DOLLY VARDEN SILVER CORP

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Expressed in Canadian Dollars)

(Unaudited)

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

As at	Notes		September 30, 2023 (unaudited)		December 31, 2022 (audited)
ASSETS					
Current					
Cash and cash equivalents	4	$	5,493,653	$	28,495,616
Prepaid expenses	5		663,306		285,802
Amounts receivable	6, 11		797,241		132,347
			6,954,200		28,913,765
Non-current					
Equipment	7		229,845		256,810
Deposits	8		159,000		159,000
Exploration and evaluation assets	8		70,906,785		70,906,785
		$	78,249,830	$	100,236,360
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable	11	$	1,489,071	$	285,439
Accrued liabilities	11		1,246,433		160,449
Liability on flow-through share issuances	9		-		3,653,886
			2,735,504		4,099,774
Shareholders' Equity					
Share capital	9		174,816,576		173,967,990
Reserves	9		11,087,867		9,891,669
Deficit			(110,390,117)		(87,723,073)
			75,514,326		96,136,586
		$	78,249,830	$	100,236,360

Nature and Continuance of Operations (Note 1)

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 27, 2023 and signed on its behalf by:

"Shawn Khunkhun"
Director

"James Sabala"
Director

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

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

	Notes	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months Ended September 30, 2022
EXPENSES					
Consulting fees		$ 36,533	$ 47,500	$ 184,772	$ 153,459
Directors' fees	9, 11	55,900	31,712	148,159	100,532
Exploration and evaluation	8, 11	14,813,910	10,763,732	22,110,958	15,262,897
Management fees	11	141,700	127,896	813,500	763,396
Marketing and communications		352,396	262,777	1,099,700	901,521
Office and administration		57,469	60,993	186,655	195,394
Professional fees		35,136	29,992	239,690	100,261
Rent and maintenance	11	31,176	28,557	88,582	107,433
Share-based payments	9, 11	469,262	299,787	1,490,158	1,477,438
Transfer agent and filing fees		21,473	18,720	118,280	66,535
Travel and accommodation		85,472	44,180	270,401	78,199
Operating loss		(16,100,427)	(11,715,846)	(26,750,856)	(19,207,065)
Recovery on flow-through share premium	9	2,371,899	1,653,312	3,653,886	2,389,553
Part XII.6 tax expense		(75,000)	-	(364,318)	(11,900)
Interest and other income		182,262	96,051	794,244	166,077
Loss and comprehensive loss for the period		$ (13,621,266)	$ (9,966,483)	$ (22,667,044)	$ (16,663,335)
Basic and diluted loss per common share		$ (0.05)	$ (0.04)	$ (0.09)	$ (0.08)
Weighted average number of common shares outstanding – basic and diluted		254,681,283	230,612,954	254,460,665	208,865,017

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

As at	Common Shares	Share Capital	Reserves	Deficit	Total Shareholders' Equity
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	76,504,590	60,438,626	-	-	60,438,626
Property acquisition cost	402,815	338,365	-	-	338,365
Issuance of flow-through common shares	11,274,401	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	-	(931,199)	-	-	(931,199)
Exercise of stock options	706,250	388,961	(134,898)	-	254,063
Share-based payments	-	-	1,477,438	-	1,477,438
Loss and comprehensive loss for the period	-	-	-	(16,663,335)	(16,663,335)
Balance, September 30, 2022	230,612,954	156,324,040	9,648,573	(85,115,989)	80,856,624
Issuance of flow-through common shares	20,519,215	20,699,999	-	-	20,699,999
Flow-through share premium	-	(3,669,050)	-	-	(3,669,050)
Issuance of common shares	2,334,115	1,937,315	-	-	1,937,315
Share issuance costs – cash	-	(1,485,354)	-	-	(1,485,354)
Exercise of stock options	188,000	161,040	(65,062)	-	95,978
Share-based payments	-	-	308,158	-	308,158
Loss and comprehensive loss for the period	-	-	-	(2,607,084)	(2,607,084)
Balance, December 31, 2022	253,654,284	173,967,990	9,891,669	(87,723,073)	96,136,586
Exercise of stock options	1,026,999	852,646	(293,960)	-	558,686
Share-based payments	-	-	763,107	-	763,107
Restricted share compensation	-	-	727,051	-	727,051
Share issuance costs – cash	-	(4,060)	-	-	(4,060)
Loss and comprehensive loss for the period	-	-	-	(22,667,044)	(22,667,044)
Balance, September 30, 2023	254,681,283	$ 174,816,576	$ 11,087,867	$ (110,390,117)	$ 75,514,326

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

For the nine months ended		September 30, 2023		September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$	(22,667,044)	$	(16,663,335)
Items not affecting cash:				
Share-based payments		763,107		1,477,438
Restricted share compensation		727,051		-
Revaluation of deferred share units		-		(4,285)
Recovery on flow-through premium		(3,653,886)		(2,389,553)
Depreciation of equipment		41,101		45,391
Changes in non-cash working capital items:				
Prepaid expenses		(377,504)		(151,307)
Amounts receivable		(664,894)		(513,947)
Accounts payable and accrued liabilities		2,289,616		1,918,596
Cash used in operating activities		(23,542,453)		(16,281,002)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment		(14,136)		(66,065)
Acquisition of exploration and evaluation assets		-		(6,168,560)
Cash used in investing activities		(14,136)		(6,234,625)
CASH FLOWS FROM FINANCING ACTIVITIES				
Private placement, net of share issuance costs		(4,060)		17,416,704
Exercise of stock options		558,686		254,063
Cash provided by financing activities		554,626		17,670,767
Change in cash and cash equivalents during the period		(23,001,963)		(4,844,860)
Cash and cash equivalents, beginning of period		28,495,616		15,480,067
Cash and cash equivalents, end of period	$	5,493,653	$	10,635,207
Supplemental disclosure with respect to cash flows:				
Interest income received in cash	$	794,244	$	166,077
Non-cash transactions:				
Fair value of options exercised	$	293,960	$	-
Fair value of shares issued for acquisition of exploration and evaluation assets	$	-	$	60,438,626
Acquisition cost included in accounts payable	$	-	$	-
Shares issued for property acquisition costs	$	-	$	338,365
Premium liability on flow-through shares	$	-	$	2,254,880

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

1 NATURE 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 mineral 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. 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.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company’s business or ability to raise funds.

2 BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. They do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company’s audited financial statements as at December 31, 2022 and for the fiscal year then ended, 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 Interpretations Committee. These condensed consolidated interim financial statements were approved by the Board of Directors on November 27, 2023.

(b) Basis of Presentation

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2 BASIS OF PRESENTATION (cont'd)

(c) Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. The financial statements of the subsidiaries are included in the condensed consolidated interim 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	
		September 30, 2023	December 31, 2022
Homestake Resource Corporation	British Columbia, Canada	100%	100%
Homestake Royalty Corporation	British Columbia, Canada	100%	100%

(d) Functional and Foreign Currency

The condensed consolidated interim 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 profit or loss.

(e) Use of Estimates and Judgments

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated 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 consolidated 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 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 consolidated interim financial statements include, but are not limited to, the following:

i) <u>Recoverability of the carrying value of the Company's exploration and evaluation assets</u>
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.

2 BASIS OF PRESENTATION (cont'd)

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

Significant Accounting Judgments (cont'd)

ii) Asset acquisition

During the year ended December 31, 2022, the Company acquired Homestake. 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.

iii) Deferred income taxes

Judgment is required in determining whether deferred tax assets are recognized in the 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 consolidated statement 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 is based on the previous years' tax filings and subsequent reviews by government auditors. BC METC will be recorded in profit 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.

(Expressed in Canadian Dollars)

3 MATERIAL ACCOUNTING POLICY INFORMATION

These condensed consolidated 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 consolidated financial statements for the fiscal year ended December 31, 2022.

New Accounting Standards or Amendments Issued but not yet Effective

IAS 1 Presentation of Financial Statements

IAS 1 has been amended to clarify classification of liabilities as current or non-current. The amendments are effective for reporting periods beginning on or after January 1, 2024. The Company is in the process of assessing the impact of these amendments.

4 CASH AND CASH EQUIVALENTS

		September 30, 2023		December 31, 2022
Cash	$	3,893,653	$	26,895,616
Cash equivalents (guaranteed investment certificates)		1,600,000		1,600,000
	$	5,493,653	$	28,495,616

5 PREPAID EXPENSES

Prepaid expenses consists of:

		September 30, 2023		December 31, 2022
Advances for exploration expenditures	$	354,036	$	51,738
Exploration expenditures		111,303		32,336
Insurance and other administrative expenses		197,967		201,728
	$	663,306	$	285,802

6 AMOUNTS RECEIVABLE

Amounts receivable consists of:

		September 30, 2023		December 31, 2022
Goods and Services Tax receivable	$	680,840	$	111,144
Other		116,401		21,203
	$	797,241	$	132,347

(Expressed in Canadian Dollars)

7 EQUIPMENT

Equipment consists of:

	Dock	Tents and Trailers	Equipment	Vehicles	Gas Tank	Boat	Total
Cost:							
At December 31, 2021	$ 15,571	$ 163,956	$ 141,892	$ 39,936	$ 40,000	$ 91,755	$ 493,110
Additions	-	39,359	33,274	-	-	-	72,633
At December 31, 2022	15,571	203,315	175,166	39,936	40,000	91,755	565,743
Additions	-	-	14,136	-	-	-	14,136
At September 30, 2023	$ 15,571	$ 203,315	$ 189,302	$ 39,936	$ 40,000	$ 91,755	$ 579,879
Accumulated Depreciation:							
At December 31, 2021	$ 7,877	$ 138,582	$ 38,832	$ 17,285	$ 26,666	$ 17,724	$ 246,966
Depreciation	385	16,468	25,882	6,795	1,333	11,104	61,967
At December 31, 2022	8,262	155,050	64,714	24,080	27,999	28,828	308,933
Depreciation (Note 8)	274	10,859	18,420	3,568	900	7,080	41,101
At September 30, 2023	$ 8,536	$ 165,909	$ 83,134	$ 27,648	$ 28,899	$ 35,908	$ 350,034
Net Book Value:							
At December 31, 2022	$ 7,309	$ 48,265	$ 110,452	$ 15,856	$ 12,001	$ 62,927	$ 256,810
At September 30, 2023	$ 7,035	$ 37,406	$ 106,168	$ 12,288	$ 11,101	$ 55,847	$ 229,845

(Expressed in Canadian Dollars)

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:

		Kitsault Valley Project
Balance, December 31, 2022 and September 30, 2023	$	70,906,785

During the years ended December 31, 2011 to 2018, the Company purchased the Dolly Varden Project ("DV Project"), 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 additional surface rights and fee simple lands. The total package had been previously leased annually by the Company from private owners. The transaction involved a payment of $153,000 in cash and issuance of 192,061 common shares of the Company for a value of $149,808.

On February 25, 2022, the Company completed the acquisition of Homestake pursuant to a purchase agreement that the Company agreed to acquire from Fury Gold Mines Limited ("Fury"), a 100% interest in the Homestake Ridge, located adjacent to the Company's DV Project in British Columbia. The Homestake Ridge is subject to a 2% NSR applicable to certain claims (the "Crown Grants"). The 2% NSR on the Crown Grants includes an annual advanced minimum royalty of $50,000 payment obligations. Ten business days after commencement of commercial production, approximately 17,300 shares of the Company are to be issued to the NSR holders. Additionally, a small area of the Homestake Ridge is subject to a 3% royalty. The Company refers to the combination of its Homestake Ridge and DV Project as the Kitsault Valley Project. As of September 30, 2023, the Company has deposits totalling $159,000 (December 31, 2022 - $159,000) as reclamation bonds for the properties.

The following table summarizes the exploration and evaluation expenses incurred during the periods ended:

	Three months ended				Nine months ended			
		September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022
Analytical and sample related	$	671,728	$	221,273	$	945,008	$	279,783
Camp, food, supplies and related		1,180,023		758,671		2,128,049		1,425,099
Claim maintenance		2,304		2,830		8,030		9,663
Community relations and related		1,250		3,750		6,250		9,680
Depreciation		13,789		16,247		41,100		45,391
Drilling		9,370,693		6,748,984		13,047,492		8,873,903
Equipment and warehouse rental		403,544		169,962		629,744		328,351
Fuel		527,844		611,037		944,534		771,244
Geological and geoscience		1,584,343		1,133,475		2,454,051		1,681,691
Mapping and modelling		38,497		31,991		85,552		69,566
Project supervision		65,138		80,052		334,138		341,052
Resource and metallurgy		142		-		142		-
Road and drill pad preparation		765,384		770,693		1,210,552		1,187,159
Supplies		-		861		-		20,347
Transport, travel and related		189,231		213,906		276,316		281,629
Cost recovery: BC METC		-		-		-		(61,661)
Total	$	14,813,910	$	10,763,732	$	22,110,958	$	15,262,897

9 SHARE CAPITAL

Authorized: Unlimited number of common shares without par value.

Issued:

During the nine months ended September 30, 2023, the Company issued 1,026,999 common shares pursuant to the exercise of stock options for proceeds of $558,686.

On February 24, 2023, the Company granted 800,000 stock options having an exercise price of $0.97 per option, expiring in five years.

On February 24, 2023, the Company granted 2,054,678 restricted share units (“RSUs”) to various directors and officers.

On December 22, 2022, the Company closed a private placement and raised gross proceeds of $5,071,064 through the sale of 5,634,516 flow-through common shares at a price of $0.90 per share. The Company recorded a flow-through premium liability of $394,416 for the difference between the fair value of its common shares and the issue price of its flow-through common shares.

On December 22, 2022, the Company closed a private placement and raised gross proceeds of $15,628,935 through the sale of 14,884,700 charity flow-through common shares at a price of $1.05 per charity offered share. The Company recorded a flow-through premium liability of $3,274,634 for the difference between the fair value of its common shares and the issue price of its charity flow-through common shares.

On December 22, 2022, the Company issued 2,334,114 common shares at a price per common share of $0.83 for gross proceeds of $1,937,315 pursuant to an anti-dilution right held by Hecla Canada Ltd. (“Hecla”).

On February 25, 2022, the Company issued 76,504,590 common shares with a value of $60,438,626 upon acquisition of Homestake Ridge. In connection with the acquisition of Homestake Ridge, the Company issued 402,815 common shares with a value of $338,364 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, the Company issued 9,048,539 common shares at a price of $0.5882 per common share for aggregate proceeds of $5,322,351 pursuant to an anti-dilution right held by Hecla.

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-through 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 issue price of its flow-through common shares.

On March 31, 2022, the Company issued 1,742,472 common shares at a price of $0.86 for gross proceeds of $1,498,526 and issued 46,027 additional common shares at a price of $0.5896 for gross proceeds of $27,138 pursuant to an anti-dilution right held by Hecla.

Restricted Share Units

The Company adopted a RSU plan during the year ended December 31, 2022 after the shareholders approved a new rolling 10% RSU plan (the “RSU Plan”) at its annual general meeting on June 2, 2022. The maximum number of common shares issuable upon the vesting of RSUs granted pursuant to the RSU Plan combined with other share-based compensation arrangements is set at 10% of the total issued common shares. The RSU Plan is an evergreen plan meaning any vesting of an RSU will, subject to the overall limit described above, allow new grants available under the RSU Plan resulting in a reloading of the number of RSUs available for grant. The Company expensed $727,051 included in share-based compensation expense during the nine months ended September 30, 2023 (2022 - $nil) related to the grant of 2,054,678 RSUs that vest equally over three years.

(Expressed in Canadian Dollars)

9 SHARE CAPITAL (cont'd)

Restricted Share Units (cont'd)

	Number of RSUs
Balance, December 31, 2022	-
Granted	2,054,678
Balance, September 30, 2023	2,054,678

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, 2021	7,397,500	0.45
Granted	4,925,000	0.77
Exercised	(894,250)	0.39
Forfeited/expired	(25,000)	0.40
Cancelled	(300,000)	0.71
Balance, December 31, 2022	11,103,250	0.59
Granted	800,000	0.97
Exercised	(1,026,999)	0.54
Forfeited/expired	(5,000)	0.40
Balance, September 30, 2023	10,871,251	0.62

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 September 30, 2023
December 12, 2024	0.30	375,000
February 18, 2025	0.25	2,380,000
February 28, 2025	0.25	200,000
March 17, 2025	0.25	266,250
March 25, 2026	0.71	2,425,000
February 25, 2027	0.79	3,941,667
August 19, 2027	0.71	583,334
February 24, 2028	0.97	700,000
Total Outstanding		10,871,251
Total Exercisable		8,787,083

(Expressed in Canadian Dollars)

9 SHARE CAPITAL (cont'd)

Stock Options (cont'd)

During the nine months ended September 30, 2023, the Company recognized a total of $763,107 (2022 - $1,477,438) in share-based payments expense for the options granted and vested during the period. The fair value of options granted during the nine months ended September 30, 2023 was $0.97 (2022 - $0.77) per option. The weighted average remaining life of the stock options as of September 30, 2023 is 2.69 (December 31, 2022 - 3.20) years.

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

For the nine months ended	September 30, 2023	September 30, 2022
Risk-free interest rate	3.71%	1.74%
Expected dividend yield	0%	0%
Annualized stock price volatility	83%	81%
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 (2022 - 29,135) 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 nine months ended September 30, 2023, the Company paid out $24,213 to a former director and recognized a decrease in the fair value of the outstanding DSU liability of $4,041 (2022 - increase of $1,402), which was recognized as directors' fees (Note 11).

Flow-through Premium Liability

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

Balance, December 31, 2021	$	134,673
Flow-through premium liability additions		5,923,930
Settlement of flow-through share premium liability pursuant to qualifying expenditures		(2,404,717)
Balance, December 31, 2022		3,653,886
Settlement of flow-through share premium liability pursuant to qualifying expenditures		(3,653,886)
Balance, September 30, 2023	$	-

Anti-dilution Rights Agreements

In September 2012, the Company entered into an ancillary rights agreement with Hecla, whereby as long as Hecla holds a pro-rata interest of 10%, it reserves the right to maintain its ownership interest in the event the Company issues any equity securities. In February 2022, the Company entered into an investor rights agreement in relation to the acquisition of Homestake Ridge with Fury, whereby as long as Fury holds a pro-rata interest of 10%, it reserves the right to maintain its ownership interest in the event the Company issues any equity securities for cash.

(Expressed in Canadian Dollars)

10 CAPITAL MANAGEMENT

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 nine months ended September 30, 2023. The Company has no capital restrictions other than an anti-dilution right in favour of Hecla and Fury, whereby both parties have the right to maintain their equity holdings in the Company (Note 9).

11 RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2023 and 2022, 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 consolidated interim financial statements:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Directors' fees	$ 55,900	$ 40,400	$ 152,200	$ 108,078
Exploration and evaluation [3][4]	95,138	30,000	472,138	135,000
Management fees [1][2][3]	142,200	127,500	814,000	763,000
Share-based payments [1][2]	373,639	181,033	1,006,636	986,463
Total	$ 666,877	$ 378,933	$ 2,444,974	$ 1,992,541

(1) The Company entered into a consulting service agreement with S2K Capital Corp. and Shawn Khunkhun, Chief Executive Officer and director of the Company. Pursuant to this consulting agreement, Mr. Khunkhun is compensated at a rate of $28,333 (2022 - $25,000) 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 or accrued a $360,000 bonus for the nine months ended September 30, 2023.

(2) The Company entered into a consulting service agreement with Fehr & Associates and Ann Fehr, Chief Financial Officer ("CFO") of the Company. Pursuant to this consulting agreement, Fehr & Associates is compensated at a rate of $19,067 (2022 - $17,500) per month for CFO, controller, bookkeeper and administrative services. The Company paid or accrued a $40,000 bonus for the nine months ended September 30, 2023. The Company is required to pay an equivalent to 12 months' pay 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.

(3) The Company is required to pay $260,000 if the consulting agreement with Mr. Van Egmond, VP Exploration, 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.

(4) The Company paid exploration and evaluation expenses to a company controlled by a director.

11 RELATED PARTY TRANSACTIONS (cont'd)

Other related party transactions are as follows:

During the nine months ended September 30, 2023, $7,600 (2022 - $33,100) in office rent reimbursement was paid to corporations controlled by a director of the Company.

At September 30, 2023, included in amounts receivable is $nil (December 31, 2022 - $17,271) owed from a corporation with a director in common related to an expense reimbursement.

At September 30, 2023, included in accounts payable is $72,520 (December 31, 2022 - $nil) owed to directors and officers of the Company. These amounts are unsecured, non-interest-bearing and due on demand.

At September 30, 2023, included in accrued liabilities is $nil (December 31, 2022 - $28,254) accrued to a former director for directors' fees outstanding related to outstanding DSUs.

At September 30, 2023, included in accrued liabilities is $90,000 (December 31, 2022 - $8,100) accrued to officers and directors of the Company.

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 and cash equivalents, amounts receivable, deposits, accounts payable and accrued liabilities, all of which are measured at amortized cost.

Financial Instruments

The carrying values of cash and cash equivalents, 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 cash equivalents, deposits and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consists of bank balances and demand guaranteed investment certificates at reputable financial institutions, from which management believes the risk of loss to be remote. Amounts receivable and deposits are due from government agencies.

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

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Financial Instruments (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, 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 September 30, 2023, the Company had cash and cash equivalents of $ 5,493,653 to settle current liabilities of $ 2,735,504.

Interest Rate Risk

The Company has a cash and cash equivalents balance 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.

13 SEGMENTED INFORMATION

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's primary exploration and evaluation assets are located in British Columbia, and its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results. The Company's operating segments are disclosed by geographic location in Note 8. All corporate expenses are incurred in Canada.

14 SUBSEQUENT EVENTS

On November 1, 2023 the Company issued 15,384,616 common shares to Hecla Canada Ltd. at a price of $0.65 per Common Share for gross proceeds of $10,000,000.