$ 24,345	\$ 324,622
Additions	-	-	1,378	-	-	-	1,378
At December 31, 2019	15,571	138,521	59,887	47,676	40,000	24,345	326,000
Additions(disposals)	-	-	-	-	-	-	-
At March 31, 2020	\$ 15,571	\$ 138,521	\$ 59,887	\$ 47,676	\$ 40,000	\$ 24,345	\$ 326,000
Accumulated Depreciation							
At December 31, 2018	\$ 6,597	\$ 127,742	\$ 31,589	\$ 29,270	\$ 21,709	\$ 1,817	\$ 218,724
Depreciation	449	3,234	5,453	5,522	1,829	3,652	20,139
At December 31, 2019	7,046	130,976	37,042	34,792	23,538	5,469	238,863
Depreciation	107	566	1,142	965	412	913	4,105
At March 31, 2020	\$ 7,153	\$ 131,542	\$ 38,184	\$ 35,757	\$ 23,950	\$ 6,382	\$ 242,968
Net Book Value							
At December 31, 2019	\$ 8,525	\$ 7,545	\$ 22,845	\$ 12,884	\$ 16,462	\$ 18,876	\$ 87,137
At March 31, 2020	\$ 8,418	\$ 6,979	\$ 21,703	\$ 11,919	\$ 16,050	\$ 17,963	\$ 83,032

DOLLY VARDEN SILVER CORPORATION
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

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 conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation 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 December 31, 2018 and 2019	2,645,020	1,081,406	3,726,426
Additions	-	-	-
Balance as of March 31, 2020	\$ 2,645,020	\$ 1,081,406	\$ 3,726,426

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. As of March 31, 2020, \$2,645,020 of acquisition costs have been capitalized.

The Company has provided deposits totalling \$91,000 (December 31, 2019 - \$91,000) as reclamation bonds for the property.

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 British Columbia for \$1,050,000 payable over four years, subject to a 2% NSR.

The Company paid an aggregate option payment of \$350,000 in 2013 and the second option payment of \$233,333 in 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 renegotiated for a fee of \$10,000 and the option payment of \$81,000 was paid. During fiscal 2017, a further option payment of \$102,334 was made. During the year ended December 31, 2018, the final option payment of \$100,000 was made. As of March 31, 2020, \$1,081,406 of acquisition costs have been capitalized. The Company now refers to the Musketeer Property as part of the Dolly Varden Property, as the final option payment was paid during the year ended December 31, 2018.

DOLLY VARDEN SILVER CORPORATION
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

6 EXPLORATION AND EVALUATION ASSETS (cont'd)

The following table summarizes the exploration and evaluation expenses incurred at the Dolly Varden Project:

Three months ended	March 31, 2020	March 31, 2019
Assay	\$ 12,623	\$ 15,433
Camp, food, supplies and miscellaneous	-	5,685
Claim maintenance	1,125	2,553
Community relations and professional fees	9,220	6,751
Depreciation	4,105	5,017
Equipment and warehouse rental	10,228	11,533
Geological and geoscience consulting	43,714	34,532
Lease payments on land	6,000	6,000
Mapping and modelling	21,000	10,500
Project supervision	105,000	75,000
Resource and metallurgy	-	50,303
Transport, travel and accommodation	-	1,692
Total	\$ 213,015	\$ 224,999

7 SHARE CAPITAL AND RESERVES

Share capital

Authorized: Unlimited number of common shares without par value

On February 28, 2020, the Company issued 489,795 common shares at a price of \$0.245 to the former President and CEO as part of his departure.

On June 28, 2019, the Company closed its private placement and raised gross proceeds of \$3,140,270 through the sale of 12,000,000 flow-shares shares at a price of \$0.25 per share and 701,351 common shares at \$0.20 per share. The sale of common shares was to Hecla Canada Ltd. (“Hecla”) pursuant to the ancillary rights agreement to maintain its pro rata equity interest in the Company. A finder’s fee was paid to Eventus Capital Corp. who received 846,000 common shares with a fair value of \$228,420, Sprott Capital Partners LP received \$9,000 and Industrial Alliance Securities Inc. received \$900. The Company recorded a flow-through premium liability of \$240,000 for the difference between the fair value of its common shares and the issuance price of its flow-through common shares.

On September 12, 2019, the Company closed its private placement and raised gross proceeds of \$3,500,000 from the sale of 5,714,286 flow-through shares at \$0.35 per share and 5,000,000 common shares at \$0.30 per share. Pursuant to the ancillary rights agreement between the Company and Hecla, Hecla purchased 1,246,675 common shares at a price of \$0.30 per share in order to maintain its pro rata equity interest in the Company. A finder’s fee was paid to Mackie Research Capital Corp. who received 583,333 common shares with a fair value of \$236,349. The Company recorded a flow-through premium liability of \$314,286 for the difference between the fair value of its common shares and the issuance price of its flow-through common shares.

Warrants

At March 31, 2020 and December 31, 2019, there were no share purchase warrants outstanding.

DOLLY VARDEN SILVER CORPORATION
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

7 SHARE CAPITAL AND RESERVES (cont'd)

Stock options

The Company has a stock option plan under which it is authorized to grant share purchase options to executive officers, directors, employees and consultants enabling the holder 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 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.

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2018	4,070,000	\$ 0.70
Issued	1,400,000	\$ 0.30
Forfeited/expired	(630,000)	\$ 0.80
Balance, December 31, 2019	4,840,000	\$ 0.37
Issued	3,450,000	\$ 0.25
Forfeited/expired	(25,000)	\$ 0.30
Balance, March 31, 2020	8,265,000	\$ 0.12

The Company had outstanding stock options enabling the holders to acquire common shares as follows:

Date of Expiry	Exercise Price	March 31, 2020	December 31, 2019
October 23, 2020	\$ 0.30	165,000	190,000
July 29, 2021	\$ 0.40	500,000	500,000
December 2, 2021	\$ 0.40	650,000	650,000
May 18, 2022 ⁽¹⁾	\$ 0.40	925,000	925,000
February 15, 2023	\$ 0.40	1,175,000	1,175,000
December 12, 2024 ⁽¹⁾	\$ 0.30	1,400,000	1,400,000
February 18, 2025	\$ 0.25	2,500,000	-
February 28, 2025	\$ 0.25	200,000	-
March 17, 2025	\$ 0.25	750,000	-
Total Outstanding		8,265,000	4,840,000
Total Exercisable		4,915,000	4,840,000

⁽¹⁾ Subsequent to March 31, 2020, a total of 375,000 stock options were forfeited.

During the three months ended March 31, 2020, the Company granted 3,450,000 (2019 - nil) stock options to directors, employees and consultants with a total fair value of \$684,914 (2019 - \$nil) that will be recognized over the vesting term. During the three months ended March 31, 2020, the Company recognized a total of \$91,779 (2019 - \$nil) in share-based payments for the options vested during the period.

During the year ended December 31, 2019, 3,250,000 options were repriced to an exercise price of \$0.40 per option. The Company recognized share-based payments of \$91,830 as a result of the repricing.

DOLLY VARDEN SILVER CORPORATION
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

7 SHARE CAPITAL AND RESERVES (cont'd)

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

Three months ended	March 31, 2020	March 31, 2019
Risk-free interest rate	1.18%	N/A
Expected dividend yield	0%	N/A
Annualized stock price volatility	105%	N/A
Expected life of options	5 years	N/A
Expected forfeiture rate	0%	N/A

Deferred share units ("DSU")

The Company has a DSU plan that entitles certain directors and officers 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. During the three months ended March 31, 2020, the Company has recognized a decrease in the fair value liability of the remaining DSUs of \$3,860 (2019 - \$7,088) in directors' fees as a result of the change in the Company's common share price.

During the three months ended March 31, 2020, the Company paid, in addition to the DSU plan, directors' fees of \$19,875 (2019 - \$19,875).

Flow-through premium liability

The following is a continuity of the liability portion of the flow-through share issuances:

Balance as of December 31, 2018	\$	155,169
Flow-through premium liability additions		885,714
Settlement of flow-through share premium liability pursuant to qualifying expenditures		(785,528)
Balance as of December 31, 2019		255,355
Settlement of flow-through share premium liability pursuant to qualifying expenditures		(21,493)
Balance as of March 31, 2020	\$	233,862

8 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 that optimizes the cost of capital within a framework of acceptable risk. The capital of the Company consists of items within shareholders' equity.

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, or acquire or dispose of assets.

The Company is dependent on the capital markets as its main source of operating capital. 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. There have been no changes to the Company's approach to capital management during the three months ended March 31, 2020.

DOLLY VARDEN SILVER CORPORATION
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

9 RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2020 and 2019, 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 party transactions disclosed elsewhere in these condensed interim financial statements:

For the three months ended	March 31, 2020	March 31, 2019
Directors' fees	\$ 19,875	\$ 19,875
Management fees ⁽¹⁾⁽²⁾⁽⁵⁾	332,190	60,000
Consulting fees ⁽³⁾	10,000	-
Costs included in exploration and evaluation expense ⁽³⁾	11,462	-
Share-based payments	80,474	-
	\$ 454,001	\$ 79,875

Other related party transactions are as follows:

For the three months ended	March 31, 2020	March 31, 2019
Management fees ⁽⁴⁾	\$ 11,877	\$ 10,947
Marketing and communications ⁽⁴⁾	31,397	15,548
Office and administration ⁽⁴⁾	24,300	26,062
Rent and maintenance ⁽⁴⁾	15,250	15,000
Costs included in exploration and evaluation expense ⁽⁴⁾	21,000	10,500
Share-based payments ⁽⁵⁾	8,116	-
Office and administration ⁽⁵⁾	3,500	-
	\$ 115,440	\$ 78,057

(1) Fees of \$152,414 were paid in cash and \$120,000 paid in shares to a corporation controlled by the former Chief Executive Officer and former director of the Company and included a settlement fee on transition to new management. The management fees included this \$272,414 paid to the former CEO as a termination fee.

(2) Fees of \$53,276 were paid to a corporation controlled by the Chief Executive Officer of the Company.

(3) Fees were paid to a consulting company controlled by a director of the Company that provided consulting services to the Company during the period.

(4) Fees were paid to corporations controlled by the former Chief Executive Officer and former director of the Company that provided office space, a corporate secretary, investor relations, accounting and administration staff to the Company on a shared cost basis.

(5) Fees of \$6,500 were paid to a corporation controlled by the Chief Financial Officer of the Company for management services and \$3,500 was paid for administrative services.

At March 31, 2020, included in accounts payable is \$3,875 (December 31, 2019 - \$11,025) owed to directors, officers, and former directors and/or officers of the Company. These amounts are unsecured, non-interest-bearing and are due on demand.

At March 31, 2020, included in accrued liabilities is \$23,516 (December 31, 2019 - \$27,376) accrued to independent directors for directors' fees outstanding as DSUs.

10 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 input 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, accounts payable and accrued liabilities.

Financial instruments

Cash is measured at fair value using Level 1 as the basis for measurement in the fair value hierarchy. The carrying values of receivables, deposits, accounts payable and accrued liabilities, approximate fair values due to 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 include receivables from government agencies.

The Company limits its exposure to credit risk for cash by placing its cash with high quality financial institutions.

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, entering into credit facilities, or entering into joint ventures, partnerships or other similar arrangements. 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. As at March 31, 2020, the Company had a cash balance of \$3,717,024 to settle current liabilities of \$129,368, excluding the liability on flow-through share issuance.

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 any time 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 daily and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, level of interest rates, rate of inflation, investment decisions by large holders of commodities and stability of exchange rates can all cause significant fluctuations in commodity prices.

11 SUBSEQUENT EVENTS

- (a) The recent outbreak of the coronavirus, also known as COVID-19, continues to impact worldwide economic activity. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and, as such, the Company cannot determine their financial impact at this time.
- (b) On May 19, 2020, the Company announced a non-brokered private placement for gross proceeds of up to \$2.3 million, through the issuance of 7,000,000 flow through shares at a price of \$0.33 per flow through share. Hecla Canada Ltd. ("Hecla"), who has an anti-dilution right pursuant to the ancillary rights agreement with the Company dated September 4, 2012 (the "ARA"), has a right to participate in the private placement in order to maintain its pro-rata interest in the Company. Hecla has subscribed for 1,311,989 common shares at a price of \$0.33 per common share for gross proceeds of \$432,956.
- (c) On May 20, 2020, the Company announced a non-brokered private placement for gross proceeds of up to \$4.5 million, through the issuance of up to 10,000,000 flow through shares at a price of \$0.45 per flow through share. Hecla, who has an anti-dilution right pursuant to the ARA, has a right to participate in the private placement in order to maintain its pro-rata interest in the Company. Hecla has subscribed for 1,112,346 common shares at a price of \$0.40 per common share for gross proceeds of \$444,938.