

Wolfden Resources Corporation
Consolidated Financial Statements



WOLFDEN

For the years ended December 31, 2019 and 2018

Independent auditor's report

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To the Shareholders of Wolfden Resources Corporation

Opinion

We have audited the consolidated financial statements of Wolfden Resources Corporation and its subsidiaries ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit 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 Consolidated 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 consolidated 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has no source of operating cash flows, has not yet achieved profitable production, and has accumulated losses of \$32,888,991 as at December 31, 2019. This condition, along with the matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Mark Irwin.



Toronto, Canada
April 15, 2020

Chartered Professional Accountants
Licensed Public Accountants



WOLFDEN

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)

| As at | December 31 2019 \$ | December 31 2018 \$ |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 312,646 | 272,050 |
| Amounts receivable [note 6] | 36,437 | 196,977 |
| Prepays | 8,519 | 10,251 |
| Investments [note 5] | 716,017 | 759,091 |
| Total current assets | 1,073,619 | 1,238,369 |
| Non-current assets | | |
| Equipment [note 7] | 1,368 | 4,147 |
| Total assets | 1,074,987 | 1,242,516 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 268,151 | 799,868 |
| Taxes payable [note 13] | - | 323,981 |
| Restricted share units [note 9] | 15,351 | - |
| Total current liabilities | 283,502 | 1,123,849 |
| EQUITY | | |
| Share capital [note 9] | 32,189,785 | 29,351,833 |
| Equity settled employee benefits [note 9] | 1,656,404 | 1,413,971 |
| Other comprehensive loss | (165,713) | (78,027) |
| Deficit | (32,888,991) | (30,569,110) |
| Total equity | 791,485 | 118,667 |
| Total liabilities and equity | 1,074,987 | 1,242,516 |

Going concern [note 1]

Commitments [note 12]

Subsequent events [note 16]

See accompanying notes to the consolidated financial statements

These consolidated financial statements are authorized for issue by the Board of Directors on April 15, 2020.

They are signed on the Corporation's behalf by:

"Ron Little"
Director

"John Seaman"
Director



(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Stated in Canadian Dollars)

For the years ended December 31,

| | 2019 | 2018 |
|---|--------------------|--------------------|
| | \$ | \$ |
| EXPENSES | | |
| Depreciation [note 7] | 540 | 1,120 |
| Exchange loss (gain) | 338 | (33,478) |
| Exploration and evaluation expenses [note 8] | 2,347,314 | 4,701,618 |
| Flow through interest penalty | - | 31,703 |
| General and admin expenses [note 11] | 668,378 | 743,319 |
| Professional fees | 73,937 | 157,336 |
| Share-based payments [note 9] | 324,175 | 605,090 |
| | 3,414,682 | 6,206,708 |
| Loss before the following | (3,414,682) | (6,206,708) |
| Investment income | 19,901 | 9,842 |
| Loss on disposal of equipment [note 8] | (2,239) | - |
| Gain on disposal of mineral properties [note 8] | 757,000 | 1,000,000 |
| Other income [note 8] | 408,774 | 368,928 |
| | 1,183,436 | 1,378,770 |
| Loss before income taxes | (2,231,246) | (4,827,938) |
| Income tax expense [note 13] | 88,635 | 323,981 |
| Loss for the year | (2,319,881) | (5,151,919) |
| Exchange differences on translation of foreign operations | 87,686 | 78,027 |
| Comprehensive loss for year | (2,407,567) | (5,229,946) |
| Basic and diluted loss per share [note 10] | (0.02) | (0.05) |

See accompanying notes to the consolidated financial statements



WOLFDEN

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)

For the years ended December 31,

| | 2019 | 2018 |
|--|--------------------|--------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Loss for the year | (2,319,881) | (5,151,919) |
| Add charges (deduct gains) to earnings not involving a current payment of cash | | |
| Depreciation | 540 | 1,120 |
| Exchange loss (gain) | 338 | (33,478) |
| Share based payments | 324,175 | 605,090 |
| Shares issued for mineral properties | 13,000 | 25,000 |
| Write-down of equipment | 2,239 | - |
| RSU fair value adjustment | (3,939) | - |
| | (1,983,528) | (4,554,187) |
| Changes in non-cash working capital related to operations | | |
| Amounts receivable | 160,540 | (47,366) |
| Prepays | 1,732 | 13,098 |
| Accounts payable and accrued liabilities | (531,717) | 380,820 |
| Taxes payable | (323,981) | 323,981 |
| Cash used in operating activities | (2,676,954) | (3,883,654) |
| INVESTMENT ACTIVITIES | | |
| Redemption of investments, net | 43,074 | 179,272 |
| Cash provided by investment activities | 43,074 | 179,272 |
| FINANCING ACTIVITIES | | |
| Proceeds from shares issued in private placements | 2,500,000 | 217,500 |
| Proceeds from the exercise of warrants | 262,500 | 490,381 |
| Proceeds from the exercise of stock options | - | 349,408 |
| Share issue costs | - | (18,000) |
| Cash provided by financing activities | 2,762,500 | 1,039,289 |
| Increase (decrease) in cash and cash equivalents during year | 128,620 | (2,665,093) |
| Cash and cash equivalents, beginning of year | 272,050 | 2,981,692 |
| Effect of foreign exchange on cash and cash equivalents | (88,024) | (44,549) |
| Cash and cash equivalents, end of year | 312,646 | 272,050 |

See accompanying notes to the consolidated financial statements



(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)

| Issued and outstanding: | Share Capital | | Reserves | | | | |
|---|--------------------|-------------------|-------------------------------------|---------------------------------|---------------------|----------------|-------------|
| | Number of Shares | Share Capital | Equity Settled Employee Benefits | Foreign exchange differences | Deficit | Total Equity | |
| Balance as at December 31, 2017 | 110,006,930 | 28,033,631 | - | 1,062,794 | - | (25,417,191) | 3,679,234 |
| Exercise of warrants <i>[note 9]</i> | 2,765,908 | 490,381 | - | - | - | - | 490,381 |
| Exercise of stock options <i>[note 9]</i> | 1,558,750 | 603,321 | (253,913) | - | - | - | 349,408 |
| Private placement | 750,000 | 217,500 | - | - | - | - | 217,500 |
| Share-based payments | - | - | 605,090 | - | - | - | 605,090 |
| Share issue costs | - | (18,000) | - | - | - | - | (18,000) |
| Shares issued for mineral property | 100,000 | 25,000 | - | - | - | - | 25,000 |
| Loss and comprehensive loss for the year | - | - | - | (78,027) | (5,151,919) | (5,229,946) | (5,229,946) |
| Balance as at December 31, 2018 | 115,181,588 | 29,351,833 | 1,413,971 | (78,027) | (30,569,110) | 118,667 | |
| Exercise of warrants <i>[note 9]</i> | 1,750,000 | 262,500 | - | - | - | - | 262,500 |
| Private placement <i>[note 9]</i> | 12,500,000 | 2,500,000 | - | - | - | - | 2,500,000 |
| Share-based payments | 402,917 | 62,452 | 242,433 | - | - | - | 304,885 |
| Shares issued for mineral property <i>[note 9]</i> | 100,000 | 13,000 | - | - | - | - | 13,000 |
| Loss and comprehensive loss for the year | - | - | - | (87,686) | (2,319,881) | (2,407,567) | (2,407,567) |
| Balance as at December 31, 2019 | 129,934,505 | 32,189,785 | 1,656,404 | (165,713) | (32,888,991) | 791,485 | |

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018
(Stated in Canadian Dollars)

1. NATURE OF BUSINESS

Wolfden Resources Corporation (the "Corporation" or "Wolfden") was incorporated under the laws of the Province of Ontario on August 12, 2009. The principal business activity of the Corporation is the acquisition, exploration and development of mineral properties that it believes contain mineralization that will be economically recoverable in the future. The office address of the Corporation is 1100 Russell Street, Unit 5 Thunder Bay, Ontario, P7B 5N2.

Going concern

The Corporation, being in the exploration stage, is subject to risks and challenges similar to companies in a comparable stage of development. These risks include the challenges of securing adequate capital for exploration, development and operational risks inherent in the mining industry, global economics, health concerns and metal price volatility and there is no assurance management will be successful in its endeavours. At December 31, 2019, the Corporation has no ongoing source of operating cash flows but has earned approximately \$775,000 from timber sales in the USA over the last two years. The Corporation incurred a net loss of \$2,319,881 for the year ended December 31, 2019 (December 31, 2018 - \$5,151,919) and has accumulated a deficit of \$32,888,991 since the inception of the Corporation. As at December 31, 2019, the Corporation had working capital of \$790,117 (December 31, 2018 - \$114,520) and the Corporation's ability to continue as a going concern is dependent upon its ability to raise additional capital to continue the development of its mineral properties. During the year ended December 31, 2019, the Corporation raised gross proceeds of \$2,500,000 (2018 - \$1,311,202) through private placements of shares and warrants and the granting of direct interests in its mineral properties. In 2019, the Corporation recorded timber sales net proceeds of \$408,774 (US\$308,093) (2018 - \$368,928 (US\$284,849)), that are net of a 20% allocation of \$99,307 (US\$74,848) (2018 - \$89,839 (US\$69,365)) to Altius as per a timber rights agreement on the Pickett Mountain Project, that was included in the working capital of the Corporation.

These material uncertainties cast significant doubt on the Corporation's ability to continue as a going concern. It is not possible to predict whether financing efforts will be successful or if the Corporation will attain profitable levels of operation. These financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and statement of loss and comprehensive loss classification that would be necessary should the Corporation be unable to continue as a going concern. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements of the Corporation for the period ended December 31, 2019 were approved and authorized by the Board of Directors on April 15, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018
(Stated in Canadian Dollars)

Basis of consolidation

The Corporation's consolidated financial statements consolidate those of its subsidiaries. The Corporation's subsidiaries are:

| | Percentage of ownership | Jurisdiction | Principal activity |
|-------------------------------|-------------------------|---------------|---------------------|
| Wolfden Resources Canada Inc. | 100% | Canada | Mineral exploration |
| Wolfden USA Inc. | 100% | United States | Mineral exploration |
| Wolfden Mt. Chase LLC | 100% | United States | Mineral exploration |

All transactions and balances between the Corporation and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies.

Change in functional currency

Prior to January 1, 2018, the functional currency of Wolfden USA Inc. and Wolfden Mt. Chase LLC, the U.S. subsidiaries, was the Canadian Dollar ("CAD"). Per IAS 21 - *The effects of Changes in Foreign Exchange Rates ("IAS 21")*, an entity's functional currency should reflect the underlying transactions, events and conditions that are relevant to the entity. Management considered primary and secondary indicators including the currency used operationally for purchases, labour and other costs, as well as receipts of other income. Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events, or conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

Based on these factors, management concluded that effective January 1, 2018, the U.S. subsidiaries functional currency should be the United States dollars ("USD").

As the Corporation's Canadian operations primarily operate in CAD and are financed in CAD, management has determined that their functional currency remains CAD.

The Corporation has accounted for the change in functional currency prospectively, as provided for under IAS 21 with no impact of this change on prior period comparative information other than in conjunction with the change in presentation currency as discussed below.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars (CAD), which is also the functional currency of the Corporation, as well as its subsidiary Wolfden Resources Canada Inc. The functional currency of the Corporation's subsidiaries, Wolfden USA Inc, and Wolfden Mt. Chase LLC, is U.S. dollars (USD).

Foreign currency transactions are translated into the functional currency of the respective Corporation, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

In the Corporation's consolidated financial statements, all assets, liabilities and transactions of the Corporations' subsidiary are translated into CAD upon consolidation. On consolidation, assets and liabilities have been translated into CAD at the closing rate at the reporting date. Income and expenses have been translated into the Corporation's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018
(Stated in Canadian Dollars)

Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Corporation become party to the contracts that gives rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate. The Corporation considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVTPL are measured at fair value with changes in fair value recognized in the consolidated statements of operations. Warrant investments are classified as FVTPL.

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the consolidated statements of earnings. The election is available on an investment-by-investment basis. Investments in equity securities, where the Corporation cannot exert significant influence, are designated as financial assets at FVOCI.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash and cash equivalents, amounts receivable and certain other assets are classified as and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018
(Stated in Canadian Dollars)

Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in net earnings.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

At each balance sheet date, on a forward-looking basis, the Corporation assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investment in equity instruments. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Corporation has transferred its rights to receive cash flows from the asset, the Corporation will assess whether it has relinquished control of the asset or not. If the Corporation does not control the asset then derecognition is appropriate.

A financial liability is derecognised when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in net earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018
(Stated in Canadian Dollars)

Exploration and Evaluation

The Corporation is in the process of exploring its mineral properties and chooses to expense acquisition costs for property rights. Mineral property acquisition costs include the cash consideration given, direct legal costs incurred for the acquisition, and issuance of shares for mineral property interests. Where the Corporation has entered into an option agreement for the acquisition of an interest in a mineral property which provides for periodic payments, such amounts unpaid are not recorded as a liability since they are payable entirely at the Corporation's discretion.

The Corporation has adopted the policy of expensing exploration costs and periodic maintenance costs incurred prior to the determination that a property has economically recoverable reserves.

Equipment and leaseholds

Equipment and leaseholds are stated at historical cost less accumulated depreciation and any provision for impairment in value. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the present value of the estimated costs of decommissioning and restoration, if applicable. Costs relating to major upgrades are included in equipment and leaseholds if it is probable that future economic benefits associated with the expenditure will flow to the Corporation.

Depreciation on equipment is recognized on a declining balance basis to write down the cost or valuation less estimated residual value of equipment. Depreciation on leaseholds is recognized on the straight-line basis over the term of the lease, which is 5 years. The rates generally applicable are:

| | |
|--------------------|-------------------------|
| Computer equipment | 30% |
| Vehicles | 30% |
| Leaseholds | Straight line over term |

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the equipment and are recognized in profit or loss within 'other income' or 'other expenses'.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Corporation's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018
(Stated in Canadian Dollars)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Share capital represents the fair value of consideration received. Equity instruments are contracts that give a residual interest in the net assets of the Corporation. Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation's common shares, reserves, share options and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, options or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Corporation periodically issues units to investors consisting of common shares and warrants in non-brokered private placements. Each whole warrant issued entitles the holder to acquire a common share of the Corporation, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Corporation's investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. "bifurcation") of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, no accounting entry is recorded.

Share-based payment transactions

The Corporation has two share-based compensation plans: The Share Option Plan and Restricted Share Unit plan, as noted below, and as further discussed in Note 9 of these consolidated financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is determined at the grant date.

Share Option Plan

Stock options are equity-settled share-based compensation awards. The fair value of stock options at the grant date is estimated using the Black-Scholes option pricing model. Compensation expense is recognized over the stock option vesting period based on the number of units estimated to vest. Vesting periods range from immediate to five years. This expense is recognized as share-based compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received by the Corporation, together with the amount in contributed surplus, are credited to common shares.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are less than that estimated on vesting.

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Restricted Share Unit Plan

Restricted share units ("RSU") are granted to eligible members of the Board of Directors, eligible employees and eligible contractors. The RSUs are settled in cash or equity at the option of the Corporation. The RSUs vest subject to an RSU award letter but no later than December 31, of the third calendar year following the service year determined based on date of grant. The RSUs granted are accounted for under the liability method where the RSU liability is adjusted based on the closing share price for the period and the difference is recorded in profit or loss.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilised against future taxable income. To the extent that the Corporation does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

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Environmental rehabilitation provision

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates and operating lives. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in the profit and loss.

Loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Corporation's operating segments are its separately identifiable exploration and evaluation properties [See note 4 & note 8].

Significant accounting judgements and estimates

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

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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 loss and comprehensive loss;
- ii. the provision for income taxes which is included in the statements of loss and comprehensive loss 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 loss and comprehensive loss.

Flow through shares

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Corporation allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in deferred tax expense. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

Functional currency

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting standard issued and effective January 1, 2019:

- 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

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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.

4. SEGMENTED INFORMATION

The Corporation's significant segments are represented by its separately identifiable exploration and evaluation properties (see *note 8* for disclosure by property). The Corporation also operates in two distinct geographic areas. The Canadian operations are managed from the Corporation's head office in Thunder Bay. The U.S. operations are managed from an office in Maine.

For the year ended December 31, 2019

| | Canada \$ | USA \$ | Total \$ |
|-------------------------------------|------------------|------------------|------------------|
| Segmented Assets | 947,066 | 127,923 | 1,074,989 |
| Segmented Liabilities | (197,385) | (86,117) | (283,502) |
| Operating activities | | | |
| Depreciation | 540 | - | 540 |
| Exchange loss (gain) | 338 | - | 338 |
| Exploration and evaluation expenses | 416,033 | 1,931,281 | 2,347,314 |
| Flow-through interest penalty | - | - | - |
| General and administrative | 644,704 | 23,674 | 668,378 |
| Professional fees | 39,758 | 34,179 | 73,937 |
| Share-based payments | 324,175 | - | 324,175 |
| Total | 1,425,548 | 1,989,134 | 3,414,682 |
| Other items | 774,662 | 408,774 | 1,183,436 |
| Loss for the year | 739,521 | 1,580,360 | 2,319,881 |

For the year ended December 31, 2018

| | Canada \$ | USA \$ | Total \$ |
|-------------------------------------|------------------|------------------|--------------------|
| Segmented Assets | 1,031,444 | 211,072 | 1,242,516 |
| Segmented Liabilities | (769,041) | (354,808) | (1,123,849) |
| Operating activities | | | |
| Depreciation | 1,120 | - | 1,120 |
| Exchange loss (gain) | (33,478) | - | (33,478) |
| Exploration and evaluation expenses | 723,101 | 3,978,517 | 4,701,618 |
| Flow-through interest penalty | 31,703 | - | 31,703 |
| General and administrative | 704,290 | 39,029 | 743,319 |
| Professional fees | 134,497 | 22,839 | 157,336 |
| Share-based payments | 605,090 | - | 605,090 |
| Total | 2,166,323 | 4,040,385 | 6,206,708 |
| Other items | (1,009,842) | (105,226) | (1,115,068) |
| Loss for the year | 1,216,760 | 3,935,159 | 5,151,919 |

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5. INVESTMENTS

At December 31, 2019, the Corporation holds guaranteed investment certificates of \$716,017, maturing April 9, 2020, yielding 1.75% (December 31, 2018 - \$759,091 maturing October 29, 2019, yielding 1.60%).

6. AMOUNTS RECEIVABLE

| | 2019 \$ | 2018 \$ |
|------------------------|---------------|----------------|
| Recoverable taxes (i) | 36,437 | 98,632 |
| Trade receivables (ii) | - | 98,345 |
| | 36,437 | 196,977 |

(i) Recoverable taxes include Canadian harmonized sales tax receivable.

(ii) Trade receivables relate to the proceeds receivable on the sale of timber from the Pickett Mountain property, net of the 20% payable to Altius and 8% timber management fee.

7. EQUIPMENT

| | Computer Equipment \$ | Vehicles \$ | Total \$ |
|-----------------------------------|-----------------------------|----------------|---------------|
| Cost | | | |
| Balance, January 1, 2018 | 13,120 | 27,068 | 40,188 |
| Write-down of assets | - | - | - |
| Balance, December 31, 2018 | 13,120 | 27,068 | 40,188 |
| Write-down of assets | - | (27,068) | (27,068) |
| Balance, December 31, 2019 | 13,120 | - | 13,120 |
| Net book value | | | |
| Accumulated depreciation | | | |
| Balance, January 1, 2018 | 11,074 | 23,847 | 34,921 |
| Depreciation for the period | 308 | 812 | 1,120 |
| Balance, December 31, 2018 | 11,382 | 24,659 | 36,041 |
| Depreciation for the period | 370 | 170 | 540 |
| Write-down of assets | - | (24,829) | (24,829) |
| Balance, December 31, 2019 | 11,752 | - | 11,752 |
| Net book value | | | |
| Balance, December 31, 2018 | 1,738 | 2,409 | 4,147 |
| Balance, December 31, 2019 | 1,368 | - | 1,368 |

* During the period, the Corporation wrote-down the value of the vehicle to \$nil.

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8. EXPLORATION AND EVALUATION

| | For the year ended December 31, 2019 | | | | | Total for current period | Total inception to date |
|--------------------------|--------------------------------------|------------------|----------------|----------------|--------------|--------------------------|-------------------------|
| | Rice Island | Pickett Mountain | Teta gouche | Orvan Brook | Other | | |
| | \$ | \$ | \$ | \$ | \$ | | |
| Analysis | - | 229,746 | 4,058 | - | - | 233,804 | 809,118 |
| Geological | 7,323 | 445,887 | 63,375 | 39,709 | 7,645 | 563,939 | 2,232,350 |
| Geophysical | 2,350 | 249,535 | 44,688 | - | - | 296,573 | 2,275,211 |
| Geochemical | - | 16,704 | 2,994 | 5,322 | - | 25,020 | 215,149 |
| Travel / Accom | 2,142 | 89,831 | 490 | 3,546 | - | 96,009 | 616,554 |
| Drilling | - | 689,388 | - | - | - | 689,388 | 5,788,532 |
| Property Work | 27 | 54,182 | 3,770 | 40,056 | - | 98,035 | 718,318 |
| Ops Support | 13 | 101,889 | 1,620 | 1,633 | - | 105,155 | 209,584 |
| Administration | 78,615 | 2,768 | 54 | 38,290 | - | 119,727 | 736,494 |
| Total Exploration | 90,470 | 1,879,930 | 121,049 | 128,556 | 7,645 | 2,227,650 | 13,601,310 |
| Other Costs* | 58,091 | 51,351 | 20,610 | (11,980) | 1,592 | 119,664 | 20,828,022 |
| Total | 148,561 | 1,931,281 | 141,659 | 116,576 | 9,237 | 2,347,314 | 34,429,332 |

| | For the year ended December 31, 2018 | | | | | Total for 2018 | Total inception to December 31 2018 |
|--------------------------|--------------------------------------|------------------|---------------|----------------|---------------|------------------|-------------------------------------|
| | Rice Island | Pickett Mountain | Teta gouche | Orvan Brook | Other | | |
| | \$ | \$ | \$ | \$ | \$ | | |
| Analysis | - | 78,988 | 1,969 | 1,950 | - | 82,907 | 575,314 |
| Geological | - | 377,594 | 3,350 | 135,025 | 33,516 | 549,485 | 1,668,411 |
| Geophysical | 2,719 | 1,136,622 | 11,880 | - | - | 1,151,221 | 1,978,638 |
| Geochemical | - | 9,152 | 5,183 | - | - | 14,335 | 190,129 |
| Travel / Accom | - | 168,691 | - | 4,213 | 2,410 | 175,314 | 520,545 |
| Drilling | - | 2,007,914 | 43,293 | 219,628 | - | 2,270,835 | 4,995,609 |
| Property Work | - | 72,176 | 4,521 | 56,670 | - | 133,367 | 620,283 |
| Ops Support | - | 117,471 | 2,340 | 7,086 | - | 126,897 | 207,964 |
| Administration | 72,525 | 1,742 | 208 | 38,382 | 400 | 113,257 | 616,767 |
| Total Exploration | 75,244 | 3,970,350 | 72,744 | 462,954 | 36,326 | 4,617,618 | 11,373,660 |
| Other Costs* | 65,091 | 15,937 | 19,760 | (18,380) | 1,592 | 84,000 | 20,708,358 |
| Total | 140,335 | 3,986,287 | 92,504 | 444,574 | 37,918 | 4,701,618 | 32,082,018 |

*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



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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 year ended December 31 2019, the Corporation recorded net timber sales proceeds of \$408,774 (US\$ 308,092), that are net of 20% allocated to Altius as per the agreement (2018 - \$368,928). 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. As at December 31, 2019, Altius has not exercised any of these rights.

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.

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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 year payment of \$25,000 USD.

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.

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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

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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.

9. SHARE CAPITAL AND RESERVES

i. Authorized

The Corporation is authorized to issue an unlimited number of common shares.

ii. Details of share issuances

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 shares issued under the Offering were subject to a four-month hold period that 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.

2018

Private Placement

On January 6, 2018, the Corporation completed a non-brokered private placement (the "Offering") of 750,000 units of the Corporation at a price of \$0.29 per Share for gross proceeds of \$217,500 with a Director of the Corporation. Each Unit comprised of one common share of the Corporation (a "Common Share") and one half (1/2) of one common share purchase warrant of the Corporation (each whole warrant, a "Warrant"). Each Warrant is exercisable to acquire one Common Share (a "Warrant Share") at a price of \$0.61 for a period of 60 months from the closing date of the Offering. The shares issued under the Offering were subject to a four-month hold period that expired May 6, 2018.

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Shares Issued for Mineral Property

Rice Island

In respect of the option agreement related to the Rice Island Tie-On Property, on September 12, 2018 (see Note 8 - Exploration and Evaluation), the Corporation issued 100,000 common shares to the vendor. These were valued at \$0.25 per common share, totaling \$25,000.

iii. Warrants

The following table reflects the continuity of warrants as at December 31, 2019:

| Expiry Date | Exercise Price \$ | 2019 Opening Balance # | Warrants Issued # | Warrants Exercised # | Warrants Expired # | 2019 Closing Balance # |
|---------------------------------|----------------------|---------------------------------|-------------------------|----------------------------|--------------------------|---------------------------------|
| January 18, 2020 | 0.15 | 1,750,000 | - | (1,750,000) | - | - |
| November 15, 2022 | 0.35 | 10,100,000 | - | - | - | 10,100,000 |
| January 15, 2023 | 0.61 | 375,000 | - | - | - | 375,000 |
| | | 12,225,000 | - | (1,750,000) | - | 10,475,000 |
| Weighted average exercise price | | 0.33 | - | 0.15 | - | 0.35 |

The following table reflects the continuity of warrants as at December 31, 2018:

| Expiry Date | Exercise Price \$ | 2018 Opening Balance # | Warrants Issued # | Warrants Exercised # | Warrants Expired # | 2018 Closing Balance # |
|---------------------------------|----------------------|---------------------------------|-------------------------|----------------------------|--------------------------|---------------------------------|
| May 31, 2018 | 0.20 | 1,515,909 | - | (1,515,909) | - | - |
| December 15, 2018 | 0.15 | 1,250,000 | - | (1,250,000) | - | - |
| December 29, 2018 | 0.60 | 375,000 | - | - | (375,000) | - |
| January 18, 2019 | 0.15 | 1,750,000 | - | - | - | 1,750,000 |
| November 15, 2022 | 0.35 | 10,100,000 | - | - | - | 10,100,000 |
| January 15, 2023 | 0.61 | - | 375,000 | - | - | 375,000 |
| | | 14,990,909 | 375,000 | (2,765,909) | (375,000) | 12,225,000 |
| Weighted average exercise price | | 0.30 | 0.61 | 0.18 | 0.60 | 0.33 |

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iv. Share purchase option compensation plan

Share-based payments consists of the following amounts:

| | For the year ended | |
|--|--------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Share purchase options | 242,433 | 605,090 |
| Restricted share units issued | 62,452 | - |
| Restricted share units vested and not issued | 19,290 | - |
| | 324,175 | 605,090 |

The Corporation has a share incentive plan (the "Plan"), which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the stock options outstanding as at December 31, 2019:

| Expiry Date | Exercise Price | 2019 Opening Balance | Granted | Exercised | Expired/Cancelled | 2019 Closing Balance |
|---------------------------------|----------------|----------------------|-----------|-----------|-------------------|----------------------|
| | \$ | # | # | # | # | # |
| March 09, 2022 | 0.75 | 1,465,000 | - | - | (205,000) | 1,260,000 |
| February 05, 2019 | 0.25 | 100,000 | - | - | (100,000) | - |
| August 29, 2019 | 0.15 | 855,000 | - | - | (855,000) | - |
| August 18, 2021 | 0.13 | 1,100,000 | - | - | (150,000) | 950,000 |
| March 09, 2022 | 0.14 | 50,000 | - | - | - | 50,000 |
| July 20, 2022 | 0.14 | 1,095,000 | - | - | (150,000) | 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 | - | - | 300,000 |
| April 29, 2024 | 0.20 | - | 600,000 | - | - | 600,000 |
| June 26, 2024 | 0.20 | - | 200,000 | - | - | 200,000 |
| September 01, 2024 | 0.20 | - | 200,000 | - | - | 200,000 |
| | | 7,705,000 | 1,300,000 | - | (1,460,000) | 7,545,000 |
| Weighted average exercise price | | 0.32 | 0.24 | - | 0.50 | 0.29 |



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The following table reflects the stock options outstanding as at December 31, 2018:

| Expiry Date | Exercise Price \$ | 2018 | | | Expired/ Cancelled # | 2018 Closing Balance # |
|---------------------------------|----------------------|-------------------------|--------------|----------------|----------------------------|---------------------------------|
| | | Opening Balance # | Granted # | Exercised # | | |
| March 09, 2022 | 0.75 | 1,510,000 | - | - | (45,000) | 1,465,000 |
| July 22, 2018 | 0.25 | 1,601,250 | - | (1,188,750) | (412,500) | - |
| February 05, 2019 | 0.25 | 100,000 | - | - | - | 100,000 |
| August 29, 2019 | 0.15 | 1,000,000 | - | (140,000) | (5,000) | 855,000 |
| August 18, 2021 | 0.13 | 1,215,000 | - | (115,000) | - | 1,100,000 |
| March 09, 2022 | 0.14 | 50,000 | - | - | - | 50,000 |
| July 20, 2022 | 0.14 | 1,210,000 | - | (115,000) | - | 1,095,000 |
| December 29, 2022 | 0.53 | 600,000 | - | - | - | 600,000 |
| July 10, 2023 | 0.30 | - | 2,440,000 | - | - | 2,440,000 |
| | | 7,286,250 | 2,440,000 | (1,558,750)* | (462,500) | 7,705,000 ** |
| Weighted average exercise price | | 0.32 | 0.30 | 0.23 | 0.22 | 0.32 |

* The were no options exercised during the year (the weighted average share price at date of exercise of the options for the year ending December 31, 2018 - \$0.23).

** The weighted average remaining life of the outstanding stock options is 4.2 years (December 31, 2018 - 3.78 years).

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, \$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 (2018 - \$539,240 was recorded as compensation for the July 10, 2023 options that vested during the year and \$65,850 for the December 29, 2022 options that vested during the year, totaling \$605,090). As of December 31, 2019 there were 400,000 unvested stock options (December 31, 2018 - 350,000 unvested stock options).

The Corporation currently estimates the forfeiture rate to be nil.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

| | 2019 | 2018 |
|-------------------------|-------------------|-------------------|
| Risk-free interest rate | 1.19% - 1.82% | 1.63% - 2.07% |
| Annualized volatility | 102.28% - 104.87% | 110.06% - 119.96% |
| Expected dividend | NIL | NIL |
| Expected option life | 5 years | 5 years |

v. Restricted share unit plan

During the period, 1,208,750 Restricted Share Units ("RSUs") were issued under the restricted share unit plan of the Corporation. Each RSU has the same value as one Wolfden Resources Corporation common share. The RSUs vest equally over a three year period, vesting on June 26, 2019, April 29, 2020 and April 29, 2021. The Corporation estimated a forfeiture rate of nil% for RSUs issued during the period. The RSUs are expected to be settled in cash.

The liability for RSUs is \$15,351 as at December 31, 2019 (\$nil for December 31, 2018) based on the vesting conditions. A share based payment expense of \$81,742 was recorded for the year ending December 31, 2019. During the year ending December 31, 2019 there were 402,917 RSUs, valued at \$62,452, that were converted



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to common shares of the Corporation at a price of \$0.155 per share. As at December 31, 2019, there were 805,833 RSU's outstanding (December 31, 2018 - nil) and the fair value of the RSUs at December 31, 2019 was \$130,948 (\$nil at December 31, 2018). The RSU's may be converted into common shares of the Corporation, at the option of the Corporation.

10. LOSS PER SHARE

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Corporation as the numerator. No adjustments to loss were necessary in 2019 or 2018.

| For the year ended December 31 | | |
|--|-------------|-------------|
| | 2019 | 2018 |
| Numerator: | | |
| Loss for the year | (2,319,881) | (5,151,919) |
| Denominator: | | |
| Weighted average number of common shares | 126,387,131 | 111,834,656 |
| Basic and diluted loss per share | (0.02) | (0.05) |

11. 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 \$22,627 (2018 - \$20,037) 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.
- (b) Included in general and administrative expenses are amounts totaling \$5,000 (2018 - \$12,046) for corporate secretarial services provided by DRAX Services Limited, related to the Corporation through Shaun Drake, Corporate Secretary of Wolfden. Drax Services Ltd. ceased to be a related party as of May 31, 2019.

Key management personnel remuneration includes the following amounts:

| | 2019 | 2018 |
|----------------------|---------|---------|
| | \$ | \$ |
| Salary and wages | 318,000 | 259,769 |
| Share-based payments | 142,244 | 364,200 |
| Other compensation | 16,833 | 10,419 |
| Director's fees | 55,696 | 19,500 |
| | 532,773 | 653,888 |

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12. COMMITMENTS

The Corporation has commitments relating to an office lease, which includes rent, common cost, and co-op cost, expiring June 2020.

The minimum payments are as follows:

| | \$ |
|------|--------|
| 2020 | 10,349 |

13. INCOME TAXES

(a) The Corporation's income tax expense differs from the amount computed by applying the combined federal and provincial income tax rates to loss before income taxes as a result of the following:

| | 2019 \$ | 2018 \$ |
|---|--------------------|-------------|
| Loss for the year | (2,231,246) | (4,827,938) |
| Statutory rates | 26.50 % | 26.50 % |
| Income tax recovery computed at statutory rates | (643,575) | (1,279,404) |
| Increase in deferred tax assets not recognized | 540,915 | 1,131,122 |
| Non-deductible items | 86,088 | 169,229 |
| Effect of change in tax rates | 16,572 | (20,947) |
| Impact of gain on sale of royalty interests | 88,635 | 323,981 |
| Income tax expense | 88,635 | 323,981 |

(b) Deferred tax assets not recognized

Management believes that it is not probable that sufficient taxable profits will be available in future years to allow the benefit of the following deferred tax assets to be utilized:

| | 2019 \$ | 2018 \$ |
|---|-------------------|------------|
| Non-capital losses | 4,908,257 | 5,233,711 |
| Common share issue costs | 364,618 | 240,443 |
| Equipment and leaseholds | 34,281 | 33,531 |
| Exploration and evaluation | 1,722,063 | 1,609,735 |
| Deferred tax assets not recognized | 7,029,219 | 7,117,420 |
| Unused operating tax losses expiring 2029 to 2036 | 18,178,655 | 19,384,116 |
| Deductible temporary differences | 7,855,419 | 6,976,698 |
| Total unused operating tax losses | 26,034,074 | 26,360,814 |

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14. 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 off-set 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.

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. At December 31, 2019, a 100 basis point decrease/increase in the U.S. Dollar would result in a foreign exchange gain/loss of approximately \$180.

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

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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 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---------------|---------------|---------------|---------------|----------------|
| Assets | | | | |
| Investments | - | 716,017 | - | 716,017 |

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 2018.

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---------------|---------------|---------------|---------------|----------------|
| Assets | | | | |
| Investments | - | 759,091 | - | 759,091 |

15. MANAGEMENT OF CAPITAL RISK

The Corporation manages its common shares, stock options and warrants as capital, that as at December 31, 2019 totaled \$33,846,189 (2018 - \$30,765,804). 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 mineral properties.

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.

16. SUBSEQUENT EVENTS

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 privately owned Maine timber company, the Corporation received US\$3 million upon closing and is entitled to received 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.

COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Global stock markets have also experienced great volatility and a significant



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weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Corporation has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The Corporation has been monitoring the COVID-19 outbreak and the potential impact at all of its operations and has put measures in place to ensure the wellness of all of its employees and surrounding communities where the Corporation works while continuing to operate. Currently, fieldwork has been halted on all of our projects and all corporate personnel travel has been restricted to absolute minimum requirements and employees have been encouraged to work remotely. With respect to our operations or work locations in Canada and the USA, we have implemented the typical control measures for dealing with the outbreak of COVID-19. These include self-screening for symptoms and travel history with possible COVID-19 exposure of any employees, visitors and contractors (site personnel) prior to any travel to or from a site and isolation, where necessary, from the general site population. These cautions and precautions rely on voluntary information and voluntary compliance of those working directly or indirectly for the Corporation. We expect that procedures will continue to evolve according to the World Health Organization and Center for Disease Control guidelines as more becomes known about the virus.