# Wolfden Resources Corporation

## MANAGEMENT'S DISCUSSION & ANALYSIS OF

## FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Form 51-102F1

For the three and nine months ended September 30, 2020

(Stated in Canadian Dollars)

(Unaudited)

WOLFDEN

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the three and nine months ended September 30, 2020

**Date of Report: November 16, 2020**

## General

The following Management's Discussion and Analysis (“MD&A”) of Wolfden Resources Corporation should be read in conjunction with the unaudited condensed interim financial statements for the three and nine months ended September 30, 2020 and the notes thereto. The Corporation’s unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of November 16, 2020, and all information is current as of such date. Readers are encouraged to read the Corporation’s public information filings on SEDAR at www.sedar.com.

This discussion provides management's analysis of Wolfden’s historical financial and operating results and provides estimates of Wolfden’s future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation’s control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, reliance should not be placed on forward-looking statements. Wolfden’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, if any, that Wolfden will derive there from. Wolfden disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable law.

## Corporate Overview

Wolfden Resources Corporation (the “Corporation” or "Wolfden") was incorporated under the laws of the Province of Ontario on August 12, 2009.

On October 18, 2012 the Corporation completed its initial public offering and received approval from the TSX Venture Exchange to list its common shares on the TSX-V as a Tier 1 Mining Issuer and began trading under the symbol WLF.

## Quarterly Operational Highlights

Wolfden Resources Corporation is engaged in the exploration and development of mineral properties in North America. Its principal focus is on advancing its wholly owned high-grade (Zn, Pb, Cu, Ag, Au) VMS Pickett Mountain Project in Maine, USA (the "Project"). Located close to excellent infrastructure, the Corporation plans to complete sufficient exploration, definition and expansion drilling and various technical studies in order to demonstrate the economic potential for an underground mining scenario on the Project.

*Exploration and Field Work*

Exploration work during the third quarter of 2020 was focused primarily on Pickett Mountain with the start of a +5,000 diamond drill program that was designed to test new targets and to further define the geological model with the goal to discover additional resources proximal to the Pickett Mountain resource. During the quarter, 3,460 of metres were completed in nine new drill holes in addition to 360 metres to extend two historical holes to test for potential of FWZ mineralization below the East Lens. See the Tables 1 to 3. for details of the drilling during the period.

Table 1. 2020 Drill Program Information

| HoleID | PlannedID | Section | Lens | Planned Depth | Actual Depth | Date Started | Date Finished | Days of Drilling | MS | # of Assays |
|---|---|---|---|---|---|---|---|---|---|---|
| PM20-01 | PMP20-07 | 400E | - | 170 | 193.55 | 8-Jul-20 | 13-Jul-20 | 6 | N | 3 |
| PM20-02 | PMP20-01 | 1300E | W | 200 | 293.46 | 20-Jul-20 | 27-Jul-20 | 8 | Y | 218 |
| PM20-03 | PMP20-13 | 1575E | W | 35 | 35.66 | 28-Jul-20 | 28-Jul-20 | 1 | Y | 13 |
| PM20-04 | PMP20-05 | 1625E | W | 240 | 241.1 | 29-Jul-20 | 2-Aug-20 | 5 | Y | 30 |
| PM20-05 | PMP20-02 | 1950E | - | 300 | 306.48 | 2-Aug-20 | 6-Aug-20 | 5 | N | 26 |
| PM20-06 | PMP20-03 | 2150E | E | 300 | 344.18 | 6-Aug-20 | 12-Aug-20 | 6 | N | 1 |
| PM20-07 | PMP20-06 | 1900E | E & W | 900 | 593 | 12-Aug-20 | 26-Aug-20 | 15 | Y | 20 |
| PM20-06 Ext | PMP20-03 | 2150E | E | 300 | 382.98 | 27-Aug-20 | 29-Aug-20 | 3 | N | 0 |
| PM20-08 | PMP20-04 | 1550E | W | 500 | 197.36 | 30-Aug-20 | 3-Sep-20 | 5 | N | 23 |
| PM20-09 | PMP20-04 | 1550E | W | 500 | 556.63 | 3-Sep-20 | 14-Sep-20 | 12 | Y | 150 |
| G-40X | G-040 ext. | 1750E | E | 150 | 167.66 | 14-Sep-20 | 20-Sep-20 | 7 | N | 54 |
| G-56X | G-050 ext. | 1850E | E | 150 | 192.6 | 20-Sep-20 | 25-Sep-20 | 6 | Y | 26 |
| PM20-10 | PMP20-09 | - | - | 300 | 315.83 | 25-Sep-20 | 30-Sep-20 | 5 | N | 76 |

Table 2. 2020 Drill Program Summary of Results

| Table 1. Drill Hole Targets and Descriptive Results to Date | | | |
|---|---|---|---|
| **Hole** | **Target** | **Depth** | **Comments** |
| **PM20-01** | Gravity | 193.6 | Combined gravity/EM anomaly. No significant mineralization. |
| **PM20-02** | West Lens | 293.5 | Highest grade massive sulphide to date with FW Cu stringer zone. |
| **PM20-03** | West Lens | 35.7 | Short hole to test fold in Lens as seen in outcrop. Narrow zones of massive sulphide |
| **PM20-04** | West Lens | 241.1 | Deeper hole to test fold in Lens. Two zones of massive sulphide intersected. |
| **PM20-05** | FWZ | 306.5 | Target potential fold hinge and FW Zone time horizon. Weak stringer zone in folded felsics. |
| **PM20-06** | East Lens | 344.2 | Concept hole to test IP target at depth below east part of East Lens. No mass. sulphides. |
| **PM20-07** | East Lens | 593.0 | Target is East Zone lens 120m step-out of FW Zone. Narrow mass. sulphides in FWZ. |
| **G-040EXT** | FWZ | 167.7 | Extend historic hole to FWZ. Stringer zone intersected. No massive sulphides. |
| **G-056EXT** | FWZ | 192.6 | Extend historic hole to FWZ. Narrow mass sulphide plus new sulphide 45 m deeper. |
| **PM20-08** | East Lens | NA | Hole stopped early due to excessive deviation. Hole 09 started on same target |
| **PM20-09** | East Lens | 556.6 | Hole to test for fold-repeated massive sulphides. Two massive sulphide bands intersected |
| **PM20-10** | PX001 | 300.0 | Now Drilling. Follow-up to PX-001. |

Table 3 2020 Drill Program Highlighted Assay Results

| Hole # | Target | From (m) | To (m) | Leng. (m) | True Width (m) | ZnEq (%) | Zn (%) | Pb (%) | Cu (%) | Ag (g/t) | Au (g/t) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| PM20-01 | Gravity | 0 | 0 | 0 | 0 | 0 | | | | | |
| **PM20-02*** | **West Lens** | **283.50** | **286.60** | **3.1** | **2.2** | **44.19** | **27.93** | **13.98** | **0.83** | **98.10** | **0.66** |
| PM20-02 | Stringer | 271.00 | 280.00 | 9.0 | ? | 3.04 | 0.04 | 0.02 | 1.32 | 8.20 | 0.06 |
| PM20-02 | Stringer | 65.00 | 71.00 | 6.0 | ? | 2.34 | 1.71 | 0.60 | 0.02 | 3.50 | 0.01 |
| PM20-03 | West Lens | 11.80 | 15.09 | 3.3 | 3.2 | 3.35 | 1.11 | 0.56 | 0.49 | 17.43 | 0.28 |
| PM20-03 | West Lens | 21.60 | 23.90 | 2.3 | 1.6 | 4.29 | 1.21 | 0.99 | 0.53 | 39.39 | 0.26 |
| **PM20-04** | **West Lens** | **154.80** | **158.73** | **3.9** | **2.8** | **18.67** | **8.36** | **3.89** | **1.91** | **110.51** | **0.85** |
| **PM20-04** | **West Lens** | **214.70** | **218.10** | **3.4** | **2.8** | **22.03** | **11.98** | **6.70** | **1.30** | **164.00** | **0.79** |
| Notes: Metal prices for ZnEq% calculation US$ : Zn - $1.20/lb, Pb - $1.00/lb, Cu - $ 2.50/lb, Ag - $16.00/oz, Au - $1,200/oz | | | | | | | | | | | |

Drill testing for the FWZ (footwall zone), has led to the discovery of additional massive sulphide mineralization and the recognition of a distinct time horizon (rock units) that hosts the FWZ. These rocks include a variably preserved carbonate-enriched unit, and a polymictic debris flow. The FWZ has seen very limited drilling to date. Further drilling is warranted due the compelling silver-enriched base metal mineralization, encountered to date.

The relogging of all of the historical drill core from the 1980's was completed during the quarter and included some 100 holes and total of 27,000 metres. This work has already led to the recognition that local folding has likely repeated portions of the massive mineralization (lenses) and identified potential extensions. The geological knowledge gained from the relogging and the resulting new interpretations of the main zone mineralization, will improve the chances for the discovery of additional mineralization proximal to the deposit, especially in the footwall, and in the entire 30 km belt.

Additional ground geophysical surveys were completed during the quarter to focus on anomalous, base metal values in soils that were discovered by regional reconnaissance soil geochemical sampling completed by Wolfden in 2019. Preliminary mapping has identified sericite-altered, pyritic felsic volcanic rocks, at both of the target areas, which may represent part of a footwall alteration zone of a massive sulphide deposit. Additional mapping is required before follow-up drill holes can be planned. Some of these targets, occur situated in low-lying areas and are better accessed during the winter months and will not be , Therefore, these targets are not included in the 2020 drill program.

*Pickett Mountain Preliminary Economic Assessment*

*On September 14, 2020 the Company announced the highlights of a Preliminary Economic Assessment (PEA) for Pickett Mountain. Much of the work in the assessment was previously used and further refined from the rezoning petition that was filed in January 2020. Highlights of the base case financial model and the mineral resources in the conceptual mine plan are listed below.*

- 37% After-tax IRR
- US$ 198 million After-tax NPV8% to Wolfden
- US$ 147 million initial capital expenditure including a 20% contingency and closure costs
- 2.4 year Payback
- 0.38 $/lb Zinc AISC

*The PEA financial model used consensus metal prices assumptions of $1.15/lb Zinc, $1.00/lb Lead, $3.00/lb Copper, $18.00/oz Silver and $1,500/oz Gold. Full details of the Preliminary Economic Assessment in the form of a technical report for the purposes of NI 43-101 will be filed on SEDAR within the next 45 days. All financial figures are in US dollars.*

Mineral Resources used in the PEA Mine Plan

The mineral resource used in the PEA includes indicated and inferred resources and is a restatement of the January 7th, 2019 mineral resource statement using a 7% cutoff grade (or an NSR value of $139/t) rather than the previous 9% cutoff grade ($178/t NSR). The same methodology used in the 2019 estimate was applied to the updated estimate where the metal prices were not updated (to those used in the PEA financial model) and no additional information was either included or excluded. Infill drill results since the 2019 resource estimate are expected to upgrade the mineral resource and could potentially lead to an increase.

Pickett Mt. Mineral Resource Statement as of September 14, 2020

| | Tonnes | Zn % | Pb % | Cu % | Ag g/t | Au g/t | Density | ZnEq % |
|---|---|---|---|---|---|---|---|---|
| Indicated Resource | 2,177,000 | 9.25 | 3.68 | 1.32 | 96.4 | 0.9 | 3.98 | 18.23 |
| Inferred Resource | 2,294,000 | 9.79 | 3.88 | 1.15 | 101.1 | 0.9 | 3.99 | 18.62 |

The mineral resources were estimated using the metal prices of US$1.20/lb Zn, $2.50/lb Cu, $1.00/lb Pb, $16.00/oz Ag, and $1,200/oz/Au, using a 7% cutoff grade that equates to an NSR cut-off of $139/tonne at the same metal prices. An average recovery of 75% for all metals was assumed. A 10% mining dilution at zero grade was only added to the financial model which also used different metal prices.

*Pickett Mountain Re-zoning Application*

Work continued on the re-zoning petition with the Maine Land Use Planning Commission (LUPC) in order to re-zone a 528-acre parcel on its wholly owned 6,800 acre Pickett Mountain land holding in Northern Maine, from a General Management (M-GN) designation to Planned Development (P-DP). The area is located approximately 10 miles northeast of Patten, Maine, just North of State Highway 11 in an unpopulated area.

The Corporation and its consultants have been working diligently and transparently with both the LUPC and the Department of Environmental Protection (DEP), in developing a conceptual underground mining operation for Pickett Mountain. The resulting preliminary designs, in the re-zoning petition, addresses all of the legislative requirements and pending the acceptance of the application and approvals for re-zoning, the Corporation will complete additional required detailed technical studies, including environmental baseline studies, analysis and engineered designs for each area of the project. In preparation, study designs for these baseline studies have been initiated and will be reviewed and modified as required by the State regulators.

Based on the January 7, 2019 mineral resource and the potential to discover additional resources, the petition envisioned an 8 to 15 year mine life and a work force of >60 persons, pending continued successful exploration and the discovery of additional resources on the property. Estimated economic benefits to the surrounding communities, counties and State of Maine were $164.5 M USD, $230.6 M USD, and $413.3M USD respectively over the estimated life of project. A link to the petition submission is located on the Corporations website. Timing and potential approval of the petition will be dependent on many factors including a public meeting to be called by the LUPC Commission that is expected early Q1 2021. The effect of COVID-19 on the timing of this process has caused some delay in this process and may continue to do so.

*Non-Dilutive Funding Agreement*

On January 22, 2020, the Corporation secured up to US$4.5 million in non-dilutive funding for its exploration projects by selling-forward timber from its wholly owned Pickett Mountain Zn-Pb-Cu-Ag-Au Project in Maine, USA.

Under the terms of a 5-year stumpage agreement with a Maine timber company, the Corporation received US$3 million upon closing and is entitled to receive an additional US$1.5 million between the 4th and 5th anniversary of the agreement. The timber company has the right to harvest US$5 million of timber from the property over 5 years. In addition, the timber company also granted Wolfden an option to earn a 100% interest (less an NSR) in the mineral rights of the property that adjoins Pickett Mountain, as well as long-term road access rights for the current forest road used to reach the Pickett Mountain deposit from the state highway #11.

## Results of Operations

The following table provides selected financial information and should be read in conjunction with the Corporation's audited financial statements for the periods below.

| | **Year ended December 31, 2019 $** | Year ended December 31, 2018 $ | Year ended December 31, 2017 $ |
|---|---|---|---|
| **Operations** | | | |
| Other Income | **1,183,436** | 1,378,770 | 8,517,870 |
| Loss for the year | **(2,319,881)** | (5,151,919) | (5,279,570) |
| Comprehensive loss for the year | **(2,407,567)** | (5,229,946) | (5,279,570) |
| Basic and diluted loss per share | **(0.02)** | (0.05) | (0.01) |
| **Balance Sheet** | | | |
| Working capital | **790,117** | 114,520 | 3,679,234 |
| Total assets | **1,074,987** | 1,242,516 | 4,098,282 |
| Total liabilities | **(283,502)** | (1,123,849) | (419,048) |

## Summary of Quarterly Results

The following table sets out selected quarterly financial data for the most recently completed interim quarters:

| Quarter | 2020 Third | 2020 Second | 2020 First | 2019 Fourth | 2019 Third | 2019 Second | 2019 First | 2018 Fourth | 2018 Third |
|---|---|---|---|---|---|---|---|---|---|
| | ($) | ($) | ($) | ($) | ($) | ($) | ($) | ($) | ($) |
| Investment income | 879 | 1,285 | 17,479 | 4,248 | 8,127 | 6,377 | 1,149 | 3,033 | 2,353 |
| Operating expenses | 1,312,579 | 716,941 | 681,138 | 871,410 | 1,225,159 | 925,324 | 392,789 | 2,059,825 | 1,589,292 |
| Operating profit/(loss) | (1,311,700) | (715,656) | 2,178,093 | (807,479) | (283,125) | (1,004,732) | (224,545) | (2,151,916) | (1,586,939) |
| Comprehensive income/(loss) | (1,150,088) | (821,065) | 2,645,051 | (869,482) | (269,934) | (987,597) | (280,554) | (2,079,584) | (666,877) |
| Profit/(loss) per share | (0.01) | (0.01) | 0.02 | - | - | (0.01) | (0.01) | (0.02) | (0.01) |

## Overall Performance

The loss for the three months ended September 30, 2020 was $1,078,894 which was $795,769 more than the loss for three months ended September 30, 2019, which was $283,125. However, a profit of $383,543 has been recorded for the nine months ended September 30, 2020 when compared to the loss of $1,473,689 for the same period of the previous year. Net timber sales proceeds of $2,841,752 (US$2,363,591) has mainly caused for the raise of profit. Exploration and evaluation expenses increased from $989,211 to $1,013,237 and general and administrative expenses increased from $141,492 to $261,509 for the three months ended September 30,2020 when compared with same period in 2019. Moreover, professional fees and share based payments have dropped by recording $11,150 and $17,243 respectively for the third quarter of 2020 whereas they were $13,098 and $81,394 respectively in 2019 for the same quarter.

The major components of general and administrative costs for the nine months period ending September 30, 2020 include executive salaries and wages not charged to exploration of $ 333,519 and contractors' filing services fees of $ 23,318, legal fee of $42,118, director fees of $ 42,750 and investor relation expenses of $ 113,404.

Over the previous quarters, the Corporation has seen the loss vary depending primarily on the amount of exploration expenditures, as well as financing available, while managing to keep a control on the administrative expenses, with slight variances due to personnel levels.

The Corporation recorded $879 and $19,642 in investment revenue for the three and nine months ended September 30, 2020 compared to $8,127 and $14,936 in the same periods of the previous year.

## Exploration and Evaluation Expenditures

The Corporation incurred exploration and evaluation expenditures of $ 1,831,521 for the nine months ended September 30, 2020, the breakdown of exploration and evaluation for the period is as follows:

**For the nine months ended September 30, 2020**

| | Rice Island | Pickett Mountain | Teta-gouche | Orvan Brook | Other | For the period in 2020 | Total inception to date |
|---|---|---|---|---|---|---|---|
| Analysis | - | - | - | - | - | - | **809,118** |
| Geological | 3,338 | 891,247 | - | - | 165,147 | 1,059,732 | **3,365,220** |
| Geophysical | 7,789 | 178,911 | - | - | 13,021 | 199,721 | **2,495,144** |
| Geochemical | - | 42,901 | - | - | 2,235 | 45,136 | **265,857** |
| Travel | - | 56,539 | - | - | 5,540 | 62,079 | **694,640** |
| Drilling | - | 3,727 | - | - | - | 3,727 | **5,795,985** |
| Property Work | - | 48,221 | - | - | 29,913 | 78,134 | **825,445** |
| Ops Support | 2,700 | 117,421 | - | 720 | 20,788 | 141,629 | **400,585** |
| Administration | 91 | 3,967 | - | - | 11,054 | 15,112 | **759,498** |
| Total Exploration | 13,918 | 1,342,933 | - | 720 | 247,699 | 1,605,269 | **15,411,493** |
| Other costs* | - | - | - | - | 226,252 | 226,252 | **21,239,026** |
| **Total** | **13,918** | **1,342,933** | **-** | **720** | **473,951** | **1,831,521** | **36,650,519** |

**For the three months ended September 30, 2020**

| | Rice Island | Pickett Mountain | Teta-gouche | Orvan Brook | Other | For the period in 2020 | Total inception to date |
|---|---|---|---|---|---|---|---|
| Analysis | - | - | - | - | - | | **809,118** |
| Geological | - | 663,371 | - | - | 82,374 | 745,746 | **3,365,220** |
| Geophysical | 6,689 | 65,829 | - | - | 2,396 | 74,914 | **2,495,144** |
| Geochemical | - | 36,567 | - | - | - | 36,567 | **265,857** |
| Travel | - | 21,366 | - | - | 1,620 | 22,985 | **694,640** |
| Drilling | - | - | - | - | - | - | **5,795,985** |
| Property Work | - | 21,027 | - | - | 1,020 | 22,047 | **825,445** |
| Ops Support | - | 51,533 | - | 100 | 3,358 | 54,991 | **400,585** |
| Administration | - | 337 | - | - | 2,150 | 2,487 | **759,498** |
| Total Exploration | 6,689 | 860,030 | - | 100 | 92,918 | 959,737 | **15,411,493** |
| Other costs* | - | - | - | - | 53,500 | 53,500 | **21,239,026** |
| **Total** | **6,689** | **860,030** | **-** | **100** | **146,418** | **1,013,237** | **36,650,519** |

*Included in other costs is government assistance received.

## Mineral Property Acquisitions and Agreements

**Maine, U.S.A.**

***Pickett Mountain Property***

On November 16, 2017, the Corporation acquired a 100% interest in the Pickett Mountain Property (the "Property"), located in Penobscot County, northern Maine, U.S.A for a cash purchase price of $11,292,055 (US$8.5 million) (the "Acquisition").

To fund the acquisition of the Property, the Corporation entered into a Royalty Agreement that granted a 1.35% gross sales royalty on the Property to Altius Resources Inc. ("Altius"), a wholly owned subsidiary of Altius Minerals Corporation, for cash consideration of $7,663,800 (US$6,000,000) and completed a non-brokered private placement (the "Offering") of 20,200,000 subscription receipts ("Subscription Receipts") at a price of $0.25 per Subscription Receipt for gross proceeds of $5,050,000, with Altius subscribing for 14,200,000 Subscription Receipts. The subscription receipts were converted into 14,200,000 common shares of the Corporation.

Pursuant to the Royalty Agreement, Altius has the option to purchase an additional 0.50% gross sales royalty at any time before the first anniversary of commercial production for US$7,500,000. In addition, the Corporation granted Altius certain rights to convert the Pickett Mountain Royalty to equity under certain terms, or to exchange the royalty for a similar royalty on the Corporation's Orvan Brook property. Furthermore, the Corporation agreed to use its best efforts to transfer the timber rights in connection with the Pickett Mountain Project (the "Timber Rights") as soon as practicable. The gross proceeds to be received by Wolfden from the sale of the Timber Rights must be at least US$5,000,000 or such other amount as agreed to by Wolfden and Altius, acting reasonably (the "Timber Proceeds"). Upon such transfer, Wolfden is required to pay Altius 20% of the Timber Proceeds (such 20% amount being the "Timber Rights Consideration"), and deposit into escrow the amount equal to the greater of: (i) US$2,000,000, and (ii) 50% of the difference between the Timber Proceeds and the Timber Rights Consideration (the "Escrowed Proceeds"). The Escrowed Proceeds will be released in accordance with the terms of the Royalty Agreement. Any remaining Escrowed Proceeds will be released from escrow and paid to Wolfden within two business days after the occurrence of any of the following: (i) the first date of commercial production on the Pickett Mountain Project, provided that Wolfden has obtained all the required permits for commercial production on the Pickett Mountain Project; or (ii) the expiry of the Call Right Exercise Period (as defined below).

During the third quarter of 2018, Wolfden Mt. Chase LLC entered into a Forest Management Agreement with Huber Resources Corp. to harvest select portions of the timber on the Property. As per the terms of the contract, Huber has developed a long-term forest plan to harvest and sell select portions of the Property, in a sustainable manner, so as to protect the forest and maintain its timber value. A portion (20%) of the sales receipts are paid to Altius, on a regular basis, which is consistent with the terms of the Royalty Agreement. For the period of three months ended March 31, 2020, the Corporation recorded net timber sales proceeds of $2,841,752 (US$ 2,363,591), that are net of 20% allocated to Altius as per the agreement (2019 - $252,326). These funds are not being placed in escrow and have been included in the working capital of the Corporation.

Pursuant to the Royalty Agreement, Altius has a call right, conversion right and exchange right. Each is summarized below.

*Call Right*

For the period commencing 36 months following the transfer date of the Timber Rights and ending on the date that is 60 months following such transfer date (the "Call Right Exercise Period"), Altius will have the right to receive the Escrowed Proceeds upon the occurrence of a Trigger Event. A "Trigger Event" means the occurrence of any of the following events, as determined by Altius, acting reasonably: (i) the cancellation or revocation of any material permit required in connection with the Pickett Mountain Project, subject to a 30 day cure period; (ii) the delay of issuance or effectiveness of any permit required in connection with the Pickett Mountain Project for more than 30 days after the date on which Wolfden advised Altius that such permit was expected or required to be issued or effective; (iii) a change in applicable laws which materially adversely affects the Pickett Mountain Project; (iv) the failure to rezone the Pickett Mountain Project as required in connection with the Pickett Mountain Project prior to the date that is 30 months following the date of the Royalty Agreement; (v) Wolfden fails to diligently conduct, or ceases to diligently conduct, as applicable, exploration activities on the Pickett Mountain Project; or (vi) Wolfden fails to incur exploration expenses in respect of the Pickett Mountain Project of not less than US$5,000,000 in aggregate during the three year period ending on the third anniversary of the date of the Royalty Agreement.

*Conversion Right*

At any time after November 14, 2023, and, if the Timber Rights have not been transferred prior to November 14, 2018, at any time after November 14, 2018, Altius will have the right to convert the Pickett Mountain Royalty, in accordance with the terms of the Royalty Agreement, to cash or Common Shares, or a combination thereof (the "Conversion Right"). Upon the exercise of the Conversion Right, the Common Share consideration to be received by Altius will be equal to the lesser of: (a) the number of Common Shares that is equal in Royalty Value; and (b) the number of Common Shares that does not exceed 19.99% of all outstanding Common Shares on a partially diluted basis. The remaining balance of the Royalty Value is to be paid to Altius in cash. Under the Royalty Agreement, "Royalty Value" means an amount equal to the aggregate of: (i) all amounts paid by Altius to Wolfden (including the purchase price consideration paid by Altius) in respect of the Pickett Mountain Royalty, minus (ii) all Escrowed Proceeds received by Altius, minus (iii) all other payments received by Altius in respect of the Pickett Mountain Royalty. The Common Share conversion price is the greater of: (i) $0.05 per Common Share; and (ii) the volume weighted average trading price of the Common Shares on the TSXV (or any other principal exchange on which the Common Shares are trading) for the twenty consecutive trading days immediately preceding the date of the exercise of the Conversion Right. Upon the exercise of the Conversion Right and satisfaction of the payment thereof by Wolfden, any remaining Escrowed Proceeds will be released to Wolfden.

*Exchange Right*

Under the Royalty Agreement, Altius has the right to exchange the Pickett Mountain Royalty to a gross sales royalty in respect of the Orvan Brook property, which will be calculated and payable on the same terms as the terms of the Pickett Mountain Royalty in effect on the date of exchange, *mutatis mutandis*.

During the period ending June 30, 2019, Altius and Wolfden agreed to an amendment to their Offering and Subscription Agreements, dated November 14, 2017 whereby during any period when the common shares of Wolfden are trading on the Toronto Stock Exchange Venture Exchange at a volume-weighted average trading price of not less than $0.60 per common share for at least 20 consecutive trading days, it will, upon written request by Wolfden during such period, exercise its warrants. Altius currently holds 7,000,000 Wolfden common share purchase warrants priced at $0.35 per share with a termination date of November 15, 2022.

**Other properties, Maine USA**

On April 6, 2019, the Corporation's U.S. subsidiary entered into a mineral rights earn-in agreement on a property located in Maine, U.S.A. The agreement called for a first and second year payment of $25,000 USD, both of which have been paid.

**New Brunswick, Canada**

***Tetagouche Property***

On January 6, 2014, the Corporation closed a definitive purchase agreement (the "Agreement") to acquire a large strategic land package (the "Property") situated in the Bathurst Mining Camp and surrounding area in northeastern New Brunswick.

Wolfden acquired the Property from 8100896 Canada Inc., a wholly owned subsidiary of GeoVenCap Inc. (the "Vendor"). Pursuant to the terms of the Agreement, the Corporation purchased all of the Vendor's right, title and interest to and in the Property for cash consideration of $125,000 and 571,428 common shares of Corporation (the "Consideration Shares") having a value of $100,000. The Consideration Shares were subject to a four month hold period under applicable securities laws in Canada.

***Orvan Brook Property***

On January 3, 2017, the Corporation acquired through claim staking the Orvan Brook property located in the Bathurst Mining Camp, west of the town of Bathurst, New Brunswick.

***Clarence Stream Property Agreements***

On August 2, 2016, the Corporation entered into a definitive option agreement (the “Option Agreement”) with 2520885 Ontario Inc. and Galway Metals Inc. (collectively the “Optioner”), whereby Optioner agreed to acquire a 100% undivided interest in Wolfden’s Clarence Stream property (the “Property”), located in southwestern New Brunswick.

In order to earn a 100% interest in the Property, the Optioner will make cash payments to Wolfden totaling $3,250,000 over a 3 year period (the “Option Period”). In addition, the Optioner will grant Wolfden a 1% Net Smelter Return Royalty (the “NSR”) from any minerals produced on the Property; the Optioner can purchase the NSR from Wolfden at any time for the sum of $2,000,000. The Optioner has made all payments as of August 2019 in order to earn a 100% interest in the Property less the 1% NSR held by Wolfden.

Under the terms of the Option Agreement, the Optioner will make scheduled cash payments to Wolfden comprising $750,000 on signing of the Option Agreement (the “Effective Date”) (payment received), $750,000 on or before the first anniversary of the Effective Date (payment received and included in "Gain on disposal of mineral properties" in 2017), $1,000,000 on or before the second anniversary of the Effective Date (payment received and included in "Gain on disposal of mineral properties' in 2018) and $750,000 on or before the third anniversary of the Effective Date. On July 9, 2019, the Corporation received $750,000 from Galway Metals Inc. as the final payment in relation to their Earn-in Option for completing a 100% interest in the Clarence Stream property. Wolfden retains a 1% NSR subject to buy back conditions held by Galway.

During the Option Period, the Optioner was solely responsible for carrying out and administering exploration, development and mining work on the Property and obtaining all regulatory and third party consents, approvals and authorizations to carry out such work.

***Brunswick No. 6 West Property***

On April 29, 2015, the Corporation acquired, by claim staking, the Brunswick No. 6 West property (the “Property"). The wholly owned Property is located southwest of the City of Bathurst, in the heart of the Bathurst Mining Camp.

**Manitoba, Canada**

***Rice Island Property***

On September 15, 2015, the Corporation acquired a 100% interest in the Rice Island nickel-copper deposit situated on the Rice Island property (the "Property") through claim staking. The Property is located in west-central Manitoba at Wekusko Lake, just east of the Snow Lake concentrator complex owned by Hudbay Minerals Inc.

During the fourth quarter of 2015, a Notice of Dispute (the "Notice") was filed with the Province of Manitoba with respect to the Rice Island, Manitoba claims. Specifically, the Notice states that an individual (the "Disputant") has taken the position that one of the claims recorded in favour of Wolfden is invalid due to the existence of the Disputant's claims on the land prior to Wolfden's staking of the claim. Wolfden has responded to the Notice and is confident that it has clear and legal title to the subject claim as confirmed by the issuing of the recording certificate by the Manitoba Mining Recorder. This matter was brought to a resolution in conjunction with the signing of the Rice Island Tie-On Property ("RITOP") agreement described below.

On September 21, 2016, the Corporation entered into an option agreement to expand the Rice Island property by earning a 100% interest in the Rice Island Tie-On Property, located adjacent to Wolfden's existing Rice Island property. Under terms of the option agreement with the Vendor, to earn a 100% interest in the RITOP, the Corporation must make cash payments totaling $250,000 and issue 500,000 common shares of Wolfden annually over a five year period, on or before the anniversary date of the signing of the agreement. A $25,000 cash payment and the issuance of 100,000 common shares was completed on signing. In addition, the Corporation must incur $1,000,000 in exploration expenditures over the same five year period including $100,000 in the first year. As at December 31, 2019, the exploration commitments have been completed.

Upon earning a 100% interest in the RITOP, the Vendor retains a 2.5% Net Smelter Royalty on the RITOP as well as on the Rice Island property; of which, Wolfden can purchase 1.5% of the Net Smelter Royalty for the sum of $1,500,000 (0.5% increments at $500,000 per each increment) for each of the properties. Wolfden also retains the right of first refusal on the remaining 1.0% Net Smelter Royalty held by the Vendor for each of the RITOP and Rice Island property.

## Liquidity and Capital Resources

The Corporation's cash and cash equivalents balance was $2,154,475 at September 30, 2020 compared to $312,646 at December 31, 2019. Current assets at September 30, 2020 were $ 2,187,689 compared to $1,073,619 at December 31, 2019 and total assets at September 30, 2020 were $ 2,188,778 compared to $1,074,987 at December 31, 2019.

*Operating Activities*

For the nine months ended September 30, 2020, the Corporation used $ 800,092 in cash related to operating activities. The non-cash charges to earnings included depreciation of $279 and share-based payments of $115,625. For the nine months ended September 30, 2020, the Corporation also received net proceeds of $2,841,752 from the sale of timber on the Pickett Mountain property. During the year, the majority of the cash used in operating activities can be attributed to the funding of day to day operations.

*Investment Activities*

For the nine months ended September 30, 2020, the Corporation redeemed cash of $ 716,017on its investment activities. The Corporation does not believe it is exposed to any material liquidity risks in relation to its investment activities.

## Outstanding share data

*Common Shares*

The Corporation’s authorized share capital consists of an unlimited number of common shares without par value. As at August 20, 2020, 130,844,086 common shares were issued and outstanding.

*2019 Private Placement*

On March 29, 2019, the Corporation completed a non-brokered (no agent) private placement with Kinross Gold Corporation (“Kinross”) of 12,500,000 shares of the Corporation (“Common Shares”) at a price of $0.20 per Common Share for gross proceeds of $2,500,000. The securities of the financing are subject to a four-month hold period under applicable Canadian securities laws, which expired July 30, 2019.

*Shares Issued for Mineral Property (Rice Island)*

In respect of the option agreement related to the Rice Island Tie-On Property, on August 30, 2019 (see Note 8 - Exploration and Evaluation), the Corporation issued 100,000 common shares to the vendor. These were valued at $0.13 per common share, totaling $13,000. On August 17, 2020, the Corporation further issued 100,000 shares to the vendor valued at $0.28 per common share, totaling $28,500.

*Warrants*

The following table reflects the share purchase warrants outstanding as at September 30, 2020:

| Warrant Expiry Date | Exercise Price | Warrants Outstanding |
|---|---|---|
| | $ | # |
| November 15, 2022 | 0.35 | 10,100,000 |
| January 15, 2023 | 0.61 | 375,000 |
| | | 10,475,000 |

*Stock Options*

The following table reflects the stock options outstanding as at September 30, 2020:

| Stock Option Expiry Date | Exercise Price | Options Granted | Options Vested |
|---|---|---|---|
| | $ | # | # |
| March 09, 2022 | 0.75 | 1,260,000 | 1,260,000 |
| August 18, 2021 | 0.13 | 950,000 | 950,000 |
| March 09, 2022 | 0.14 | 50,000 | 50,000 |
| July 20, 2022 | 0.14 | 945,000 | 945,000 |
| December 29, 2022 | 0.53 | 600,000 | 600,000 |
| July 10, 2023 | 0.30 | 2,440,000 | 2,440,000 |
| February 12, 2024 | 0.30 | 300,000 | 150,000 |
| April 29, 2024 | 0.30 | 600,000 | 500,000 |
| June 26, 2024 | 0.20 | 200,000 | 200,000 |
| September 01, 2024 | 0.20 | 200,000 | 200,000 |
| July 20, 2025 | 0.20 | 200,000 | |
| | | 7,745,000 | 7,115,000 |

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $65,850 was recorded as compensation for the December 29, 2022 options that vested during the period, , $4,017 for the April 29, 2024 options that vested during the period and $3,843 for the July 17,2025 options that vested during the period (2019- 87,800 for the December 29, 2022 options that vested during the year, $39,568 was recorded as compensation for the February 12, 2024 options that vested during the year, $72,966 was recorded as compensation for the April 29, 2024 options that vested during the year, and $42,100 was recorded as compensation for the September 1, 2024 options that vested during the year, totaling $242,433 for the year ended December 31, 2019). As of September 30, 2020, there were 300,000 unvested stock options (December 31, 2019 - 400,000 unvested stock options).

* 50,000 options were exercised during the period. The weighted average share at the date of exercise was $0.13. (The weighted average share price at date of exercise of the options for the year ending December 31, 2019 - $0.32).

** The weighted average remaining life of the outstanding stock options is 3.8 years (December 31, 2019 – 4.2 years).

The corporation currently estimates the forfeiture rate to be nil.

## Related Party Transactions

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below.

| | Nature of transactions |
|---|---|
| 2401794 Ontario Inc. | Facilities |
| DRAX Services Limited | Corporate secretarial and filing services |

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

(a) Included in general and administrative expenses are amounts totaling $11,313.36 (2019 - $10,012) for rent paid to 2401794 Ontario Inc., a wholly owned subsidiary of Premier Gold Mines Ltd., a company related to the Corporation through Ewan Downie, Ron Little, and John Seaman, who are all Directors of Wolfden and Premier. Rent agreement with 2401794 Ontario Inc was terminated as of June 30, 2020

(b) Included in general and administrative expenses are amounts totaling $5,000 for 2019 for corporate secretarial services provided by DRAX Services Limited, related to the Corporation through Shaun Drake, Corporate Secretary of Wolfden. Drax Services Limited ceased to be a related party as of May 31, 2019.

Key management personnel remuneration includes the following amounts:

| **For the nine months ended September 30** | **2020**<br>**$** | 2019<br>$ |
|---|---|---|
| Salary and wages | **371,399** | 256,846 |
| Share-based payments | **115,625** | 87,800 |
| Other compensation | **-** | 12,625 |
| Directors fees | **42,750** | 43,096 |
| Total | **529,774** | 400,367 |

## Commitments

The Corporation has no material commercial commitments.

## Critical Accounting Estimates and Judgements

In the application of the Corporation's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

*Significant estimates*

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods. Significant estimates include:

i. the inputs used in accounting for share purchase option expense in the statement of income and comprehensive income;

ii. the provision for income taxes which is included in the statements of income and comprehensive income and composition of deferred income tax assets and liabilities included in the statement of financial position which have not yet been confirmed by the taxation authorities, and

iii. the estimated useful lives of equipment and leaseholds which are included in the statement of financial position and the related depreciation included in the statement of income and comprehensive income.

## Recent Accounting Pronouncements

The accounting policies adopted in the preparation of these consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at September 30, 2020.

**Accounting standards issued and effective January 1, 2019, recently adopted:**

IFRS 16, Leases introduces new requirements for the classification and measurement of leases. The standard was effective for annual reporting periods beginning January 1, 2019 although early application is permitted for companies that also apply IFRS 15 – Revenue from Contracts with Customers. The Corporation applied IFRS 16 with a date of initial application of January 1, 2019 using the modified retrospective approach, resulting in no restatement of prior year comparatives. The Corporation completed the assessment of its equipment and building rentals, land leases and service agreements and determined there will be no significant impact on lease expense or depreciation expense. Upon adoption, the Corporation has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight-line basis for short-term leases (lease term of 12 months or less) and low value assets ($5,000 or less). There was close attention paid to all of the Corporation's drilling contracts to ensure that they did not contain embedded leases for property, plant and equipment. None of those contracts resulted in right of use of an asset.

IFRIC 23, Uncertainty over Income Tax Treatments provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for periods beginning on or after

January 1, 2019. The Corporation has adopted the Interpretation in its financial statements for the annual period beginning on January 1, 2019 and has determined that there is no material impact or disclosures required.

## Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, investments, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the short term to maturity, unless otherwise noted.

## Risk Factors

An investment in the Corporation involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating the Corporation and its business before making any investment decision in regard to the common shares of the Corporation. The Corporations' business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Corporation. Additional risks not presently known to us may also impair business operations.

*Exploration and Mining Risks*

The Corporation is engaged in mineral exploration and development activities. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control.

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Corporation has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are involved in mineral exploration, development and operation. We may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position.

The Corporation relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

*Financing Risks*

The Corporation is limited in financial resources, and as a mineral exploration company has no source of operating cash flow. The Corporation has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfill our obligations under any applicable agreements. There can be no assurance that we will be able to obtain adequate financing in the future, or that the terms of such financing will be favourable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of our projects with the possible loss of such properties.

*Regulatory Requirements*

Even if our mineral properties are proven to host economic reserves of mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Corporation may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

*Uninsurable Risks*

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

*No Assurance of Titles*

It is possible that any of our properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

*Permits and Licenses*

The operations of the Corporation may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at our projects will be granted.

*Competition*

The mineral industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities than the Corporation for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Corporation may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital or losing our investment capital.

*Environmental Regulations*

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non- compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

*Stage of Development*

The Corporation is in the business of exploring for, with the ultimate goal of producing, mineral resources from our mineral exploration properties. None of our properties have commenced commercial production and we have no history of earnings or cash flow from our operations. As a result of the foregoing, there can be no assurance that we will be able to develop any of our properties profitably or that our activities will generate positive cash flow. We are unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. A prospective investor in the Corporation must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of our management in all aspects of the development and implementation of our business activities.

*Markets for Securities*

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

*Reliance on Key Individuals*

Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Corporation.

*Geopolitical Risks*

The Corporation may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Corporation cannot be predicted. Any changes in regulations or shifts in political attitudes that may result, among other things, in significant changes to mining laws or any other national legal body of regulations or policies are beyond the control of the Corporation and may adversely affect its business. The possibility that future governments may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

*Health Epidemics and Outbreaks of Communicable Diseases*

Wolfden's business could be adversely impacted by the effects of the novel coronavirus or other health epidemics and/or outbreaks of communicable diseases, which could significantly disrupt the Corporation's exploration and development activities and may have a material adverse effect on Corporation's business and financial condition. The World Health Organization declared a global pandemic on March 2020 related to COVID-19. Global travel and workplace restrictions have been implemented as a result. The extent to which COVID-19 impacts the Corporation's business, including the Corporation's operations and the market for the Corporation's securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, including the duration, severity and scope of the coronavirus outbreak and the actions taken to contain or treat the outbreak. In particular, the continued or perceived spread of the coronavirus globally could materially and adversely impact the Corporation's business including, without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, stoppage or suspension of its operations in Maine and Canada including restrictions to its drilling, development and exploration programs and/or the timing to process drill and other metallurgical testing and other factors that will depend on future developments beyond the Corporation's control, which may have a material adverse effect on the Corporation's business, financial condition and results of operations. Moreover, the actual and threatened spread of COVID-19 globally could also have a material adverse effect on the regional economies in which the Corporation operates, could continue to negatively impact stock markets, including the trading price of the Wolfden Common Shares, could adversely impact the Corporation's ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive, could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the demand for base and precious metals and Wolfden's future prospects and could result in any operations affected by COVID-19 becoming subject to quarantine. Any of these developments, and others, could have a material adverse effect on the Corporation's business and results of operations. There can also be no assurance that the Wolfden's personnel will not be impacted by these pandemic diseases and ultimately see all or a portion of its operations suspended, workforce productivity reduced or incur increased medical costs and/or insurance premiums as a result of these health risks.

## Financial Instruments and Related Risks

The Corporation's operations include the acquisition and exploration of mineral properties in Canada. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

*Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of offset exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

- Investments
  In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of one year or less and are cashable at any time. Limits are also established based on the type of investment, the counterparty and the credit rate.

*Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure.

*Interest* Accounts payable and accrued liabilities are due within the current operating period.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value is limited as the Corporation holds all of its funds in cash and guaranteed investment certificates.

*Currency risk*

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar; however, it has operations located in the United States, and as such is subject to fluctuations in that currency. Changes in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations.

The Corporation does not invest in derivatives to mitigate these risks.

The following table sets forth the Corporation's financial assets measured at fair value by level within the fair value hierarchy as at September 30, 2020.

| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | **Total**<br>**$** |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments | - | - | - | **-** |

The following table sets forth the Corporation's financial assets measured at fair value by level within the fair value hierarchy as at December 31, 2019.

| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | **Total**<br>**$** |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments | - | 716,017 | - | **716,017** |

## Management of Capital Risk

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going- concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation 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 the capital structure, the Corporation may attempt to issue new shares and, acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

## Subsequent Events

On November 2, 2020 the Corporation announce that an independent technical report entitled "*National Instrument 43-101 Technical Report, Preliminary Economic Assessment Pickett Mountain Project, Penobscot County, Maine, USA*" with an effective date of September 14, 2020 was been filed on SEDAR. Highlights of the economic study were previously announced by the Corporation in a news release dated September 14, 2020.

## Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

## Changes in Internal Control over Financial Reporting ("ICFR")

No changes occurred in the third quarter of 2020 of the Corporation's ICFR that have materially affected or are reasonably likely to materially affect the Corporation's ICFR.

## Additional Information

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

Mr. Ron Little, President and CEO, Mr. Jeremy Ouellette VP Project Development and Mr. Don Dudek, VP Exploration of Wolfden Resources Corporation are the Qualified Persons for the information contained in this MD&A and are each a Qualified Person defined by National Instrument 43-101.

(Signed) Lance Dyll, CPA, CA
Chief Financial Officer

Thunder Bay, Canada
November 16, 2020