

BAYHORSE SILVER INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

Expressed in Canadian dollars, Unless Noted Otherwise

Management's Comments on Unaudited Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Bayhorse Silver Inc. for the three and six months ended June 30, 2022, have been prepared by the Company's management and approved by the Audit Committee and Board of Directors of the Company. The accompanying unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

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BAYHORSE SILVER INC.

Condensed Consolidated Interim Statements of Financial Position

Expressed in Canadian Dollars, Unless Noted Otherwise

(Unaudited)

	Notes	June 30, 2022	December 31, 2021
ASSETS			
Current			
Cash		\$ 71,923	\$ 432,062
GST receivable		6,057	6,545
Subscriptions receivable	5	10,000	145,500
Prepaid expenses		478,639	560,882
		566,619	1,144,989
Non-current			
Property and equipment	3	1,828,670	1,907,863
Reclamation bond	7	11,700	11,700
		\$ 2,406,989	\$ 3,064,552
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current			
Accounts payable	6	\$ 162,670	\$ 178,914
Accrued liabilities		294,128	283,945
Flow-through premium liability	5, 12	130,604	141,934
Convertible debentures	4	470,339	836,748
Contract liabilities	8	20,796	23,092
		1,078,537	1,464,633
Shareholders' equity (deficit)			
Share capital	5	28,457,100	27,365,649
Reserves	5	11,131,415	10,653,542
Deficit		(38,260,063)	(36,419,272)
		1,328,452	1,599,919
		\$ 2,406,989	\$ 3,064,552

Nature of operations and going concern (note 1)**Commitments** (notes 8 and 12)**Subsequent event** (note 13)

Approved on behalf of the Board:

"Graeme O'Neill"

Director

"James Walker"

Director

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

BAYHORSE SILVER INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Expressed in Canadian Dollars, Unless Noted Otherwise

(Unaudited)

		Three Months Ended		Six Months Ended	
	Note	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Mineral expenses					
Exploration expenses	6,7	\$ 478,054	\$ 829,552	\$ 1,128,107	\$ 1,242,664
Expenses					
Communications		23,139	84,214	67,673	111,195
Financing fee	5	30,701	43,498	243,327	940,592
Foreign exchange and bank charges		110,368	(7,865)	28,894	8,170
Insurance		25,954	15,900	45,888	29,263
Lease interest		-	16,888	-	37,553
Management fees	6	23,400	19,500	46,800	35,000
Office and other	6	16,127	17,904	32,721	30,013
Office rent	6	9,000	9,000	18,000	18,000
Professional fees	6	71,986	79,752	124,486	121,547
Promotion		-	30	-	1,270
Share-based compensation		-	447,794	-	571,378
Transfer, listing and filing fees		21,186	6,043	41,660	22,861
Travel		-	2,487	148	3,512
		(331,861)	(735,145)	(649,597)	(1,930,354)
Operating loss		(809,915)	(1,564,697)	(1,777,704)	(3,173,018)
Gain on fair value re-measurement of convertible debenture		-	17,146	-	31,683
Loss on shares issued from convertible debenture		-	-	-	(12,431)
Gain (loss) on revaluation of silver pre-sales	8	3,645	(1,976)	2,296	2,029
Loss on settlement of debentures		(76,714)	-	(76,714)	-
Loss before income taxes		(882,984)	(1,549,527)	(1,852,122)	(3,151,737)
Deferred income tax recovery		5,744	33,089	11,331	59,499
Loss and comprehensive loss for the period		\$ (877,240)	\$ (1,516,438)	\$ (1,840,791)	\$ (3,029,238)
Weighted average number of common shares outstanding - basic and diluted		221,679,629	178,247,807	214,309,065	168,728,082
Basic and diluted loss per common share		\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)

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

BAYHORSE SILVER INC.

Condensed Consolidated Interim Statements of Cash Flows
Expressed in Canadian Dollars, Unless Noted Otherwise
(Unaudited)

	Six Months Ended	
	June 30, 2022	June 30, 2021
Operating activities		
Loss for the period	\$ (1,840,791)	\$ (3,092,238)
Items not involving cash:		
Foreign exchange	12,550	(13,795)
Depreciation	150,396	141,650
Share-based compensation	-	571,378
Financing fees – warrant modification	196,155	848,698
Gain on shares issued from convertible debenture	-	12,431
Loss on fair value re-measurement of convertible debentures	-	(31,683)
Deferred income tax recovery	(11,331)	(59,499)
Gain on revaluation of silver pre-sales	(2,296)	(2,029)
Interest on lease liability	-	37,553
Loss on debentures settlement	76,714	-
Changes in non-cash working capital items:		
Accounts receivable	488	(19,493)
Subscriptions receivable	135,500	55,000
Prepaid expenses	82,243	(168,909)
Accounts payable and accrued liabilities	23,624	(274,869)
Contract liabilities	-	(3,483)
Cash used in operating activities	(1,176,748)	(1,999,288)
Investing activities		
Acquisition of equipment	(71,203)	(291,691)
Reclamation bond	-	(11,700)
Cash used in investing activities	(71,203)	(303,391)
Financing activities		
Gross proceeds from share issuance	919,760	1,760,000
Share issuance costs	(5,924)	(84,193)
Repayment of convertible debentures	(26,024)	(172,921)
Options exercised during the period	-	450,500
Warrants exercised during the period	-	1,555,157
Repayment of loans payable	-	(149,663)
Lease liability	-	(219,986)
Cash provided by financing activities	887,812	3,138,894
Increase (decrease) in cash	(360,139)	836,215
Cash, beginning of the period	432,062	26,374
Cash, end of the period	\$ 71,923	\$ 862,589

Supplemental cash flow information (note 12)

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

BAYHORSE SILVER INC.

Condensed Consolidated Interim Statement of Changes in Shareholders' Deficit

Expressed in Canadian Dollars, Unless Noted Otherwise

(Unaudited)

	Note	Number of Shares	Share Capital	Reserves	Deficit	Total
Balance, December 31, 2020		143,678,839	\$ 21,090,640	\$ 7,661,447	\$ (30,567,637)	\$ (1,815,550)
Shares issued for cash	5(b)	22,000,000	1,114,253	645,747	-	1,760,000
Fair value of broker warrants	5(b)	-	32,302	-	-	32,302
Share issuance costs	5(b)	-	(116,495)	-	-	(116,495)
Financing fees - warrant modification	5(d)	-	-	848,698	-	848,698
Shares issued for options exercised	5(c)	3,510,000	779,014	(328,514)	-	450,500
Shares issued on warrants exercised	5(d)	12,132,519	2,031,657	(476,500)	-	1,555,157
Shares issued for debenture conversion	5(b)	355,180	59,402	(2,573)	-	56,829
Share-based compensation	5(c)	-	-	571,378	-	571,378
Net loss and comprehensive loss		-	-	-	(3,092,238)	(3,092,238)
Balance, June 30, 2021		181,676,538	\$ 24,990,773	\$ 8,919,683	\$ (33,659,875)	\$ 250,581
Balance, December 31, 2021		206,473,372	\$ 27,365,649	\$ 10,653,542	\$ (36,419,272)	\$ 1,599,919
Shares issued for cash	5(b)	11,497,000	638,042	281,718	-	919,760
Fair value of broker warrants	5(b)	-	420	-	-	420
Share issuance costs	5(b)	-	(7,296)	-	-	(7,296)
Financing fees - warrant modification	5(d)	-	-	196,155	-	196,155
Shares issued for debentures settlement	5(b)	7,671,418	460,285	-	-	460,285
Net loss and comprehensive loss		-	-	-	(1,840,791)	(1,840,791)
Balance, June 30, 2022		225,641,790	\$ 28,457,100	\$ 11,131,415	\$ (38,260,063)	\$ 1,328,452

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

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2022
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Bayhorse Silver Inc. (the “Company”) was incorporated under the Canada Business Corporations Act on April 6, 2004 and continued its incorporation into British Columbia on May 3, 2010. The Company is engaged in the acquisition and exploration of mineral property interests.

The Company is listed on the TSX-V under the symbol BHS as a Tier 2 mining issuer, the Frankfurt Exchange, Germany, under the symbol 7KXN, and in the USA on the OTCQB under the symbol BHSIF.

The address of the Company’s corporate office and principal place of business is 2501 – 4398 Buchanan St, Burnaby, BC, V5C 6R7, Canada.

Going Concern

The accompanying condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. At June 30, 2022, the Company had a working capital deficit of \$511,918 (December 31, 2021 – \$319,644), an accumulated deficit of \$38,260,063 (December 31, 2021 – \$36,419,272), had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the six months ended June 30, 2022, the Company reported a comprehensive loss of \$1,840,791 (2021 – \$3,092,238).

The Company is dependent on equity and debt financings to fund its operations. The recoverability of the underlying value of assets is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production. These circumstances comprise a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s condensed consolidated interim financial statements for the three and six months ended Jun 30, 2022 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and such adjustments could be material.

2. BASIS OF PRESENTATION**a. Statement of Compliance**

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”) effective for the Company’s reporting period ending December 31, 2022. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB. The accounting policies applied are the same as those applied in the Company’s most recent annual financial statements which are filed under the Company’s profile on SEDAR at www.sedar.com. The results for interim periods are not necessarily indicative of results for the entire year. The preparation of these unaudited condensed consolidated interim financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities

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at the date of the condensed consolidated interim financial statements and the reported amounts of expenses during the period. As a result, actual amounts may differ from those estimates.

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current period.

These condensed consolidated interim financial statements for the three and six months ended June 30, 2022 were approved and authorized for issue by the Board of Directors on August 24, 2022.

b. Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly owned subsidiary, USA based Bayhorse Silver (USA) Inc. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions, balances and any unrealized gains and losses from intercompany transactions are eliminated in preparing the condensed consolidated interim financial statements.

c. New accounting pronouncements**IAS 1 – Presentation of Financial Statements (“IAS 1”)**

IAS 1 has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023. This amendment did not have any significant impact on the consolidated financial statements of the Company upon adoption on January 1, 2022.

IAS 16 – Property, plant and equipment - proceeds before intended use (“IAS 16”)

IAS 16 has been amended to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant or equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. These amendments are effective for periods beginning on or after January 1, 2022. This amendment did not have any significant impact on the consolidated financial statements of the Company upon adoption on January 1, 2022.

IAS 37 – Provisions (“IAS 37”)

IAS 37 has been amended to clarify (i) the meaning of “costs to fulfil a contract”, and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments are effective for periods beginning on or after January 1, 2022. This amendment did not have any significant impact on the consolidated financial statements of the Company when the amendment was adopted on January 1, 2022.

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3. PROPERTY AND EQUIPMENT

	Land	Building	Vehicle	Crusher	Mining Equipment	Processing Equipment	X-Ray Sorter ⁽¹⁾	Power Line	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
December 31, 2020	114,954	-	-	70,005	364,646	548,403	1,374,510	101,255	2,573,773
Additions	-	200,153	13,036	-	21,037	249,694	123,501	71,546	678,967
December 31, 2021	114,954	200,153	13,036	70,005	385,683	798,097	1,498,011	172,801	3,252,740
Additions	-	-	-	-	-	31,832	-	39,371	71,203
June 30, 2022	114,954	200,153	13,036	70,005	385,683	829,929	1,498,011	212,172	3,323,943
Accumulated depreciation									
December 31, 2020	-	-	-	70,005	347,271	149,069	462,338	35,340	1,064,023
Additions	-	-	1,338	-	28,190	77,727	162,369	11,230	280,854
December 31, 2021	-	-	1,338	70,005	375,461	226,796	624,707	46,570	1,344,877
Additions	-	-	1,350	-	3,521	49,587	85,226	10,712	150,396
June 30, 2022	-	-	2,688	70,005	378,982	276,383	709,933	57,282	1,495,273
Carrying value									
December 31, 2021	114,954	200,153	11,698	-	10,222	571,301	873,304	126,231	1,907,863
June 30, 2022	114,954	200,153	10,348	-	6,701	553,546	788,078	154,890	1,828,670

⁽¹⁾ The X-Ray Sorter was leased equipment and was presented as a right-of-use asset in fiscal 2020. During the year ended 2021, the Company completed the equipment lease buy-out and currently owns the asset.

The Company records depreciation within exploration expenses (see note 7).

4. CONVERTIBLE DEBENTURES

During the year ended December 31, 2018, the Company issued 192 units of US\$5,000 convertible debentures for gross proceeds of US\$960,000 (CAD\$1,249,466). During the year ended December 31, 2017, the Company issued 200 units of US\$5,000 convertible debentures for gross proceeds of US\$1,000,000 (CAD\$1,231,400). During the year ended December 31, 2016, the Company issued 180 units of US\$5,000 convertible debentures for gross proceeds of US\$900,000 (CAD\$1,187,601). During the year ended December 31, 2015, the Company issued 70 units of US\$5,000 debentures for gross proceeds of US\$350,000 (CAD\$458,945) (all of these debentures are collectively referred as the "Debentures"). As of March 31, 2022 and December 31, 2021 all of the Debentures have matured and are no longer convertible into shares of the Company. Key features of these Debentures were as follows:

- Term
 - three years from the date of issuance;
- Interest payments
 - 12% per annum, calculated and compounded monthly and not in advance, and payable annually in arrears. Interest on all overdue amounts of principal or interest, is calculated and compounded daily at the same rate, from the date that such amount of principal or interest becomes due to the actual date of payment;

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- The Company's redemption right
 - The Company may redeem the Debenture at any time after the first anniversary of the date of its issuance upon the following terms and conditions:
 - The Company must advise the holder in writing not less than 30 days prior to the date of redemption of its intention to exercise its redemption rights;
 - Redemption price will be at least the full principal portion plus accrued interest up until the redemption date;
- Conversion right to shares
 - Debenture holders ("Holders") had the option to convert the principal and unpaid accrued interests into shares at any time during the period from four months from the date of issuance and the second anniversary of such date. Redemption price ranges from CAD\$0.125 to CAD\$0.20 per share during the first year of the term, and in the second year of the term in the event the common shares of the Corporation trade for a 30-day period at a range of CAD\$0.20 to CAD\$0.30 per share or higher, the average of thirty days trading less a twenty (20%) percent discount as permitted by the rules of the TSX-V, but in no case less than a range of CAD\$0.125 to CAD\$0.20 per share;
- Conversion right to silver
 - In the event the Company successfully mines silver from the Bayhorse property prior to the maturity date of the Debenture, Holders had the option to convert the Principal and unpaid accrued interests into one the following options:
 - Physical ounces of silver at a price ranging from US\$15.50 to US\$17.50 per ounce of silver; or
 - Receive the net proceeds from the sale by the Company of silver that would otherwise have been delivered to the Holders.
- Bonus warrants
 - Each US\$5,000 Holder receives 20,000 warrants with each warrant exercisable into one common share of the Company for 3 years from date of issuance at an exercise price ranging from CAD\$0.25 to CAD\$0.30 per common share.

Fair Value Measurement

The Debenture is denominated in US dollars but the conversion price is denominated in Canadian dollars. The number of shares to be converted varies based on the foreign exchange rate at conversion date. The amount of interest payment also varies based on the foreign exchange rate on interest payment dates. The Debenture issued by the Company is a hybrid instrument, containing a loan component and embedded derivatives.

All of these financial instruments are classified as fair value through profit and loss ("FVTPL") and all changes in fair value were recorded in profit and loss. The fair value of the Debenture was measured using the present value of future cash flows with a market discount rate of 14.98%, which was based on a comparable instrument. On initial recognition, the Debenture was recorded at fair value with any excess from proceeds being credited to reserves.

All Debentures were re-measured at their fair value at each reporting date with all changes in fair value recorded in profit and loss. Accordingly, for the six months ended June 30, 2022, the Company recorded a gain of \$17,146 (2021 - \$31,683).

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The continuity of the Debentures and their effect on reserves is provided in the following table:

		Debenture		Reserves
Balance, December 31, 2020	\$	1,626,048	\$	87,918
Converted to shares		(417,029)		(23,878)
Repayments		(375,534)		-
Foreign exchange loss		4,211		-
Change in fair value		(948)		-
Balance, December 31, 2021	\$	836,748	\$	64,040
Repayments		(378,959)		-
Foreign exchange		12,550		-
Balance, June 30, 2022	\$	470,339	\$	64,040

The principal amounts in US dollars outstanding as at June 30, 2022 and their maturity dates were as follows:

Maturity Date	Outstanding Principal US\$
November 7, 2018	\$100,000
February 22, 2019	50,000
August 3, 2019	10,000
September 27, 2020	110,000
September 27, 2021	20,000
December 19, 2021	75,000
	\$365,000

5. CAPITAL STOCK

- a) Authorized
Unlimited number of common shares without par value
- b) Issued and fully paid
The Company issued the following securities during the periods indicated:

	Note	Number
Balance, December 31, 2020		143,678,839
Shares issued for private placement	5(b) (i)	42,000,000
Shares Issued for options	5(c)	3,510,000
Shares Issued for warrants	5(d)	12,132,819
Shares issued for debentures	5(b) (ii)	3,336,392
Shares issued for debt settlement	5(b) (iii)	1,515,322
Shares issued for acquisition of mineral property	5(b) (iv)	300,000
Balance, December 31, 2021		206,473,372
Shares issued for private placement	5(b) (i)	11,497,000
Shares issued for debentures settlement	5(b) (iii)	7,671,418
Balance, June 30, 2022		225,641,790

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- (i) On March 28, 2022, the Company closed its non-brokered private placement of 11,497,000 units and issued 11,497,000 common shares and warrants for gross proceeds of \$919,760 at a price of \$0.08 per unit. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of \$0.15 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$919,760) from the private placement and accordingly, \$638,042 of the total value was allocated to the shares and \$281,718 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes option pricing model. The Company paid a finder's fee of \$2,697 in cash and issued 11,900 broker warrants valued at \$420. Graeme O'Neill, the Company's CEO and director was issued 5,000,000 units.

On February 1, 2021, the Company issued a total of 22,000,000 units at a price of \$0.08 per unit for gross proceeds of \$1,760,000. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.15 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$1,760,000) from the private placement and accordingly, \$1,114,253 of the total value was allocated to the shares and \$645,747 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes option pricing model. The Company paid a finder's fee of \$71,568 in cash and issued 428,750 broker warrants valued at \$32,302. Graeme O'Neill, the Company's CEO and director was issued 5,750,000 units and Rick Low, the Company's CFO was issued 375,000 units.

On October 22, 2021, the Company closed its 16,500,000 unit non-brokered private placement and issued 16,500,000 common shares and warrants for gross proceeds of \$2,227,500 at a price of \$0.135 per unit. Each unit consist of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of \$0.225 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$2,227,500) from the private placement and accordingly, \$1,528,788 of the total value was allocated to the shares and \$698,712 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes option pricing model. The Company paid a finder's fee of \$2,126 in cash and issued 15,750 broker warrants valued at \$772. Graeme O'Neill, the Company's CEO and director was issued 6,032,075 units.

On December 31, 2021, the Company closed its 3,500,000 unit flow-through non-brokered private placement and issued 3,500,000 common shares and warrants for gross proceeds of \$350,000 at a price of \$0.10 per unit. Each unit consist of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of \$0.15 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$350,000) from the private placement and accordingly, \$233,499 of the total value was allocated to the shares and \$116,501 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes option pricing model. The Company paid a finder's fee of \$15,715 in

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cash and issued 157,150 broker warrants valued at \$8,011. Rick Low, the Company's CFO was issued 300,000 units. \$145,500 of this issuance is recorded as subscriptions receivable. In relation to the private placements completed during the year ended December 31, 2021, the Company recorded other share issuance costs of \$32,505.

- (ii) On February 26, 2021, US\$35,000 of convertible debentures were converted into 355,180 common shares at a price of C\$0.125 per share and interest of C\$12,875 (US\$10,149) of accrued interest on the convertible debentures was paid in cash. Reserves of \$2,573 was transferred to share capital in relation to the conversion. Of this conversion, Rick Low, the Company's CFO converted US\$25,000 of convertible debentures into 253,700 common shares at a price of C\$0.125 per share and was paid C\$9,353 (US\$7,373) of accrued interest on the convertible debentures.

On August 5, 2021, US\$45,000 of convertible debentures were converted into 449,892 common shares at a price of C\$0.125 per share and interest of C\$21,084 (US\$16,871) on the convertible debentures was accrued. Reserves of \$3,244 was transferred to share capital in relation to the conversion.

On August 30, 2021, US\$50,000 of convertible debentures were converted into 505,400 common shares at a price of C\$0.125 per share and interest of C\$14,453 (US\$11,414) of accrued interest on the convertible debentures was paid in October 2021. Reserves of \$3,612 was transferred to share capital in relation to the conversion.

On September 13, 2021, US\$200,000 of convertible debentures were converted into 2,025,920 common shares at a price of C\$0.125 per share and interest of C\$56,667 (US\$44,754) of accrued interest on the convertible debentures was paid in October 2021. Reserves of \$14,449 was transferred to share capital in relation to the conversion.

- (iii) On May 17, 2022, the Company settled \$352,935 of convertible debenture plus accrued and unpaid interest of \$30,636 and recorded a loss of \$76,714 on debt settlement through the issuance of 7,671,418 common shares of the Company at a price of \$0.05 per share.

On October 4, 2021, the Company issued 1,515,322 common shares at a price of \$0.11 per share as settlement for \$166,686 of convertible debenture accrued interest. A gain on debt settlement of \$7,577 for the year ended December 31, 2021 resulted from this transaction.

- (iv) On December 23, 2021, the Company issued 300,000 common shares with a fair value of \$31,500 pursuant to the option agreement for the Brandywine mineral property.

c) Reserves**Stock Options**

Pursuant to the Company's stock option plan (the "Plan"), the Company's board of directors may from time to time authorize the issue of options to eligible persons. The option price for the options shall be not less than the discounted market price on the grant date. The expiry date for each option shall be set by the board at the time of issue of the option and shall not be more than five years after the grant date. Options shall not be assignable (or transferable) by the Optionee.

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The number of shares which may be issuable under the Plan and all of the Company's other previously established or proposed share compensation arrangements, within a one-year period:

- to any one Optionee, shall not exceed 5% of the total number of issued and outstanding shares on the grant date on a non-diluted basis;
- to insiders as a group shall not exceed 10% of the total number of issued and outstanding shares on the grant date on a non-diluted basis;
- to any one consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on the grant date on a non-diluted basis; and
- all eligible persons who undertake investor relations activities shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on the grant date on a fully diluted basis.

During the six months ended June 30, 2022 and the year ended December 31, 2021, the following were changes to the stock options of the Company:

	Number of Options issued and exercisable	Weight Average Exercise Price	Weighted Average Life (years)
Balance, December 31, 2020	10,415,000	\$0.16	2.87
Options granted	8,500,000	\$0.17	-
Options exercised	(3,510,000)	\$0.13	-
Options expired	(930,000)	\$0.15	-
Balance, June 30, 2022 and December 31, 2021	14,475,000	\$0.18	2.92⁽¹⁾ 3.42⁽²⁾

⁽¹⁾ Weighted average life of 2.92 years at June 30, 2022.

⁽²⁾ Weighted average life of 3.42 years at December 31, 2021.

The details of the share-based compensation granted are as follows:

On January 28, 2021, the Company granted 2,000,000 stock options, exercisable at \$0.125 for five years to directors, consultants and officers of the Company. The fair value of the share-based compensation recognized was \$123,584 as determined using the Black-Scholes Option Pricing Model. Of these stock options, 1,580,000 were granted to related parties.

On April 27, 2021, the Company granted 2,500,000 stock options, exercisable at \$0.25 for five years to directors, consultants and officers of the Company. The fair value of the share-based compensation recognized was \$447,794 as determined using the Black-Scholes Option Pricing Model. Of these stock options, 1,900,000 were granted to related parties.

On September 3, 2021, the Company granted 3,800,000 stock options, exercisable at \$0.15 for five years to directors, consultants and officers of the Company. The fair value of the share-based compensation recognized was \$380,821 as determined using the Black-Scholes Option Pricing Model. Of these stock options, 3,400,000 were granted to related parties.

On December 14, 2021, the Company granted 200,000 stock options, exercisable at \$0.15 for five years to an employee of the Company. The fair value of the share-based compensation recognized was \$11,924 as determined using the Black-Scholes Option Pricing Model.

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During the year ended December 31, 2021, there were an aggregate of 3,510,000 stock options exercised at exercise prices ranging from \$0.10 to \$0.15 per stock option for gross proceeds of \$450,500. Reserves of \$328,514 was transferred to share capital in relation to the exercises. Of these stock options, 3,125,000 were exercised by related parties.

Weighted average assumptions used for the Black Scholes option pricing model are as follows:

	2021
Risk free rate of return	0.33 – 1.21%
Expected life	3.31 – 3.70 years
Expected volatility	115 – 117%
Expected dividend yield	0.00%

The following stock options were outstanding and exercisable at June 30, 2022:

Number	Exercise Price	Expiry Date
230,000	\$0.20	July 13, 2022
1,000,000	\$0.20	September 18, 2022
800,000	\$0.25	March 6, 2023
370,000	\$0.20	May 8, 2023
710,000	\$0.15	September 24, 2023
260,000	\$0.10	February 12, 2024
355,000	\$0.10	May 7, 2024
310,000	\$0.10	June 17, 2024
450,000	\$0.10	August 22, 2024
450,000	\$0.10	December 6, 2024
2,000,000	\$0.20	October 5, 2025
100,000	\$0.20	December 1, 2025
940,000	\$0.125	January 28, 2026
2,500,000	\$0.25	April 27, 2026
3,800,000	\$0.15	September 3, 2026
200,000	\$0.15	December 14, 2026
14,475,000	\$0.18	

During the six months ended June 30, 2022 and the year ended December 31, 2021, the following were changes to the warrants of the Company:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life Remaining (in years)
Balance, December 31, 2020	70,705,761	\$0.19	1.57
Warrants granted	42,601,650	\$0.18	-
Warrants exercised	(12,132,819)	\$0.13	-
Warrants expired	(3,938,000)	\$0.25	-
Balance, December 31, 2021	97,236,592	\$0.19	1.22
Warrants granted	11,508,900	\$0.15	-
Warrants expired	(6,063,000)	\$0.25	-
Balance, June 30, 2022	102,682,492	\$0.18	1.34

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Assumptions used in the Black Scholes option pricing model for the warrants granted are as follows:

	2022	2021
Risk free rate of return	2.35%	0.15 – 0.98%
Expected life	2.00 years	2.00 years
Expected volatility	112%	113 – 121%
Expected dividend yield	0.00%	0.00%

The following warrants were outstanding as at June 30, 2022:

Number	Exercise Price	Expiry Date
158,375	\$0.18	July 10, 2022
152,600	\$0.20	August 4, 2022
63,000	\$0.20	August 6, 2022
4,530,000	\$0.10	October 2, 2022
7,420,000	\$0.10	October 17, 2022
1,227,333	\$0.20	October 30, 2022
1,656,000	\$0.20	November 27, 2022
1,500,000	\$0.30	December 27, 2022
2,231,500	\$0.30	January 18, 2023
20,402,500	\$0.15	February 1, 2023
3,768,500	\$0.30	March 2, 2023
500,000	\$0.19	April 12, 2023
527,804	\$0.25	April 12, 2023
731,138	\$0.125	May 29, 2023
733,333	\$0.125	July 3, 2023
2,317,046	\$0.15	July 19, 2023
1,000,001	\$0.125	July 22, 2023
1,700,000	\$0.125	August 27, 2023
8,983,675	\$0.225	September 16, 2023
7,532,075	\$0.225	October 22, 2023
2,013,500	\$0.15	December 23, 2023
1,643,650	\$0.15	December 31, 2023
432,500	\$0.15	February 12, 2024
790,000	\$0.15	March 12, 2024
11,508,900	\$0.15	March 28, 2024
550,000	\$0.15	April 15, 2024
1,155,000	\$0.25	September 27, 2024
1,760,000	\$0.25	October 25, 2024
2,100,000	\$0.25	December 3, 2024
2,100,000	\$0.25	December 30, 2024
2,806,562	\$0.18	July 2, 2025
3,387,500	\$0.18	July 10, 2025
3,360,000	\$0.20	August 4, 2025
1,940,000	\$0.20	August 6, 2025
102,682,492	\$0.18	

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On May 16, 2022, the Company extended the expiry date of the following warrants. An incremental value of \$11,717 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life ranging from 1.04 to 1.28 years, risk-free interest rate of 2.58%, a dividend yield of 0% and historical volatility ranging from 87.7% to 94.4%.

- i. 731,138 warrants with an exercise price of \$0.125 per share extended to May 29, 2023 from May 29, 2022; and
- ii. 733,333 warrants with an exercise price of \$0.125 per share extended to July 3, 2023 from July 3, 2022; and
- iii. 1,000,001 warrants with an exercise price of \$0.125 per share extended to July 22, 2023 from July 22, 2022; and
- iv. 1,700,000 warrants with an exercise price of \$0.125 per share extended to August 27, 2023 from August 27, 2022.

On March 28, 2022, the Company extended the expiry dates of the following warrants. An incremental value of \$184,438 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life of six months, risk-free interest rate of 1.08%, a dividend yield of 0% and historical volatility of 93.7%:

- i. 4,530,000 warrants with an exercise price of \$0.10 per share extended to October 2, 2022 from April 2, 2022; and
- ii. 7,420,000 warrants with an exercise price of \$0.10 per share extended October 17, 2022 from April 17, 2022.

On February 17, 2021, the Company received approval from the TSXV Exchange to extend the expiry dates of the following warrants. An incremental value of \$414,273 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life ranging from 1.86 to 2.04 years, risk-free interest rate ranging from 0.89% to 0.96%, a dividend yield of 0% and historical volatility ranging from 121% to 122%:

- i. 1,500,000 warrants with an exercise price of \$0.30 per share extended to December 27, 2022 from March 2, 2021;
- ii. 2,231,500 warrants with an exercise price of \$0.30 per share extended to January 18, 2023 from March 2, 2021; and
- iii. 3,768,500 warrants with an exercise price of \$0.30 per share extended to March 2, 2023 from March 2, 2021.

On February 22, 2021, the Company received approval from the TSXV Exchange to extend the expiry dates of the following warrants. An incremental value of \$516,161 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life ranging from 2.97 to 3.15 years, risk-free interest rate ranging from 1.30% to 1.33%, a dividend yield of 0% and historical volatility ranging from 118% to 120%:

- i. 2,000,000 warrants with an exercise price of \$0.15 per share extended to February 12, 2024 from February 12, 2021;
- ii. 1,100,000 warrants with an exercise price of \$0.15 per share extended to March 12, 2024 from March 12, 2021; and
- iii. 850,000 Warrants with an exercise price of \$0.15 per share extended to April 15, 2024 from April 15, 2021.

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On September 8, 2021, the Company received approval from the TSXV Exchange to extend the expiry dates of the following warrants. An incremental value of \$543,666 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life ranging from 3.05 to 3.31 years, risk-free interest rate ranging from 1.05% to 1.12%, a dividend yield of 0% and historical volatility ranging from 116% to 117%:

- i. 1,155,000 warrants with an exercise price of \$0.25 per share extended to September 27, 2024 from September 27, 2021;
- ii. 1,760,000 warrants with an exercise price of \$0.25 per share extended to October 25, 2024 from October 25, 2021;
- iii. 2,100,000 Warrants with an exercise price of \$0.25 per share extended to December 3, 2024 from December 3, 2021; and
- iv. 2,100,000 Warrants with an exercise price of \$0.25 per share extended to December 30, 2024 from December 30, 2021.

During the year ended December 31, 2021, there were an aggregate of 12,132,819 warrants exercised at exercise prices ranging from \$0.10 to \$0.18 per warrant for gross proceeds of \$ \$1,555,157. Reserves of \$595,781 was transferred to share capital in relation to the exercises.

6. RELATED PARTY TRANSACTIONS*Key management personnel compensation*

The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing and controlling the activities of the Company, consists of the following amounts.

The following table summarizes transactions with related parties during the six months ended June 30, 2022 and 2021:

	Note	Six months ended	
		June 30, 2022	June 30, 2021
Management fees	(a)	\$ 46,800	\$ 35,000
Office rent	(a)	18,000	18,000
Professional fees	(b)	75,000	60,000
Office and other corporate services	(c)	19,800	18,000
Mineral property costs – project management	(a)	61,200	55,000
Share-based compensation	(d)	-	437,954
		\$ 220,800	\$ 623,954

- a) Management fees and office rental fees were paid to Highcard Exploration Inc. ("Highcard"), a company controlled by Graeme O'Neill, the CEO and director of the Company ("O'Neill").
- b) Fees paid to RHL Enterprise Corp., a company controlled by the Company's CFO, Rick Low.
- c) Fees paid to Wiklow Corporate Services Inc., a company controlled by the Company's Corporate Secretary, Donna Moroney.

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- d) During the six months ended June 30, 2022, the Company issued nil (2021 – 3,480,000) stock options to related parties.

The following table summarizes payable balances to related parties as at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Trade payable to corporate secretary*	\$ 8,313	\$ 5,476

* Trade payables bear an interest rate of 12% per annum on overdue amounts, compounded and payable quarterly.

The following table summarizes advances paid to related parties as at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Advances to O'Neill	-	10,552
Advances to Highcard	21,000	21,000
Advances to CFO	-	13,125
	\$ 21,000	\$ 44,677

During the three months ended March 31, 2022, Graeme O'Neill, the Company's CEO and director, was issued 5,000,000 units of the Company's private placement that consisted of 11,497,000 units at a price of \$0.08 per unit for gross proceeds of \$919,760. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.15 per share within two years from the date of issuance (note 5(b)(i)).

During the year ended December 31, 2021, Graeme O'Neill, the Company's CEO and director, was issued 5,750,000 units and Rick Low, the Company's CFO was issued 200,000 units of the Company's private placement that consisted of 22,000,000 units at a price of \$0.08 per unit for gross proceeds of \$1,760,000. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.15 per share within two years from the date of issuance (note 5(b)(i)).

During the year ended December 31, 2021, Graeme O'Neill, the Company's CEO and director, was issued 6,032,075 units of the Company's private placement that consisted of 16,500,000 units at a price of \$0.135 per unit for gross proceeds of \$2,227,500. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.225 per share within two years from the date of issuance (note 5(b)(i)).

During the year ended December 31, 2021, Rick Low, the Company's CFO, was issued 300,000 units of the Company's flow-through private placement that consisted of 3,500,000 units at a price of \$0.10 per unit for gross proceeds of \$350,000. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.15 per share within two years from the date of issuance (note 5(b)(i)).

During the year ended December 31, 2021, Rick Low, the Company's CFO converted US\$25,000 of convertible debentures into 253,700 common shares at a price of C\$0.125 per share and was paid C\$9,353 (US\$7,373) of accrued interest on the convertible debentures. Reserves of \$1,829 was transferred to share capital in relation to the conversion.

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7. MINERAL PROPERTY AND EXPLORATION EXPENSES

	Six months ended	
	June 30, 2022	June 30, 2021
Acquisition and holding costs	\$ 122,035	\$ -
Assays and analysis	34,803	18,485
Depreciation (Note 4)	150,396	141,650
Drilling	-	23,725
Equipment & other rentals	66,292	143,139
Geological	16,581	136,776
Labour	487,662	271,707
Other contractors	1,266	124,488
Project management (Note 9)	61,200	55,000
Property preparation	-	46,383
Supplies	95,121	118,104
Technical	-	35,517
Travel and accommodation	40,803	93,272
Miscellaneous	51,948	34,418
	\$ 1,128,107	\$ 1,242,664

a) Bayhorse Silver Mine Property, Oregon State

The Company entered into an Option and Joint Venture Agreement dated December 4, 2013 with American Cordillera Mining Corporation and its wholly-owned subsidiary Amcor Exploration Inc. (collectively, "AMCOR") of Spokane Washington, whereby the Company was granted an option (the "Option") to acquire an 80% interest in AMCOR's 100% leasehold interest from Bayhorse Silver Mine, LLC in certain mineral claims commonly referred to as the Bayhorse Silver Mine located in Baker County, Oregon.

The Company earned its 80% interest in the Bayhorse Silver Mine by making a cash payment of \$25,000, and making the following additional share issuances and property expenditures, all of which have been completed:

Share issuances

- Issue 1,500,000 common shares.

Property expenditures

- Incur cumulative expenditures of US\$1,500,000 on or before the fifth anniversary of the Option date (December 17, 2018).

The Company is required to make minimum advance royalty payments of US\$50,000 annually on June 26, of which the Company has completed payments up to June 26, 2021.

In accordance with the provisions of the option agreement, the Company was to be responsible for 80% of the project expenditures and AMCOR was to be responsible for 20% of the expenditures going forward. Provisions in the option agreement allowed for dilution of either joint venture parties' interest in the joint

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venture and, when either party's interest fell below 10% based on participating project expenditures, their interest shall be converted to a 1% net smelter royalty and the surviving party shall hold a 100% interest to the mining lease.

On May 15, 2017, the Company completed all necessary terms to exercise its option to acquire an 80% interest in the Leasehold Interest in the Claim known as the Bayhorse Silver Mine and as such, a Joint Venture ("JV") was deemed to have been formed with the following JV Interests:

- AMCOR deemed JV expenditures of \$320,000 (20% interest)
- Bayhorse Silver Inc. deemed JV expenditures of \$1,600,000 (80% interest)

On December 31, 2017, AMCOR confirmed that they did not wish to participate in funding the JV that has been established between Bayhorse Silver Inc. and AMCOR. AMCOR accepted a dilution of their interest in the JV to nil and Bayhorse Silver Inc. therefore increased its interest to 100%.

b) Brandywine, British Columbia

On April 5, 2019, the Company entered into a letter of intent for an Option Agreement to acquire an 80% interest in the Brandywine precious metals-rich, volcanogenic massive sulphide deposit located near Squamish, BC from Turnagain Resources Inc. ("Turnagain") of Richmond, BC. The option terms are the following:

- i. The Company is required to obtain TSXV Exchange approval and execute an Option Agreement (completed December 16, 2019 with Option Date defined as December 23, 2019).
- ii. A non-refundable deposit of \$1,000 upon entering into the letter of intent (paid), followed by payment of \$9,000 on signing of the Option Agreement (paid), delivery of 100,000 common shares upon signing the Option Agreement (completed), and incurring \$3,000,000 of work over 5 years;
- iii. Issuance of 200,000 common shares which will occur on 1st anniversary of the Option Date (completed);
- iv. Additional cash payment of \$40,000 (outstanding) and further 300,000 common shares (completed) on 2nd anniversary of the Option Date;
- v. 300,000 common shares issued in each of 3rd to 5th anniversaries of the Option Date; and
- vi. Work expenditures of \$500,000 in year one (completed), \$500,000 in year two (completed \$210,621), \$500,000 in year three and \$1,500,000 on or before the 5th anniversary of the Option Date.

The Brandywine Property will be subject to a 2% Net Smelter Return Interest (NSR). The Company shall have the right, at any time during the term of the Agreement, to purchase the NSR for C\$250,000 per percentage point.

Surface Rights of the Property are owned by Turnagain and that the Company shall have exclusive use of the Surface Rights until the exhaustion of the minerals on the Property for mining operations, for the movement of equipment and removal of minerals from mining operations.

At any time during the Agreement, the Company shall have the option of acquiring full ownership in the property by paying \$750,000 to Turnagain. Any share issuance due under the Brandywine Option Agreement after the payment shall be cancelled and the Company shall have 100% Interest in and to the Property. The Company has paid \$11,700 into a reclamation bond for the Brandywine Property.

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c) Harrison Gold Project, Harrison, British Columbia, Canada

During the year ended December 31, 2020, the Company entered into an option agreement with Bear Mountain Gold Mines Ltd, ("BMGM") a British Columbia private corporation, to earn a 50% interest in its Harrison Gold Project, Harrison, British Columbia, Canada. The Company and BMGM were not able to negotiate a definitive option and joint venture agreement and on January 14, 2021, the Company terminated its option agreement with BMGM.

8. CONTRACT LIABILITIES

The Company has recorded contract liabilities as a result of the pre-sale of 1,130 ounces of silver. At the time of the pre-sale, the Company planned to sell fineness silver extracted through the ongoing testing in the exploration phase of its mining activities. The Company has not yet produced any silver and as a result, has not completed the sale transaction.

The contract liability is deliverable at a promised consideration value of US\$15.10 per ounce. There is an embedded derivative on the contract liability which is re-measured at each reporting period using the spot price of silver on the date of re-measurement. During the six months ended June 30, 2022, the Company recognized a gain on silver pre-sales of \$2,296 (2021 - \$2,029) in the statement of loss and comprehensive loss on the re-measurement. The price of silver as at June 30, 2022 was US\$20.42 as compared to US\$23.17 as at December 31, 2021.

As at June 30, 2022, the total contract liabilities associated with the silver pre-sale is \$20,796 (US\$16,139) (December 31, 2021 – \$23,092 (US\$18,170)).

9. SUPPLEMENTAL DISCLOSURE FOR SIGNIFICANT NON-CASH TRANSACTIONS

During the six months ended June 30, 2022 and 2021, the Company had the following non-cash transactions:

	Six months ended	
	June 30, 2022	June 30, 2021
Financing Activities		
Fair value of options transferred to share capital from reserves on exercise of options	\$ -	\$ 328,514
Fair value of warrants transferred to share capital from reserves on exercise of warrants	-	476,500
Fair value of warrants transferred from share capital to reserves for warrants attached to private placement units	(282,139)	(613,445)
Fair value of warrants issued as finder's fee for private placements	420	32,302
Shares issued on conversion of debentures	383,571	(59,402)
	\$ 101,852	\$ 164,469

10. SEGMENTED INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management in assessing performance and in

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determining the allocation of resources. The Company considers the business from a geographic perspective and assesses the performance of the operating segments based on measures such as net property and equipment as well as operational results.

Operating Segment

The Company's operations are limited to a single industry segment, being the acquisition, exploration and development of mineral properties.

Geographic Segments

As at June 30, 2022, the Company's operations and assets are located in Canada and the USA. By geographic areas, the Company's losses for six months ended June 30, 2022 and 2021 are as follows:

	Six months ended	
	June 30, 2022	June 30, 2021
Canada	\$ 730,613	\$ 1,974,101
USA	1,110,178	1,118,137
	\$ 1,840,791	\$ 3,092,238

By geographic areas, the Company's non-current assets as at June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022		December 31, 2021	
Canada	\$ 19,643	\$ 33,448		
USA	1,820,727	1,886,115		
	\$ 1,840,370	\$ 1,919,563		

11. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK**Capital Requirements**

The Company is not subject to externally imposed capital requirements but must maintain the minimum listing requirements in order to maintain its TSX-V listing. The Company manages its capital structure based on the funds available to the Company, in order to fund its general and administration expenses, support acquisition, maintenance, exploration, and development of mineral properties.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage, so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

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Financial Instruments*Fair Value of financial instrument*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

		Level 1		Level 2		Level 3
June 30, 2022						
Cash	\$	71,923	\$	-	\$	-
Contract liabilities		(20,796)		-		-
Convertible debentures		-		-		(470,339)
December 31, 2021						
Cash	\$	432,062	\$	-	\$	-
Contract liabilities		(23,092)		-		-
Convertible debentures		-		-		(836,748)

As at June 30, 2022 and December 31, 2021, the Company believes that the carrying value of loans payable, account payables, and accrued liabilities approximate their fair value because of their nature and relatively short maturity dates or duration.

There were no transfers between Level 1, 2 and 3 for the six months ended June 30, 2022 and the year ended December 31, 2021.

The fair values of the Company's financial instruments classified as FVTPL are determined as follows:

- The fair value of the loan component of the Debenture is based on the present value of expected future cash flows at the discount rate that would have applied to the financial instrument without conversion or other embedded derivative features. None of the fair value change in the Debenture for the six months ended June 30, 2022 and the year ended December 31, 2021 is related to a change in the credit risk of the Debenture. All of the change in fair value is associated with changes in market condition.
- The fair value of the contract liability is based on the silver commodity spot rate. None of the fair value change in the contract liability for the six months ended June 30, 2022 and the year ended December 31, 2021 is related to a change in the credit risk of the contract liability. All of the change in fair value is associated with changes in market condition.

Financial Risk

A discussion of the Company's use of financial instruments and their associated risk is provided below:

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Industry Risk

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity-based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts. This risk is managed through the use of a major bank that is a high credit quality financial institution as determined by rating agencies.

Currency Risk

The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as it incurs significant mineral property-related expenditures in the USA and its Debentures and lease liability are denominated in US dollars. The Company is also exposed to foreign exchange risk arising from:

- Cash balances held in US dollars,
- Accounts payable denominated in US dollars, and
- Debentures and interest payments denominated in US dollars.

These are all shown on the statement of loss and comprehensive loss. The Company does not engage in any hedging activities to reduce its foreign currency risk. A 10% variance in the foreign exchange rates would expose the Company to a positive or negative impact on its comprehensive loss of approximately \$70,000 per year.

Interest Rate Risk

The Company has interest rate risk with respect to interest that can be charged on the overdue balances in accounts payable and accrued liabilities, and advances from related parties (note 6). Related party overdue payables bear interest at 12% per annum.

The Company's convertible debentures (note 4) accrue interest at fixed rate; therefore, the Company is not exposed to interest rate risk on these instruments.

Liquidity and Funding Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

The Company is not subject to externally imposed capital requirements but must maintain the minimum listing requirements in order to maintain its TSX-V listing. The Company manages its capital structure based

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on the funds available to the Company, in order to fund its general and administration expenses, support acquisition, maintenance, exploration and development of mineral properties.

The board of directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage, so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

12. COMMITMENTS

The following table summarizes the contractual maturities as at June 30, 2022 of the Company's significant financial liabilities and capital commitments, including contractual obligations for the years indicated:

	2022	2023	2024	2025	2026	Total
Accounts payable and accrued liabilities	\$ 456,798	\$ -	\$ -	\$ -	\$ -	\$ 456,798
Advance royalty payment obligations ⁽¹⁾	64,430	64,430	64,430	64,430	64,430	322,150
Consulting agreement obligations	232,800	325,800	-	-	-	558,600
Convertible debentures ⁽²⁾	470,339	-	-	-	-	470,339
	\$ 1,224,367	\$ 390,230	\$ 64,430	\$ 64,430	\$ 64,430	\$ 1,807,887

⁽¹⁾ Represents advance royalty payments for the Bayhorse mineral property.

⁽²⁾ The convertible debentures may be converted to common shares and may not result in a cash outflow. The amount represents the actual face value of the debt obligation and not its fair value at June 30, 2022.

During the year ended December 31, 2021, the Company completed a private placement of flow-through shares for gross proceeds of \$350,000. The flow-through share premium liability was \$nil. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2023. As at June 30, 2022, the Company had spent \$nil of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds from 2022 to 2024.

During the year ended December 31, 2020, the Company completed a private placement of flow-through shares for gross proceeds of \$662,500 (Note 5 (b) (i)). A flow-through share premium liability of \$238,500 was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2023. As at June 30, 2022, the Company had spent \$292,926 of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds from 2022 to 2023.

During the year ended December 31, 2020, the Company completed a private placement of flow-through shares for gross proceeds of \$181,999 (Note 5 (b) (i)). The flow-through share premium liability was \$nil. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2023. As at June 30, 2022, the Company had spent \$nil of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds from 2022 to 2023.

During the year ended December 31, 2020, the Company completed a private placement of flow-through shares for gross proceeds of \$200,000 (Note 5 (b) (i)). The flow-through share premium liability was \$nil. The flow-through funds are required to be spent on qualified exploration programs no later than December

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31, 2023. As at June 30, 2022, the Company had spent \$nil of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds from 2022 to 2023.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

13. SUBSEQUENT EVENT

The following occurred subsequent to June 30, 2022:

On August 16, 2022, the Company closed a non-brokered private placement of 12,750,000 units at \$0.04 per unit for gross proceeds of \$510,000. Each unit consists of one common share and one transferable common share purchase warrant with each warrant exercisable into one common share of the Company at an exercise price of \$0.10 for a period of 24 months from the date of issuance. The Company's CEO, Graeme O'Neill, and CFO, Rick Low has subscribed for 5 million and 275,000 units, respectively, in the private placement. The Company paid a finder's fee of \$700 and issued 17,500 finder's warrants with each finder's warrant exercisable into one common share of the Company at an exercise price of \$0.10 for a period of 24 months from the date of issuance.