DOLLY VARDEN
SILVER CORP

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Dolly Varden Silver Corp.

Opinion

We have audited the accompanying financial statements of Dolly Varden Silver Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Catherine Tai.

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

March 4, 2021

(Expressed in Canadian Dollars)

As At	Notes	December 31, 2020	December 31, 2019
ASSETS			
Current			
Cash		$ 23,645,088	$ 3,821,997
Prepaid expenses	3	126,635	98,917
Amounts receivable	4	96,817	566,635
		23,868,540	4,487,549
Non-current			
Equipment	5	83,599	87,137
Deposits	6	91,000	91,000
Exploration and evaluation assets	6	4,029,234	3,726,426
		$ 28,072,373	$ 8,392,112
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable		$ 93,385	$ 43,398
Accrued liabilities		164,836	64,229
Liability on flow-through share issuance	7	1,157,254	255,355
		1,415,475	362,982
Shareholders' Equity			
Share capital	7	79,833,699	54,628,282
Reserves	7	7,072,193	6,371,522
Deficit		(60,248,994)	(52,970,674)
		26,656,898	8,029,130
		$ 28,072,373	$ 8,392,112

Nature of and Continuance of Operations (Note 1)

These financial statements were approved for issue by the Board of Directors on March 4, 2021 and signed on its behalf by:

"James Sabala"	*"Shawn Khunkhun"*
Director	Director

	Notes		Year Ended December 31, 2020		Year Ended December 31, 2019
EXPENSES					
Consulting fees	9	$	198,079	$	86,504
Directors' fees	9		112,578		64,190
Exploration and evaluation	6, 9		5,245,880		4,421,962
Management fees	9		606,567		324,998
Marketing and communications	9		322,203		207,088
Office and administration	9		260,966		173,576
Professional fees			121,200		53,642
Rent and maintenance	9		75,250		60,000
Share-based payments	7, 9		659,096		373,255
Transfer agent and filing fees			39,150		29,252
Travel and accommodation			8,894		11,174
Operating loss			(7,649,863)		(5,805,641)
Recovery on flow-through premium	7		300,001		785,528
Part XII.6 tax			(10,682)		(6,179)
Interest income			82,224		51,309
Loss and comprehensive loss for the year		$	(7,278,320)	$	(4,974,983)
Basic and diluted loss per common share		$	(0.07)	$	(0.08)
Weighted average number of common shares outstanding – basic and diluted			102,790,518		68,056,458

The accompanying notes are an integral part of these financial statements

(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
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 compensation	-		-		281,425		-		281,425
Loss and comprehensive loss for the year	-		-		-		(4,974,983)		(4,974,983)
Balance, December 31, 2019	83,464,049		54,628,282		6,371,522		(52,970,674)		8,029,130
Issuance of flow-through common shares	24,039,697		13,870,000		-		-		13,870,000
Issuance of common shares	19,198,577		12,933,023		-		-		12,933,023
Issuance of common shares for termination fee	489,795		120,000		-		-		120,000
Issuance of common shares for acquisition of E&E assets	192,061		149,808		-		-		149,808
Share issuance costs – cash	-		(1,609,464)		-		-		(1,609,464)
Share issuance costs – warrants	-		(468,845)		468,845		-		-
Share issuance costs – shares	418,182		-		-		-		-
Flow-through share premium	-		(1,201,900)		-		-		(1,201,900)
Exercise of stock options	2,745,500		1,412,795		(427,270)		-		985,525
Share-based compensation	-		-		659,096		-		659,096
Loss and comprehensive loss for the year	-		-		-		(7,278,320)		(7,278,320)
Balance, December 31, 2020	130,547,861	$	79,833,699	$	7,072,193	$	(60,248,994)	$	26,656,898

The accompanying notes are an integral part of these financial statements

DOLLY VARDEN SILVER CORPORATION
Statements of Cash Flows
(Expressed in Canadian Dollars)

		Year Ended December 31, 2020		Year Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(7,278,320)	$	(4,974,983)
Items not affecting cash:				
Share-based payments		659,096		373,255
Revaluation of deferred share units		24,156		(15,310)
Recovery on flow-through premium		(300,001)		(785,528)
Shares issued for termination fee		120,000		-
Loss on disposal of equipment		5,119		-
Depreciation of equipment		17,517		20,139
Changes in non-cash working capital items:				
Prepaid expenses		(27,718)		(293,911)
Amounts receivable		469,818		9,555
Accounts payable and accrued liabilities		126,438		(30,531)
Cash used in operating activities		(6,183,895)		(5,697,314)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment		(19,098)		(1,378)
Acquisition of exploration and evaluation assets		(153,000)		-
Cash used in investing activities		(172,098)		(1,378)
CASH FLOWS FROM FINANCING ACTIVITIES				
Private placement, net of share issuance costs		25,193,559		6,957,915
Exercise of stock options		985,525		-
Cash provided by financing activities		26,179,084		6,957,915
Change in cash during the year		19,823,091		1,259,223
Cash, beginning of year		3,821,997		2,562,774
Cash, end of year	$	23,645,088	$	3,821,997
Supplemental disclosure with respect to cash flows:				
Interest income received in cash	$	38,956	$	30,938
Non-cash transactions:				
Fair value of finders' shares	$	138,000	$	464,769
Fair value of shares issued for acquisition of E&E assets	$	149,808	$	
Fair value of finders' compensation warrants	$	468,845	$	-
Premium liability on flow-through shares	$	1,201,900	$	885,714

The accompanying notes are an integral part of these financial statements

1 NATURE OF AND CONTINUANCE OF OPERATIONS

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 and exploration of properties in Canada. The Company's head office is Suite 1800 – 555 Burrard Street, Vancouver, British Columbia, Canada, V7X 1E5. 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. Management believes that the Company has sufficient working capital to maintain its operations and activities for the next fiscal year.

The 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 long-term financial impact at this time. Federal, provincial and local governments issued public health orders in response to COVID-19, which caused some delay to the start of the Company's 2020 drilling program.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretation issued by the International Reporting Interpretation Committee ("IFRIC") effective for the year ended December 31, 2020. These financial statements were approved by the Company's Board of Directors on March 4, 2021.

(b) Basis of Presentation

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

The functional and reporting currency of the Company is the Canadian dollar.

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

(c) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(d) Equipment

The Company records equipment using the cost method, whereby equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recorded over the useful lives of the assets on a declining balance basis at the following annual rates.

Dock	5%
Gas tank	10%
Boat	15%
Tents and trailers	30%
General equipment	20%
Vehicles	30%

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately including major inspection and overhaul expenditures, are capitalized.

(e) Exploration and Evaluation Assets

Upon acquiring the legal right to explore a mineral property (exploration and evaluation assets), all direct costs related to the acquisition of a mineral property are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and the decision to proceed with development are recognized in profit or loss as incurred, net of recoveries. Costs incurred before the Company has obtained the legal rights to explore an area are charged to profit or loss. Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within equipment. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

(f) Impairment of Non-Financial Assets

Non-financial assets are evaluated at least annually by management for indicators that the carrying value is impaired and may not be recoverable. The Company's non-financial assets are equipment and exploration and evaluation assets. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Additionally, the reviews consider factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and resources and expected future production revenues and expenses.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit ("CGU") is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

(g) Decommissioning Liabilities

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or evaluation of exploration and evaluation assets, and equipment. Provisions for site closure and decommissioning are recognized in the period in which the obligation is incurred or acquired and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in exploration and evaluation assets and equipment. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and decommissioning costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and decommissioning liabilities becomes available.

(h) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These and other estimates are subject to measurement uncertainty and the effect on the 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 and that have the most significant effect on the amounts recognized in the 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 compensation
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.

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

iii) Deferred income taxes

Judgement is required in determining whether deferred tax assets are recognized in the 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 statement of financial position could be impacted.

iv) Accrual of BC Mineral Exploration Tax Credit ("BC METC")

The provincial government of BC provides for a refundable tax on net qualified mining exploration expenditures incurred in BC. 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 which 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.

(i) Financial Instruments

(i) Classification and measurement of financial assets and liabilities

Under IFRS 9, Financial assets, on initial recognition, are recognized at fair value and subsequently classified and measured at: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired. The Company's financial assets which consist of deposits and amounts receivable, are classified as amortized cost. Cash is classified as FVTPL.

Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial liabilities which consist of accounts payable and accrued liabilities are classified as amortized cost.

(ii) Impairment of financial assets

An 'expected credit loss' (ECL) model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the statement of loss and comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

(j) Share capital

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

Flow-through shares are a type of common share and are securities permitted by Canadian Income Tax Legislation whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability. The flow-through premium liability is included in profit or loss as the qualifying expenditures are incurred.

The Company may issue units consisting of common shares and common share purchase warrants. The Company estimates the fair value of the common shares based on their market price on the share issuance date. The residual difference, if any, between the unit price and the fair value of each common share represents the fair value attributable to each warrant.

(k) Income taxes

Current income taxes

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is recognized as the temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(l) Foreign currency translation

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Revenue and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Foreign exchange gains and losses are included in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

(m) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share amounts are calculated assuming that the proceeds received from the exercise of stock options and warrants would be used to repurchase shares at the prevailing market rate. When a loss is incurred during the period, this calculation is considered to be anti-dilutive.

(n) Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss. The Company currently has incurred no comprehensive income or loss.

(o) Share-based payments

The Company grants share-based awards to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense offset by reserves. The fair value of share-based compensation is determined using the Black-Scholes option pricing model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in the reserves, are credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the equity instruments. Otherwise, share based compensation are measured at the fair value of the goods or the services received.

The Company has granted its directors deferred share units (DSUs) whereby each DSU entitles a director to receive, upon his or her retirement from the Company, the cash equivalent of the market value of number of DSUs they have accumulated during their directorship, where each DSU is equal to one common share of the Company. DSUs can be earned in lieu of receiving cash for directors' fees and the fair value is calculated at the end of each quarter and expensed in directors fee, based on the market value of the Company's common shares.

(p) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and it has the right to direct the use of the asset.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Expressed in Canadian Dollars)

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

The application of IFRS 16 did not have any impact on the amount recognized in the financial statements. The Company has elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

3 PREPAID EXPENSES

Prepaid expenses consist of:

		December 31, 2020		December 31, 2019
Advances for exploration expenditures	$	35,995	$	40,368
Insurance and other administrative expenses		90,640		58,549
Total	$	126,635	$	98,917

4 AMOUNTS RECEIVABLE

Amounts receivable consist of:

		December 31, 2020		December 31, 2019
GST receivable	$	92,721	$	29,400
BC METC		-		530,071
Other		4,096		7,164
	$	96,817	$	566,635

(Expressed in Canadian Dollars)

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	-	5,692	13,406	-	-	-	19,098
Disposals	-	-	(24,867)	(26,705)	-	-	(51,572)
At December 31, 2020	$ 15,571	$ 144,213	$ 48,426	$ 20,971	$ 40,000	$ 24,345	$ 293,526
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	426	2,690	5,239	3,864	1,646	3,652	17,517
Disposals	-	-	(20,453)	(26,000)	-	-	(46,453)
At December 31, 2020	$ 7,472	$ 133,666	$ 21,828	$ 12,656	$ 25,184	$ 9,121	$ 209,927
Net Book Value:							
At December 31, 2019	$ 8,525	$ 7,545	$ 22,845	$ 12,884	$ 16,462	$ 18,876	$ 87,137
At December 31, 2020	$ 8,099	$ 10,547	$ 26,598	$ 8,315	$ 14,816	$ 15,224	$ 83,599

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 is in good standing.

Exploration and evaluation assets costs are set out below:

	Dolly Varden Property
Balance as of December 31, 2018 and 2019	$ 3,726,426
Addition	302,808
Balance as of December 31, 2020	$ 4,029,234

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 (note 7).

As of December 31, 2020, the Company has provided deposits totalling $91,000 (December 31, 2019 - $91,000) as reclamation bonds for the property.

(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 Property:

For the years ended		December 31, 2020		December 31, 2019
Analytical and sample related	$	168,620	$	355,688
Camp, food, supplies and related		1,008,977		967,819
Claim maintenance		9,890		11,299
Community relations and related		27,085		33,358
Depreciation		17,518		20,139
Drilling		2,213,940		1,971,340
Equipment and warehouse rental		297,524		256,897
Fuel		194,659		228,685
Geological and geoscience		760,974		494,489
Lease payments on land		24,000		24,000
Mapping and modelling		24,533		49,000
Project supervision		363,027		344,167
Resource and metallurgy		-		104,564
Road and drill pad preparation		122,914		61,154
Transport, travel and related		12,219		29,434
Cost recovery: BC METC		-		(530,071)
Total	$	5,245,880	$	4,421,962

7 SHARE CAPITAL

Share Capital

Authorized: Unlimited number of common shares without par value

Issued:

During the year ended December 31, 2020, the Company issued 2,745,500 common shares on exercise of options for proceeds of $985,525.

On December 11, 2020, the Company issued 192,061 common shares at a price of $0.78 for a total of $149,808 to acquire surface rights and fee simple lands within the community of Alice Arm located on the Pacific Ocean in Northwest BC, in support of exploration infrastructure (note 6).

On November 16, 2020, the Company closed its private placement and raised gross proceeds of $7,070,000 through the sale of 7,070,000 flow-shares shares at a price of $1.00 per share and gross proceeds of $718,983 through the sale of 807,846 common shares at $0.89 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. Total finders' fees of $408,600 was paid to the brokers. The Company recorded a flow-through premium liability of $1,201,900 for the difference between the fair value of its common shares and the issuance price of its flow-through common shares.

On August 21, 2020, the Company closed a private placement of units of the Company (the "Units") pursuant to which the Company issued 14,084,500 Units at a price of $0.71 per Unit (the "Offering Price") for aggregate gross proceeds of $9,999,995 (the "Offering"). Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant").

7 SHARE CAPITAL (cont'd)

Each Warrant is exercisable to acquire one common share (a "Warrant Share") at a price of $1.10 per Warrant Share for a period of 24 months from the closing of the Offering. Provided that if, at any time prior to the expiry date of the Warrants, the closing price of the common shares on the TSX Venture Exchange (the "Exchange"), or other principal exchange on which the common shares are listed, is greater than $1.75 for 10 consecutive trading days, the Company may, at the Company's discretion, and at any time going forward, within 15 days of the occurrence of such event, deliver a notice to the holders of Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice (the "Accelerated Exercise Period"). Any unexercised Warrants shall automatically expire at the end of the Accelerated Exercise Period.

Pursuant to the ancillary rights agreement between Hecla and the Company, dated September 4, 2012, Hecla exercised its anti-dilution right in respect of the Offering and acquired 1,881,896 Units at the Offering Price for proceeds of approximately $1,336,146 to maintain its pro rata equity interest in the Company. The Units issued to Hecla were in addition to those issued as part of the Offering.

In connection with the Offering, the Company paid finders' fees of $930,864 and issued 845,070 non-transferable compensation warrants (the "Compensation Warrants"). Each Compensation Warrant entitles the holder thereof to purchase one common share at an exercise price equal to the Offering Price for a period of 24 months following the closing of the Offering. The fair value of $468,845 of 845,070 Compensation Warrants was estimated using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.28%, estimated annualized volatility of 91.51%, an expected life of 2 years, nil dividend yield, a $0.98 share price, and exercise price of $0.71.

On June 10, 2020, the Company closed two private placements and raised gross proceeds of $7,677,895 through the sale of 16,969,697 flow-shares common shares and 2,424,335 common shares. The offerings consisted of the sale of: (i) 6,969,697 flow-through common shares of the Company at a price of $0.33 per share; (ii) 10,000,000 flow-through common shares at a price of $0.45 per share; and (iii) the sale of 1,311,989 common shares at a price of $0.33 per share and 1,112,346 common shares at a price of $0.40 per share to Hecla pursuant to the ancillary rights agreement to maintain its pro rata equity interest in the Company. The Company paid a finders' fee of $270,000 in cash and 418,182 in common shares, where the finders' shares had a fair value $138,000.

On February 28, 2020, the Company issued 489,795 common shares at a price of $0.245 for a total value of $120,000 to the former president and Chief Executive Officer 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 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 $600,000 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 $285,714 for the difference between the fair value of its common shares and the issuance price of its flow-through common shares.

(Expressed in Canadian Dollars)

7 SHARE CAPITAL (cont'd)

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, 2018 and 2019	-	-
Issued	7,983,198	1.10
Exercised	-	-
Forfeited/expired	-	-
Balance, December 31, 2020	7,983,198	1.10

Date of Expiry	Number of Warrants Outstanding	Exercise Price $
August 22, 2022	7,983,198	1.10
Balance, December 31, 2020	7,983,198	

The remaining life of the common share purchase warrants as of December 31, 2020 is 1.64 years (December 31, 2019 - nil).

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, 2018 and 2019	-	-
Issued	845,070	0.71
Exercised	-	-
Forfeited/expired	-	-
Balance, December 31, 2020	845,070	0.71

Date of Expiry	Number of Warrants Outstanding	Exercise Price $
August 22, 2022	845,070	0.71
Balance, December 31, 2020	845,070	

The remaining life of the compensation warrants as of December 31, 2020 is 1.64 years (December 31, 2019 - nil).

(Expressed in Canadian Dollars)

7 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, 2018	4,070,000	0.70
Issued	1,400,000	0.30
Forfeited/expired	(630,000)	0.78
Balance, December 31, 2019	4,840,000	0.37
Issued	3,550,000	0.26
Exercised	(2,745,500)	0.36
Forfeited/expired	(407,000)	0.36
Balance, December 31, 2020	5,237,500	0.30

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

Dates of Expiry	Exercise Price $	December 31, 2020
July 29, 2021	0.40	500,000
December 2, 2021	0.40	450,000
May 18, 2022	0.40	25,000
February 15, 2023	0.40	375,000
December 12, 2024	0.30	450,000
February 18, 2025	0.25	2,500,000
February 28, 2025	0.25	200,000
March 17, 2025	0.25	637,500
June 14, 2025	0.45	100,000
Total Outstanding		5,237,500
Total Exercisable [(1)]		2,943,750

(1) Subsequent to December 31, 2020, 40,000 options were exercised at $0.25 for a total proceed of $10,000

During the year ended December 31, 2020, the Company granted 3,550,000 (2019 – 1,400,000) stock options to directors, employees and consultants with a total fair value of $954,840 (2019 - $280,000) that will be recognized over the vesting term. During the year ended December 31, 2020, the Company recognized a total of $659,096 (2019 - $281,425) 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.

(Expressed in Canadian Dollars)

7 SHARE CAPITAL (cont'd)

Stock Options (cont'd)

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

For the years ended	December 31, 2020	December 31, 2019
Risk-free interest rate	1.16%	1.53%
Expected dividend yield	0%	0%
Annualized stock price volatility	105%	92%
Expected life of options	5 years	3.6 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 58,270 DSUs issued when they retire from the Company. In October 2015, the Company ceased further accruals under the DSU plan. During the year ended December 31, 2020, the Company has recognized an increase in the fair value of the outstanding DSU liability of $24,156 (2019 - decrease of $15,310) which was expensed as directors' fees.

During the year ended December 31, 2020, the Company paid, in addition to the DSU plan, directors' fees of $79,500 (2019 - $79,500).

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
Flow-through premium liability additions		1,201,900
Settlement of flow-through share premium liability pursuant to qualifying expenditures		(300,001)
Balance as of December 31, 2020	$	1,157,254

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 year ended December 31, 2020.

(Expressed in Canadian Dollars)

9 RELATED PARTY TRANSACTIONS

During the years ended December 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 financial statements:

	Year ended December 31, 2020	Year ended December 31, 2019
Directors' fees	$ 79,500	$ 79,500
Exploration and evaluation (3)	105,662	-
Management fees (1)(2)(5)	587,190	280,000
Consulting (3)	33,053	10,000
Share-based payments (2)(3)(5)	400,970	166,202
Total	$ 1,206,375	$ 535,702

Other related party transactions are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Exploration and evaluation (4)	$ 21,000	$ 88,000
Management fees (4)	11,877	44,998
Marketing (4)	31,397	76,123
Office and administration (4)(6)	82,800	98,787
Rent and maintenance (4)	15,250	60,000
Share-based payments (4)	8,116	55,235
Total	$ 170,440	$ 423,143

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

(2) 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 $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 to Mr Khunkhun 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 of equal to 12 months' pay to Mr. Khunkhun.

(3) Three directors provided business consulting services to the Company and $33,053 was included in consulting expense. Another director was paid indirectly through a corporation for technical geological work which was included in exploration and evaluation expense.

(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, and accounting and administration staff to the Company on a shared-cost basis.

(5) 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 $10,000 per month where $4,500 relates to the Chief Financial Officer services.

(6) $5,500 of the Fehr & Associates fee relates to bookkeeping or administrative services performed by individuals other than the Chief Financial Officer.

At December 31, 2020, included in accounts payable is $20,230 (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 due on demand. At December 31, 2020, included in accrued liabilities is $51,532 (December 31, 2019 - $27,376) accrued to independent directors for directors' fees outstanding related to outstanding DSUs.

10 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, 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 amounts receivables, 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 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 December 31, 2020, the Company had a cash balance of $23,645,088 to settle current liabilities of $258,221, 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 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.

(Expressed in Canadian Dollars)

11 INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		Year ended December 31, 2020		Year ended December 31, 2019
Loss for the year	$	(7,278,320)	$	(4,974,983)
Expected income tax recovery		(1,965,000)		(1,343,000)
Change in statutory rates and other		14,000		82,000
Permanent difference		97,000		313,000
Impact of flow through share issuance		1,318,000		1,274,000
Share issuance costs		(435,000)		(141,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		(638,000)		(218,000)
Change in unrecognized deductible temporary differences		1,609,000		33,000
Total income tax expense (recovery)	$	-	$	-

The significant components of the Company's unrecorded deferred tax assets and liabilities are as follows:

		Year ended December 31, 2020		Year ended December 31, 2019
Deferred tax assets:				
Exploration and evaluation assets	$	3,862,000	$	3,441,000
Property and equipment		103,000		96,000
Share issuance costs		489,000		250,000
Non-capital losses available for future periods		4,377,000		3,435,000
	$	8,813,000	$	7,222,000
Unrecognized deferred tax assets		(8,813,000)		(7,222,000)
Net deferred tax assets	$	-	$	-

The Company's unrecognized deductible temporary differences, tax credits and tax losses are as follows:

		As at December 31, 2020			As at December 31, 2019
Temporary Differences:					
Investment tax credit	$	750,000	2031 -2040	$	711,000
Property and equipment	$	380,000	No expiry date	$	357,000
Exploration and evaluation assets	$	12,276,000	No expiry date	$	10,822,000
Share issuance costs	$	1,810,000	2041 to 2044	$	925,000
Non-capital losses available for future periods	$	16,211,000	2030 to 2040	$	12,721,000