DOLLY VARDEN
SILVER CORP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited)

(Expressed in Canadian Dollars)

As at	Notes		June 30, 2022 (unaudited)		December 31, 2021 (audited)
ASSETS					
Current					
Cash		$	21,823,991	$	15,480,067
Prepaid expenses	5		789,007		250,351
Amounts receivable	6		253,296		96,520
			22,866,294		15,826,938
Non-current					
Equipment	7		283,066		246,144
Deposits	8		159,000		91,000
Exploration and evaluation assets	4, 8		70,906,785		4,029,234
		$	94,215,145	$	20,193,316
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable	11	$	1,847,539	$	121,415
Accrued liabilities	11		187,574		87,585
Liability on flow-through share issuances	9		1,653,312		134,673
			3,688,425		343,673
Shareholders' Equity					
Share capital	9		156,340,032		79,996,264
Reserves	9		9,336,193		8,306,033
Deficit			(75,149,505)		(68,452,654)
			90,526,720		19,849,643
		$	94,215,145	$	20,193,316

Nature of Operations (Note 1)

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on August 19, 2022 and signed on its behalf by:

"Shawn Khunkhun"
Director

"James Sabala"
Director

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

	Notes	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months Ended June 30, 2022	Six months Ended June 30, 2021
EXPENSES					
Consulting fees	11	$ 34,500	$ 64,037	$ 105,959	$ 131,564
Directors' fees	9, 11	33,604	22,902	68,820	28,333
Exploration and evaluation	8, 11	4,058,526	1,163,837	4,499,165	1,576,785
Management fees	11	127,500	108,000	635,500	228,000
Marketing and communications		272,252	154,373	638,744	236,000
Office and administration	11	59,870	54,137	134,401	106,204
Professional fees		52,615	58,337	70,269	67,056
Rent and maintenance	11	28,557	14,100	78,876	30,200
Share-based payments	9, 11	257,828	336,743	1,177,651	780,175
Transfer agent and filing fees		28,518	7,472	47,815	23,373
Travel and accommodation		28,216	3,064	34,018	3,064
Operating loss		(4,981,986)	(1,987,002)	(7,491,218)	(3,210,754)
Recovery on flow-through share premium	9	693,726	224,380	736,241	282,541
Part XII.6 tax expense		(5,100)	11,800	(11,900)	-
Interest and other income		58,312	26,484	70,026	47,763
Loss and comprehensive loss for the period		$ (4,235,048)	$ (1,724,338)	$ (6,696,851)	$ (2,880,450)
Basic and diluted loss per common share		$ (0.02)	$ (0.01)	$ (0.03)	$ (0.02)
Weighted average number of common shares outstanding		230,595,646	130,613,685	197,810,817	130,598,413

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

(Expressed in Canadian Dollars)

	Common Shares	Share Capital	Reserves	Deficit	Total Shareholders' Equity
Balance, December 31, 2020	130,547,861	$ 79,833,699	$ 7,072,193	$ (60,248,994)	$ 26,656,898
Exercise of stock options	90,000	42,647	(20,147)	-	22,500
Share-based payments	-	-	780,175	-	780,175
Loss and comprehensive loss for the period	-	-	-	(2,880,450)	(2,880,450)
Balance, June 30, 2021	130,637,861	79,876,346	7,832,221	(63,129,444)	24,579,123
Exercise of stock options	250,000	119,918	(23,668)	-	96,250
Share-based payments	-	-	497,480	-	497,480
Loss and comprehensive loss for the period	-	-	-	(5,323,210)	(5,323,210)
Balance, December 31, 2021	130,887,861	79,996,264	8,306,033	(68,452,654)	19,849,643
Issuance of common shares for acquisition of mineral properties	76,504,591	60,438,626	-	-	60,438,626
Property acquisition cost	402,815	338,365	-	-	338,365
Issuance of flow-through common shares	11,274,400	11,499,888	-	-	11,499,888
Flow-through share premium	-	(2,254,880)	-	-	(2,254,880)
Issuance of common shares	10,837,037	6,848,015	-	-	6,848,015
Share issuance costs – cash	-	(927,799)	-	-	(927,799)
Exercise of stock options	706,250	401,553	(147,491)	-	254,062
Share-based payments	-	-	1,177,651	-	1,177,651
Loss and comprehensive loss for the period	-	-	-	(6,696,851)	(6,696,851)
Balance, June 30, 2022	230,612,954	$ 156,340,032	$ 9,336,193	$ (75,149,505)	$ 90,526,720

(Expressed in Canadian Dollars)

For the six months ended		June 30, 2022		June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$	(6,696,851)	$	(2,880,450)
Items not affecting cash:				
Share-based payments		1,177,651		780,175
Revaluation of deferred share units		1,402		(15,392)
Recovery on flow-through premium		(736,241)		(282,541)
Depreciation of equipment		29,142		11,429
Changes in non-cash working capital items:				
Prepaid expenses		(538,656)		(215,704)
Amounts receivable		(156,776)		246
Accounts payable and accrued liabilities		1,824,711		541,289
Cash used in operating activities		(5,095,618)		(2,060,948)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment		(66,064)		(167,619)
Acquisition of exploration and evaluation assets		(6,168,560)		-
Cash used in investing activities		(6,234,624)		(167,619)
CASH FLOWS FROM FINANCING ACTIVITIES				
Private placement, net of share issuance costs		17,420,104		-
Exercise of stock options		254,062		22,500
Cash provided by financing activities		17,674,166		22,500
Change in cash during the period		6,343,924		(2,206,067)
Cash, beginning of period		15,480,067		23,645,088
Cash, end of period	$	21,823,991	$	21,439,021
Supplemental disclosure with respect to cash flows:				
Interest income received in cash	$	70,027	$	37,113
Non-cash transactions:				
Fair value of shares issued for acquisition of exploration and evaluation assets	$	60,438,626	$	-
Shares issued for property acquisition costs	$	338,364	$	-
Premium liability on flow-through shares	$	2,254,880	$	-

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

(Expressed in Canadian Dollars)

1 NATURE OF AND CONTINUANCE OF OPERATIONS

Dolly Varden Silver Corporation (the "Company") was incorporated under the Canada Business Corporations Act in the province of British Columbia on March 4, 2011 and is a public company listed on the TSX Venture Exchange (the "Exchange") under the symbol "DV". In addition, the Company trades on the OTCQX trading platform in the United States under the trading symbol "DOLLF". The Company's primary business is the acquisition and exploration of properties in Canada. The Company's head office is Suite 3123, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J1. 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 in British Columbia, Canada. On February 25, 2022 the company acquired 100% of the outstanding common stock of Homestake Resource Corporation and its wholly owned subsidiary Homestake Royalty Corporate, (collectively "Homestake") in exchange for common stock of the Company (Note 4). 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. Management believes that the Company has sufficient working capital to maintain its operations and activities for the next fiscal year.

2 BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed interim consolidated 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 financial statements for the fiscal year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretation Committee. These condensed interim consolidated financial statements were approved by the Board of Directors on August 19, 2022.

(b) Basis of Presentation

The condensed interim consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The financial statements of the subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions, balances, revenue and expenses are eliminated in full upon consolidation.

The legal subsidiaries of the Company are as follows:

Name of Subsidiary	Place of Incorporation	Beneficial Ownership Interest	
		June 30,2022	December 31, 2021
Homestake Resource Corporation	British Columbia, Canada	100%	-
Homestake Royalty Corporation	British Columbia, Canada	100%	-

2 BASIS OF PRESENTATION (cont'd)

(d) Functional and Foreign Currency

The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' 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 rates of monetary assets and liabilities denominated in foreign currencies are recognized in net income or loss.

(e) Use of Estimates and Judgments

The preparation of these condensed interim consolidated 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 consolidated 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 consolidated 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 during the year 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 and that have the most significant effect on the amounts recognized in the condensed interim consolidated 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 a change in future conditions could require a material change in the recognized amount.

ii) Asset acquisition
During the six months ended June 30, 2022, the Company acquired Homestake (Note 4). The process for determining whether the acquisition was an asset purchase versus a business acquisition was performed and primary consideration was given to the exploration stage of mineral properties, among other items. Shares issued for the acquisition were valued on the issue date and the excess of overall acquisition costs over net assets acquired was attributed to the mineral properties acquired.

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 amounts 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 the 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 date.

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.

2 BASIS OF PRESENTATION (cont'd)

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

Critical Accounting Estimates (cont'd)

iii) Deferred income taxes

Judgment is required in determining whether deferred tax assets are recognized in the condensed interim consolidated 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 consolidated statements of financial position could be impacted.

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. BC METC will be recorded in net income or loss upon cash receipt or when reasonable assurance exists that the tax filings are assessed and the expenditures are qualified as mining exploration expenses.

(f) Reclassification of prior year figures

Consolidated financial statements of the Company have been prepared comparatively with the prior period in order to give meaningful trend analysis regarding financial position and performance. In order to maintain consistency with presentation in the current period consolidated financial statements, certain comparative information on the Condensed interim consolidated Statements of Loss and Comprehensive Loss have been re-classified.

3 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated 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 statements for the fiscal year ended December 31, 2021.

4 ACQUISITION OF HOMESTAKE PROJECT

On February 25, 2022, the Company completed the acquisition of 100% of Homestake for total consideration of $5,000,000 and the issuance of 76,504,591 shares of the Company. Homestake owns a 100% interest in the Homestake Ridge project ("Homestake Project"), located adjacent to the Dolly Varden Project ("DV Project") in British Columbia .

The consideration paid on the acquisition of Homestake was accounted for as an acquisition of exploration and evaluation assets with the fair value of the shares issued valued using the market value of the Company's shares on the date of change of control.

(Expressed in Canadian Dollars)

4 ACQUISITION OF HOMESTAKE PROJECT (cont'd)

The acquisition of Homestake was recorded in the accounts of the Company at its fair value determined as follows:

Consideration paid for 100% interest is as follows:		
Cash payment	$	5,000,000
Common shares issued		60,438,626
Other acquisition costs:		
Legal fees		273,442
Advisory services – cash payment		712,500
Advisory services – shares issued		338,364
Regulatory fees		33,250
Other professional fees		45,000
Transfer agent and special general meeting costs		36,369
Reclamation bond		68,000
Total consideration paid	$	66,945,551

Net assets acquired		
Assets acquired		
Reclamation bond	$	68,000
Mineral property		66,877,551
Net assets acquired	$	66,945,551

5 PREPAID EXPENSES

Prepaid expenses consist of:

		June 30, 2022		December 31, 2021
Advances for exploration expenditures	$	223,164	$	28,006
Insurance and other administrative expenses		565,843		222,345
	$	789,007	$	250,351

6 AMOUNTS RECEIVABLE

Amounts receivable consists of:

		June 30, 2022		December 31, 2021
Goods and Services Tax receivable	$	213,898	$	87,658
Other		39,398		8,862
	$	253,296	$	96,520

(Expressed in Canadian Dollars)

7 EQUIPMENT

Equipment consists of:

	Dock	Tents and Trailers	Equipment	Vehicles	Gas Tank	Boat	Total
Cost:							
At December 31, 2020	$ 15,571	$ 144,213	$ 48,426	$ 20,971	$ 40,000	$ 24,345	$ 293,526
Additions	-	19,743	93,466	18,965	-	67,410	199,584
At December 31, 2021	15,571	163,956	141,892	39,936	40,000	91,755	493,110
Additions	-	39,358	26,706	-	-	-	66,064
At June 30, 2022	$ 15,571	$ 203,314	$ 168,598	$ 39,936	$ 40,000	$ 91,755	$ 559,174
Accumulated Depreciation:							
At December 31, 2020	$ 7,472	$ 133,666	$ 21,828	$ 12,656	$ 25,184	$ 9,121	$ 209,927
Depreciation	405	4,916	17,004	4,629	1,482	8,603	37,039
At December 31, 2021	7,877	138,582	38,832	17,285	26,666	17,724	246,966
Depreciation	192	6,758	12,577	3,398	666	5,551	29,142
At June 30, 2022	$ 8,069	$ 145,340	$ 51,409	$ 20,683	$ 27,332	$ 23,275	$ 276,108
Net Book Value:							
At December 31, 2021	$ 7,694	$ 25,374	$ 103,060	$ 22,651	$ 13,334	$ 74,031	$ 246,144
At June 30, 2022	$ 7,502	$ 57,974	$ 117,189	$ 19,253	$ 12,668	$ 68,480	$ 283,066

8 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 is in good standing.

Exploration and evaluation asset costs are set out below:

	Dolly Varden Property
Balance, December 31, 2020 and 2021	$ 4,029,234
Addition – Homestake Project (Note 4)	66,877,551
Balance, June 30, 2022	$ 70,906,785

During the years ended December 31, 2011 to 2018, 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. The property is subject to a 2% net smelter return royalty (“NSR”) of which one-half (or 1%) of the NSR can be repurchased by the Company for $2,750,000 at any time.

During the year ended December 31, 2020, the Company acquired surface rights and fee simple lands where the exploration camp, offices, logging and sampling facilities, as well as core storage areas are currently located. The acquisition included a parcel of land located at waterfront. The total package had been previously leased annually by the Company from private owners. The transaction involves a payment of $153,000 in cash and issuance of 192,061 common shares of the Company for a value of $149,808.

(Expressed in Canadian Dollars)

8 EXPLORATION AND EVALUATION ASSETS (cont'd)

On February 25, 2022, the Company completed the acquisition of Homestake pursuant to a purchase agreement which the Company agreed to acquire from Fury Gold Mines Ltd., a 100% interest in the Homestake Project, located adjacent to the Company's DV Project in British Columbia (Note 4). The Homestake Project is subject to two royalties, with a 2% net smelter royalty ("NSR") applicable to the Crown grants; and a 2% NSR on 12 mineral claims ("Coombes Claims"). The 2% NSR on the Crown grants an annual advanced minimum royalty of $50,000 yearly payment obligations. The 2% NSR on the Coombes Claims can be repurchased for $1,000,000 at any time.

As of June 30, 2022, the Company has deposits totaling $159,000 (December 31, 2021 - $91,000) as reclamation bonds for the properties.

The following table summarizes the exploration and evaluation expenses incurred at the DV Project and Homestake Project collectively known as the Kitsault Valley project ("KV Project"):

	Three months ended		Six months ended	
Three months ended	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Analytical and sample related	$ 24,653	$ 78	$ 58,510	$ $ 155,507
Camp, food, supplies and related	649,898	553,614	666,428	627,824
Claim maintenance	5,708	4,330	6,833	9,917
Community relations and related	3,943	-	5,931	3,750
Depreciation	18,538	7,642	29,142	11,429
Drilling	2,124,919	191,953	2,124,919	191,953
Equipment and warehouse rental	145,725	90,682	158,389	103,924
Fuel	160,207	28,353	160,207	28,353
Geological and geoscience	372,921	134,584	548,217	195,706
Mapping and modelling	25,471	9,364	37,575	18,554
Project supervision	89,000	116,035	261,000	208,035
Road and drill pad preparation	416,466	22,598	416,466	22,598
Supplies	15,015	-	19,486	-
Transport, travel and related	67,723	4,604	67,723	4,604
Cost recovery: BC METC	(61,661)	-	(61,661)	(5,369)
Total	$ 4,058,526	$ 1,163,837	$ 4,499,165	$ $1,576,785

9 SHARE CAPITAL

Authorized: Unlimited number of common shares without par value.

Issued:

During the six months ended June 30, 2022, the Company issued 706,250 common shares pursuant to the exercise of stock options for proceeds of $254,062.

On February 25, 2022, the Company issued 76,504,591 common shares with a value of $60,438,626 upon acquisition of a mineral property (Note 4). In connection with the acquisition of Homestake, the Company issued 402,815 common shares with a value of $338,365 in the capital of the Company to Haywood Securities Inc. ("Haywood") pursuant to a financial advisory agreement between Haywood and the Company.

On February 25, 2022, pursuant to the ancillary rights agreement between Hecla Canada Ltd. ("Hecla") and the Company dated September 4, 2012, Hecla exercised its anti-dilution right in respect of the offerings and acquired 9,048,539 common shares of the Company at a price of $0.5882 per common share for aggregate proceeds of $5,322,351.

(Expressed in Canadian Dollars)

9 SHARE CAPITAL (cont'd)

On March 31, 2022, the Company closed a private placement and raised gross proceeds of $11,499,888 through the sale of 11,274,400 flow-shares common shares at a price of $1.02 per share. The Company recorded a flow-through premium liability of $2,254,880 for the difference between the fair value of its common shares and the issuance price of its flow-through common shares.

On March 31, 2022, Hecla exercised its anti-dilution right in respect of the offering to acquire 1,742,471 common shares of the Company at a price per common share of $0.86 for gross proceeds of $1,498,526. Hecla has also exercised its anti-dilution right with respect to the Company's previously announced issuance of shares to Haywood completed on March 11, 2022, to acquire 46,027 additional common shares at a price per common share of $0.5896, being the issuance price of the Common Shares issued to Haywood, for additional proceeds of $27,138. The common shares issued to Hecla are in addition to those issued as part of the offering.

Common Share Purchase Warrants

Common share purchase warrant transactions and the number of common share purchase warrants outstanding are summarized below:

	Number of Warrants	Weighted Average Exercise Price $
Balance, December 31, 2021 and June 30, 2022	7,983,198	1.10

Date of Expiry	Number of Warrants Outstanding	Exercise Price $
August 22, 2022	7,983,198	1.10

The remaining life of the common share purchase warrants as of June 30, 2022 is 0.14 (December 31, 2021 - 0.64) years.

Compensation Warrants

Compensation warrant transactions and the number of compensation warrants outstanding are summarized below:

	Number of Warrants	Weighted Average Exercise Price $
Balance, December 31, 2021 and June 30, 2022	845,070	0.71

Date of Expiry	Number of Warrants Outstanding	Exercise Price $
August 22, 2022	845,070	0.71

The remaining life of the compensation warrants as of June 30, 2022 is 0.14 (December 31, 2021 - 0.64) years.

(Expressed in Canadian Dollars)

9 SHARE CAPITAL (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 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, 2020	5,237,500	0.30
Granted	2,775,000	0.71
Exercised	(340,000)	0.35
Forfeited/expired	(275,000)	0.40
Balance, December 31, 2021	7,397,500	0.45
Granted	3,975,000	0.79
Exercised	(706,250)	0.36
Forfeited/expired	(25,000)	0.40
Balance, June 30, 2022	10,641,250	0.58

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

Date of Expiry	Exercise Price $	# of stock options outstanding as at June 30, 2022
February 15, 2023	0.40	325,000
December 12, 2024	0.30	400,000
February 18, 2025	0.25	2,500,000
February 28, 2025	0.25	200,000
March 17, 2025	0.25	366,250
June 14, 2025	0.45	100,000
March 25, 2026	0.71	2,675,000
July 2, 2026	0.71	100,000
February 25, 2027	0.79	3,975,000
Total Outstanding		10,641,250
Total Exercisable		7,957,916

During the six months ended June 30, 2022, the Company recognized a total of $1,177,651 (December 31, 2021 - $1,277,655) in share-based payments expense for the options granted and vested during the period.

The weighted average remaining life of the stock options as of June 30, 2022 is 3.62 (December 31, 2021 - 3.46) years.

(Expressed in Canadian Dollars)

9 SHARE CAPITAL (cont'd)

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

For the three months ended	June 30, 2022	June 30, 2021
Risk-free interest rate	1.74%	0.68%
Expected dividend yield	0%	0%
Annualized stock price volatility	81%	91%
Expected life of options	5 years	5 years
Expected forfeiture rate	0%	0%

Deferred Share Units ("DSU")

The Company has a DSU plan that entitles certain directors and officers to receive the cash equivalent of the 29,135 (2021 - 58,270) DSUs issued when they retire from the Company. The value of the DSU on grant date is the market price, being the five-day volume weighted average price of the common shares immediately preceding the grant date. In October 2015, the Company ceased further accruals under the DSU plan. During the six months ended June 30, 2022, the Company paid out $18,077 to a former director and recognized an increase in the fair value of the outstanding DSU liability of $1,402 (2021 - $15,392), which was recognized as directors' fees.

During the six months ended June 30, 2022, the Company paid, in addition to the DSU plan, directors' fees of $71,107 (2021 - $43,725) (Note 11).

Flow-through Premium Liability

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

Balance, December 31, 2020	$	1,157,254
Settlement of flow-through share premium liability pursuant to qualifying expenditures		(1,022,581)
Balance, December 31, 2021		134,673
Flow-through premium liability additions		2,254,880
Settlement of flow-through share premium liability pursuant to qualifying expenditures		(736,241)
Balance, June 30, 2022	$	1,653,312

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 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 six months ended June 30, 2022.

(Expressed in Canadian Dollars)

11 RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2022 and 2021, 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 consolidated financial statements:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Consulting fees (3)	$ -	$ 1,536	$ -	$ 1,536
Directors' fees	43,828	23,850	67,678	43,725
Exploration and evaluation (3)	32,500	22,500	105,000	65,000
Management fees (1)(2)	127,500	108,000	635,500	228,000
Share-based payments (1)(2)	179,065	259,800	805,430	619,157
Total	$ 382,893	$ 415,686	$ 1,613,608	$ 957,418

(1) The Company entered into a consulting service agreement with S2K Capital Corp. and Mr. Shawn Khunkhun, the Chief Executive Officer and director of the Company. Pursuant to this consulting agreement, Mr. Khunkhun is compensated at a rate of $25,000 (2021 - $20,000) per month. The Company is required to pay an equivalent to 24 months' pay plus an average of any cash performance bonus paid in the previous two completed financial years if the consulting agreement is terminated by either party absent an event of default during the twelve-month period following the date of a change in control of the Company. If the agreement is terminated for reasons other than event of default, the Company is required to pay a sum equal to 12 months' pay. The Company paid $325,000 bonus for the six months ended June 30, 2022.

(2) The Company entered into a consulting service agreement with Fehr & Associates and Mrs. Ann Fehr, the Chief Financial Officer of the Company. Pursuant to this consulting agreement, Fehr & Associates is compensated at a rate of $17,500 (2021 - $12,000) per month for CFO, controller, book-keeper and administration services. The Company paid $75,000 bonus for the six months ended June 30, 2022.

(3) One director was paid directly through a corporation for technical geological work, which was included in exploration and evaluation expense.

Other related party transactions are as follows:

Of the Fehr & Associates fee, $48,675 (2021 - $34,500) relates to bookkeeping or administrative services performed by individuals other than the Chief Financial Officer.

During the six months ended June 30, 2022, $33,100 (2021 - $30,200) in office rent reimbursement was paid to corporations controlled by a director of the Company.

At June 30, 2022, included in accounts payable is $41,692 (December 31, 2021 - $1,813) owed to directors and officers of the Company. These amounts are unsecured, non-interest-bearing and due on demand.

At June 30, 2022, included in accrued liabilities is $19,743 (December 31, 2021 - $36,679) accrued to a former director for directors' fees outstanding related to outstanding DSUs.

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company’s financial instruments recorded at fair value require disclosure as to 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, amounts receivable, deposits, accounts payable and accrued liabilities.

Financial Instruments

The carrying values of cash, amounts receivable, deposits, accounts payable and accrued liabilities approximate fair values due to the short-term nature of these instruments or market rates of interest.

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 amounts receivable. 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.

The Company limits its exposure to credit risk for cash by placing it 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 June 30, 2022, the Company had a cash balance of $21,823,991 (December 31 2021 - $15,480,067) to settle current liabilities of $2,035,295 (December 31, 2021 - $209,000), excluding the liability on flow-through share issuances.

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 price 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.