

Wolfden Resources Corporation

Consolidated Financial Statements
(Stated in Canadian Dollars)



WOLFDEN

For the years ended December 31, 2020 and 2019

Independent auditor's report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4
T +1 416 366 0100
F +1 416 360 4949

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, 2020 and 2019 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, 2020 and 2019, 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 \$33,513,176 as at December 31, 2020. 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 27, 2021

Chartered Professional Accountants
Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)

As at	December 31, 2020 \$	December 31, 2019 \$
ASSETS		
Current assets		
Cash and cash equivalents	972,401	312,646
Amounts receivable [note 6]	13,922	36,437
Prepaid expenses	13,660	8,519
Investments [note 5]	-	716,017
Total current assets	999,983	1,073,619
Non-current assets		
Equipment [note 7]	1,010	1,368
Total assets	1,000,993	1,074,987
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	455,837	283,502
Total current liabilities	455,837	283,502
EQUITY		
Share capital [note 9]	32,377,150	32,189,785
Equity settled employee benefits [note 9]	1,850,244	1,656,404
Other comprehensive loss	(169,062)	(165,713)
Deficit	(33,513,176)	(32,888,991)
Total equity	545,156	791,485
Total liabilities and equity	1,000,993	1,074,987

Going concern [note 1]

Subsequent events [note 18]

See accompanying notes to the consolidated financial statements

These consolidated financial statements are authorized for issue by the Board of Directors on April 27, 2021

and 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 year ended December 31

	2020 \$	2019 \$
EXPENSES		
Depreciation <i>[note 7]</i>	358	540
Exchange loss/ gain	14,287	338
Exploration and evaluation expenses <i>[note 8]</i>	2,525,741	2,347,314
Flow through interest penalty	708	-
General and administrative expenses <i>[note 11]</i>	1,061,004	668,378
Professional fees	75,383	73,937
Share-based payments <i>[note 9]</i>	340,505	324,175
Profit/ (Loss) before the following	(4,017,986)	(3,414,682)
INCOME		
Investment income	20,115	19,901
Other income <i>[note 14]</i>	3,140,880	408,774
Gain on disposal of mineral property <i>(note 8)</i>	-	757,000
Write down of Equipment <i>[note 7]</i>	-	(2,239)
Loss before income taxes	(856,991)	(2,231,246)
Income tax expense (recovery) <i>[note 13]</i>	(232,806)	88,635
Loss for the year	(624,185)	(2,319,881)
Exchange differences related to foreign operations	(3,349)	87,686
Total comprehensive loss for year	(627,534)	(2,407,567)
Basic and diluted profit/ (loss) per share <i>[note 10]</i>	(0.00)	(0.02)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)

For the year ended December 31

	2020 \$	2019 \$
OPERATING ACTIVITIES		
Loss for the year	(624,185)	(2,319,881)
Depreciation	358	540
Exchange loss (gain)	-	338
Share based payments	340,505	324,175
Shares issued for mineral properties	28,500	13,000
RSU fair value adjustment	-	(3,939)
Write-down of equipment	-	2,239
	(254,822)	(1,983,528)
Changes in non-cash working capital related to operations		
Accounts receivable	22,512	160,540
Prepaid expenses	(5,141)	1,732
Accounts payable and accrued liabilities	177,792	(531,717)
Taxes payable	-	(323,981)
Cash used in operating activities	(59,659)	(2,676,954)
INVESTMENT ACTIVITIES		
Redemption (purchase) of investments, net	716,017	43,074
Cash (used in) provided by investment activities	716,017	43,074
FINANCING ACTIVITIES		
Proceeds from shares issued in private placements	-	2,500,000
Proceeds from the exercise of warrants	-	262,500
Proceeds from the exercise of stock options	6,746	-
Cash provided by financing activities	6,746	2,762,500
Increase (Decrease) in cash and cash equivalents during year	663,104	128,620
Cash and cash equivalents, beginning of year	312,646	272,050
Effect of foreign exchange on cash and cash equivalents	(3,349)	(88,024)
Cash and cash equivalents, end of year	972,401	312,646

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)

Issued and outstanding:	Share Capital		Reserves			Total Equity
	Number of Shares	Share Capital	Equity Settled Employee Benefits	Foreign exchange differences	Deficit	
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
Shares issued for mineral properties	100,000	13,000	-	-	-	13,000
Share issue costs <i>[note 9]</i>	-	-	-	-	-	-
Share-based payments <i>[note 9]</i>	402,917	62,452	242,433	-	-	304,885
Loss and comprehensive loss for the year	-	-	-	(87,686)	(2,319,881)	(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
Share based payments <i>[note 9]</i>	-	-	340,505	-	-	340,505
Exercise of stock options <i>[note 9]</i>	50,000	12,200	-	-	-	12,200
Restricted share units <i>[note 9]</i>	759,581	146,665	(146,665)	-	-	-
Shares issued for mineral property <i>[note 9]</i>	100,000	28,500	-	-	-	28,500
Loss and comprehensive loss for the year	-	-	-	(3,349)	(624,185)	(627,534)
Balance as at December 31, 2020	130,844,086	32,377,150	1,850,244	(169,062)	(33,513,176)	545,156

See accompanying notes to the consolidated financial statements



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(Incorporated under the laws of Ontario)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019
(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 endeavors. At December 31, 2020, the Corporation has no ongoing source of operating cash flows but has earned approximately \$3,140,880 (US\$2,400,000) from the 2020 timber sales at the Pickett Mt. project in the USA. The Corporation incurred a net loss of \$624,185 for the year ended December 31, 2020, (net loss of \$2,319,881 for the year ended December 31, 2019) and has accumulated a deficit of \$33,513,176 (December 31, 2019 - \$32,888,991) since the inception of the Corporation. As at December 31, 2020, the Corporation had working capital of \$ 544,146 (December 31, 2019 – \$790,117). The Corporation's ability to continue as a going concern is largely dependent upon its ability to raise additional capital to continue the development of its mineral properties. Management attempts to raise additional capital whenever favorable market conditions exist (see Note 18, Subsequent Events).

Although the Corporation to date has been successful in securing sufficient funds, there remains material uncertainties that 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").

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

The consolidated financial statements of the Corporation for the period ended December 31, 2020 were approved and authorized by the Board of Directors on *April 27, 2021*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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
Wolfden Big Silver 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.

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, Wolfden Mt. Chase LLC, and Wolfden Big Silver 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.

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



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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.

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 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.

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



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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.

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.

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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 assets belong.

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 nonbrokered 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

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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.

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 equity method as they expected to be settled in equity.

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



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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.

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.



WOLF DEN

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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 of the audited consolidated financial statements for the year ending December 31, 2020, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant estimates

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

- i. the inputs used in accounting for share purchase option expense in the statement of loss and comprehensive loss;
- ii. the provision for income taxes which is included in the statements of income and comprehensive income and composition of deferred income tax assets and liabilities included in the statement of financial position which have not yet been confirmed by the taxation authorities, and
- iii. the estimated useful lives of equipment and leaseholds which are included in the statement of financial position and the related depreciation included in the statement of 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 through other income in the income statement. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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

The accounting policies adopted in the preparation of these consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at December 31, 2020.

- **IFRS 3**
On October 22, 2018, the IASB issued amendments to IFRS 3, Business Combinations ("IFRS3"), that seek to clarify whether a transaction is to be accounted for as an asset acquisition or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.
- **IAS 1**
The IASB issued an amendment to IAS 1, Presentation of Financial Statements, to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes:
 - Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
 - Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
 - Clarifying how lending conditions affect classification; and
 - Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity

Of the standards and interpretations that are issued, but not yet effective, none of them are expected to have any significant impact on the Corporation's financial statements in the near future.

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.



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For the year ended December 31, 2020

	Canada \$	USA \$	Total \$
Segmented Assets	188,966	812,027	1,000,993
Segmented Liabilities	122,106	333,731	455,837
Operating activities			-
Depreciation	358	-	358
Flow-through interest penalty	8	700	708
Exchange loss	(21,288)	35,575	14,287
Exploration and evaluation expenses	291,935	2,233,806	2,525,741
General and administrative	754,564	306,440	1,061,004
Professional fees	73,064	2,319	75,383
Share-based payments	312,386	28,119	340,505
Income tax expense	-	(232,806)	(232,806)
Total	1,411,027	2,374,153	3,785,180
Other items	17,673	3,143,322	3,160,995
Profit/(Loss) for the year	(1,393,354)	(769,169)	(624,185)

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	338	-	338
Exploration and evaluation expenses	416,033	1,931,281	2,347,314
General and administrative	644,704	23,674	668,378
Professional fees	39,758	34,179	73,937
Share-based payments	324,175	-	324,175
Income Tax Expense	-	88,635	88,635
Total	1,425,548	2,077,769	3,503,317
Other items	774,662	408,774	1,183,436
Loss for the year	650,886	1,668,995	2,319,881

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5. INVESTMENTS

At December 31, 2020, the Corporation held no guaranteed investment certificates, (December 31, 2019 - \$716,017 maturing April 9, 2020, yielding 1.75%).

6. AMOUNTS RECEIVABLE

For the years ended December 31, 2020 and 2019 (Stated in Canadian Dollars)

	2020 \$	2019 \$
Recoverable taxes (i)	11,657	36,437
Trade receivables	2,265	-
	13,922	36,437

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

7. EQUIPMENT AND LEASEHOLDS

	Computer Equipment \$	Vehicles \$	Total \$
Cost			
Balance, January 1, 2019	13,120	27,068	40,188
Write-down of assets	-	(27,068)	(27,068)
Balance, December 31, 2019	13,120	-	13,120
Balance, December 31, 2020	13,120	-	13,120
Accumulated depreciation			
Balance, January 1, 2019	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
Depreciation for the period	358	-	358
Balance, December 31, 2020	12,110	-	12,110
Carrying amounts			
December 31, 2019	1,368	-	1,368
December 31, 2020	1,010	-	1010



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8. EXPLORATION AND EVALUATION

For the year ended December 31, 2020

	Rice Island	Pickett Mountain	Teta- gouche	Orvan Brook	Other	Total for 2020	Total inception to date
Analysis	-	21,408	-	-	-	21,408	830,526
Geological	3,338	631,634	-	-	218,227	853,199	3,085,550
Geophysical	8,089	341,802	-	-	42,807	392,698	2,667,909
Geochemical	-	66,126	-	-	2,434	68,560	283,709
Travel	-	32,401	-	-	5,815	38,216	654,772
Drilling	-	676,336	-	-	-	676,336	6,464,868
Property Work	-	100	-	-	1,962	2,062	720,379
Ops Support	2,700	127,391	-	720	21,864	152,675	362,258
Administration	91	3,967	-	-	11,054	15,112	751,606
Total Exploration	14,218	1,901,165	-	720	304,163	2,220,266	15,821,577
Other costs	53,500	195,125	-	-	56,850	305,475	21,133,497
Total	67,718	2,096,290	-	720	361,013	2,525,741	36,955,074

For the year ended December 31, 2019

	Rice Island	Pickett Mountain	Teta- gouche	Orvan Brook	Other	Total for 2019	Total inception to date
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	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



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Mineral property acquisitions and agreements

Maine, U.S.A.

Pickett Mountain Property

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

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

Pursuant to the Royalty Agreement, Altius has the option to purchase an additional 0.50% gross sales royalty at any time before the first anniversary of commercial production for US\$7,500,000. In addition, the Corporation granted Altius certain rights to convert the Pickett Mountain Royalty to equity under certain terms, or to exchange the royalty for a similar royalty on the Corporation's Orvan Brook property. Furthermore, the Corporation agreed to use its best efforts to sell or transfer the timber from the project for gross proceeds of US\$5,000,000 or such other amount as agreed to by Wolfden and Altius, acting reasonably (the "Timber Proceeds"). Wolfden is required to pay Altius 20% of the Timber Proceeds. These terms as shown were amended from the original agreement on October 7, 2020.

On January 22, 2020, the Corporation secured up to US\$4.5 million in non-dilutive funding by selling-forward \$5 million worth of timber from its Pickett Mountain Property. Under the terms of the agreement the Corporation received US\$3 million and is entitled to receive an additional US\$1.5 million between the 4th and 5th anniversary of the agreement. The timber company has the right to harvest US\$5 million of timber from the property over 5 years. For the year ended December 31, 2020, the Corporation recorded net timber sales proceeds of \$3,140,880 (US\$ 2,400,000), that are net of 20% (US\$600,000) that was passed onto to Altius as per the Royalty Agreement (2019 - \$252,326). The entire amount of the proceeds was recognized as no further performance obligation is required by the Corporation. 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 conversion right and exchange right. The Call Right, which related to Altius's call option on the Timber Rights, was eliminated in the October 7, 2020 amendment of the Royalty Agreement as a direct result of the Corporations January 22, 2020 \$4.5 M timber sale agreement which by effect, eliminated the possibility for any potential call option on those Timber Rights. Each or the other two rights are valid and are summarized below.

Conversion Right

At any time after November 14, 2023, 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 timber 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



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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 Wolfdén, any remaining Escrowed Proceeds will be released to Wolfdén.

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 September 30, 2019, Altius and Wolfdén agreed to an amendment to their Offering and Subscription Agreements, dated November 14, 2017 whereby during any period when the common shares of Wolfdén 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 Wolfdén during such period, exercise its warrants. Altius currently holds 7,100,000 Wolfdén common share purchase warrants priced at \$0.35 per share with a termination date of November 15, 2022.

Timber Agreements

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 receive an additional US\$1.5 million between the 4th and 5th anniversary of the agreement. The timber company has the right to harvest US\$5 million of timber from the property over 5 years. In addition, the timber company also granted Wolfdén 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. As part of the Altius Royalty agreement on Pickett Mt., dated November 2017 and as amended on October 7, 2020, Altius is entitled to 20% of the gross timber sales and therefore only 80% of the timber proceeds are reported as revenues by the Corporation.

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 first and second year lease payments of \$25,000 USD, both of which have been paid.

On November 30, 2020, the Corporation's U.S. subsidiary entered into a mineral rights earn-in agreement on a property in Maine referred to as the Big Silver Project. The agreement called for a first-year payment of \$50,000 which has been paid. The Corporation is assessing the project and compiling the historical data so that it can be in a position to drill some confirmation holes in H2 2021.

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. Wolfdén 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.



WOLFDEN

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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 the Optioner has 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 (payment received and included in "Gain on disposal of mineral properties" in 2019). Wolfden retains a 1% NSR subject to buy back conditions held by Galway.

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

Brunswick No. 6 West Property

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

Manitoba, Canada

Rice Island Property

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

During the fourth quarter of 2015, a Notice of Dispute (the "Notice") was filed with the Province of Manitoba with respect to the Rice Island, Manitoba claims. Specifically, the Notice states that an individual (the "Disputant") has taken the position that one of the claims recorded in favour of Wolfden is invalid due to the existence of the Disputant's claims on the land prior to Wolfden's staking of the claim. Wolfden has responded to the Notice and is confident that it has clear and legal title to the subject claim as confirmed by the issuing of the recording certificate by the Manitoba Mining Recorder. This matter was brought to a resolution in conjunction with the signing of the Rice Island Tie-On Property ("RITOP") agreement described below. On September 21, 2016, the Corporation entered into an option agreement to expand the Rice Island property by earning a 100% interest in the Rice Island Tie-On Property, located adjacent to Wolfden's existing Rice Island property. Under terms of the option agreement with the Vendor, to earn



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a 100% interest in the RITOP, the Corporation must make cash payments totaling \$250,000 and issue 500,000 common shares of Wolf Den 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, Wolf Den 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. Wolf Den 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. On August 17, 2020, the Corporation further issued 100,000 shares to the vendor valued at \$0.28 per common share, totalling \$28,500.

iii. Warrants

The following table reflects the continuity of warrants as at December 31, 2020:

Expiry Date	Exercise Price	2019 Opening Balance	Warrants Issued	Warrants Exercised	Warrants Expired	2019 Closing Balance
	\$	#	#	#	#	#
November 15, 2022	0.35	10,100,000	-	-	-	10,100,000
January 15, 2023	0.61	375,000	-	-	-	375,000
Total		10,475,000	-	-	-	10,475,000
Weighted average exercise price		0.35	-	-	-	0.35



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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
Total		12,225,000	-	(1,750,000)	-	10,475,000
Weighted average exercise price		0.33	-	0.15	-	0.35

iv. Share purchase option compensation plan

Share-based payments consists of the following amounts:

	For the year ended	
Share Based Payments	2020	2019
	\$	\$
Share purchase Options	92,106	242,433
Restricted Share Units (RSU's)	248,399	81,742
Total	340,505	324,175

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 including RSU's) 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.



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The following table reflects the stock options outstanding as at December 31, 2020:

Expiry Date	Exercise Price	2020 Opening Balance	Granted	Exercised	Expired/ Cancelled	2020 Closing Balance
	\$	#	#	#	#	#
March 09, 2022	0.75	1,260,000	-	-	(180,000)	1,080,000
August 18, 2021	0.13	950,000	-	(25,000)	(215,000)	710,000
March 09, 2022	0.14	50,000	-	-	(50,000)	-
July 20, 2022	0.14	945,000	-	(25,000)	(210,000)	710,000
December 29, 2022	0.53	600,000	-	-	-	600,000
July 10, 2023	0.30	2,440,000	-	-	(50,000)	2,390,000
February 12, 2024	0.30	300,000	-	-	(300,000)	-
April 29, 2024	0.30	600,000	-	-	-	600,000
June 26, 2024	0.20	200,000	-	-	-	200,000
September 1, 2024	0.20	200,000	-	-	-	200,000
July 13, 2025	0.20	-	200,000	-	-	200,000
Total		7,545,000	200,000	(50,000)*	(1,005,000)	6,690,000
Weighted Average exercise price		0.29	0.20	0.14	0.30	0.34

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
Total		7,705,000	1,300,000	-	(1,460,000)	7,545,000
Weighted Average exercise price		0.32	0.24	-	0.50	0.29

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, \$65,850 was recorded as compensation for the December 29, 2022 options that vested during the period, \$8,035 for the April 29, 2024 options that vested during the period and \$18,221 for the July 17, 2025 options that vested during the period (2019- 87,800 for the December 29, 2022 options that vested during the year, \$39,568 was recorded as compensation for the February 12, 2024 options that vested during the year, \$72,966 was recorded

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as compensation for the April 29, 2024 options that vested during the year, and \$42,100 was recorded as compensation for the September 1, 2024 options that vested during the year, totaling \$242,433 for the year ended December 31, 2019). As of December 31, 2020, there were 100,000 unvested stock options (December 31, 2019 - 400,000 unvested stock options).

* 50,000 options were exercised during the year. The weighted average share at the date of exercise was \$0.14.

** The weighted average remaining life of the outstanding stock options is 2.43 year (December 31, 2019 – 4.2 years).

The Corporation currently estimates the forfeiture rate to be nil.

v. Restricted Share Units

During the year, an additional 1,070,000 Restricted Share Units ("RSUs") were issued under the restricted share unit plan of the Corporation. The RSUs vest equally over a three year period, vesting on August 31 2020, April 29, 2021 and April 29, 2022. Each RSU has the same value as one Wolf Den Resources Corporation common share. Last fiscal year, 1,208,750 Restricted Share Units ("RSUs") were issued under the restricted share unit plan of the Corporation. The RSUs vest equally over a three year period, vesting on June 26, 2019, April 29, 2020 and April 29, 2021. The RSUs are expected to be settled in equity and are therefore accounted for as equity instruments.

A share based payment expense of \$248,399 (\$81,742 for December 31, 2019) was recorded for the year ended December 31, 2020. During the year ended December 31, 2020, there were 759,581 RSUs valued at \$136,725 (402,917 for December 2019, valued at \$62,452), that were converted to common shares of the Corporation at an average price of \$0.18 per share. As at December 31, 2020, there were 1,116,250 RSU's outstanding (December 31, 2019 - 805,833). 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 2020 or 2019.

For the year ended December 31

	2020	2019
Numerator:		
(Loss for the year	(624,185)	(2,319,881)
Denominator:		
Weighted average number of common shares	130,844,086	126,387,131
Basic and diluted loss per share	(0.00)	(0.02)



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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 \$11,313 (2019 - \$22,627) for rent paid to 2401794 Ontario Inc., a wholly owned subsidiary of Premier Gold Mines Ltd., a company related to the Corporation through Ewan Downie, Ron Little, and John Seaman, who are all Directors of Wolfden and Premier. Rent agreement with 2401794 Ontario Inc was terminated as of June 30, 2020.
- (b) Included in general and administrative expenses are amounts totaling \$5,000 for 2019 for corporate secretarial services provided by DRAX Services Limited, related to the Corporation through Shaun Drake, Corporate Secretary of Wolfden. Drax Services Limited ceased to be a related party as of May 31, 2019.

Key management personnel remuneration includes the following amounts:

For the years ended December 31	2020 \$	2019 \$
Salary and wages	303,746	318,000
Share-based payments	312,386	142,244
Other compensation	21,380	16,833
Directors fees	57,000	55,696
Total	694,512	532,773

12. COMMITMENTS

The Corporation has no material long-term commercial commitments.

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13. INCOME TAX EXPENSE

- (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:

	2020 \$	2019 \$
Loss for the year	(856,991)	(2,231,246)
Statutory rates	26.50%	26.50 %
Income tax recovery computed at statutory rates	(227,103)	(643,575)
Increase in deferred tax assets not recognized	148,551	540,915
Non-deductible items	94,704	86,088
Effect of change in tax rates	(16,152)	16,572
Impact of gain on sale of royalty interests	-	88,635
Tax refund due to change in policy	(232,806)	-
Income tax expense	(232,806)	88,635

The Company through its US subsidiary Wolfden USA Inc., received a cash refund of USD\$172,462 (CAD \$232,806) for taxes paid in 2018 related to its Pickett Mountain Project. The refund is a result of a 2020 beneficial change in US tax policy under the CARES Act that allowed losses to be carried back to 2018.

- (b) Deferred tax assets not recognized

Management believes that it is not likely to be sufficient taxable profits in the next few years to allow the benefit of the following deferred tax assets to be utilized:

	2020 \$	2019 \$
Non - capital losses	5,057,793	4,908,257
Common share issue costs	14,565	364,618
Equipment and leaseholds	33,742	34,281
Exploration and evaluation	4,577,474	1,722,063
Deferred tax assets not recognized	9,683,574	7,029,219
Unused operating tax losses expiring 2029 to 2040	16,865,724	15,948,646
Unused operating tax losses with indefinite expiration	2,475,812	2,317,998
Deductible temporary differences	18,757,561	17,950,406
Total unused operating tax losses	38,099,097	36,217,050

14. OTHER INCOME

Other income for the year ended December 31, 2020 includes \$ 3,140,880 (US\$ 2,400,000) in timber sales from the Pickett Mt. project in Maine.



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15. FINANCIAL INSTRUMENTS AND RELATED RISKS

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

Credit risk

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

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

Liquidity risk

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

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

Interest rate risk

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

Currency risk

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

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

The following table sets forth the Corporation's financial assets measured at fair value by level within the fair value hierarchy as at December 31, 2020:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investments	-	-	-	-

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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

16. MANAGEMENT OF CAPITAL RISK

The Corporation manages its common shares, stock options and warrants as capital, that as at December 31, 2020 totaled \$ 34,227,394 (2019 - \$33,846,189). 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

17. 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 and the United States, 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 weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Corporation has been monitoring the COVID-19 outbreak since March 2020 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. Field work programs and the field work personnel were adjusted

18. SUBSEQUENT EVENTS

On January 27, 2021, the Corporation announced that it has completed a non-brokered private placement of 6,250,000 common shares of the Corporation ("Common Shares") at a price of \$0.32 per Common Share with Altius Minerals Corporation ("Altius") and Kinross Gold Corporation ("Kinross") for gross proceeds of \$2 million. Altius now holds approximately 12.6% and Kinross holds approximately 11.4% of the issued and outstanding shares of the Corporation. The majority of the proceeds from the offering will be used to continue exploration at the Corporation's 100%-owned Pickett Mountain high-grade polymetallic deposit and also at its recently optioned Big Silver project, both located in Maine, USA. As part of the terms of the subscription agreement, the Corporation will continue to collaborate with and gain support from its strategic shareholders on technical programs related to the exploration and development of the projects.

On February 5, 2021, the Corporation announced that it has granted a total of 1,750,000 options to purchase common shares of the Corporation to certain directors, officers, employees and consultants pursuant to the Corporation's Share Incentive Plan. The options have an exercise price of \$0.32 per common share and expire on February 4, 2026. The grant related in part to the Corporation's annual review of compensation and noted that the last meaningful grant of options was in 2018.



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On February 18, 2021, the Corporation announced that it has been awarded a \$230,000 grant from the Manitoba Mineral Development Fund to support a 2,300 metre diamond drill program designed to expand its wholly owned Rice Island strategic-metal nickel-copper-cobalt deposit. The deposit is well located near the town of Snow Lake and its existing infrastructure that includes power, an experienced mining work force and other operating mineral processing facilities.

On February 24, 2021, the Corporation announced the completion of a non-brokered private placement of 1,550,000 common shares of the Corporation that are "flow-through shares" within the meaning in the Income Tax Act (Canada) (the "Flow-Through Shares") at a price of \$0.40 per Flow-Through Share for gross proceeds of \$620,000. The securities issued under this offering are by way of private placement in the provinces of Ontario and British Columbia, pursuant to applicable exemptions from the prospectus requirements under applicable securities laws. In addition, the securities are subject to a four-month hold period which will expire on June 24, 2021. The gross proceeds from the offering will be used for exploration on the Corporation's nickel, copper, cobalt projects in Manitoba and its silver-rich polymetallic projects in New Brunswick, Canada.

On March 30, 2021, the Corporation announced the completion of a non-brokered private placement financing of 12,725,000 units at a price of \$0.32 per unit for gross proceeds of \$4.07 million. Each unit is comprised one common share of the Corporation ("Common Shares") and one half of a share purchase warrant. Each whole share purchase warrant can be converted in one common share of the Corporation at a price of \$0.45 for two years, subject to acceleration in certain circumstances.