SILVER BULLET MINES CORP.

(formerly Pinehurst Capital 1 Inc.)

Condensed Interim Consolidated Financial Statements

Nine months ended March 31, 2022 and 2021

(Unaudited)

(Expressed in Canadian Dollars)

The accompanying unaudited interim financial statements have been prepared by Management of Silver Bullet Mines Corp. and have not been reviewed by the Company's auditors

SILVER BULLET MINES CORP. (formerly Pinehurst Capital 1 Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2022
(Expressed in Canadian Dollars)
(Unaudited)

	March 31, 2022	June 30, 2021
Assets	$	$
Current assets		
Cash and equivalents (Note 6)	1,434,185	3,505,402
Miscellaneous receivables (Note 7)	524,696	206,756
Prepaid expenses and deposits (Note 8)	415,524	271,685
Total current assets	2,374,405	3,983,843
Property, mill and equipment (Note 9)	3,143,729	1,141,238
Total assets	5,518,134	5,125,081
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 16)	216,718	356,935
Share subscription payable	-	12,000
Total current liabilities	216,718	368,935
Non-current liabilities		
Note payable (Note 11)	253,674	230,127
Total liabilities	470,392	599,062
Shareholders' equity		
Share capital (Note 12)	11,396,883	8,404,108
Contributed surplus (Note 13)	442,623	337,000
Warrants (Note 14)	2,308,510	1,275,476
Deficit	(9,100,274)	(5,490,565)
Total shareholders’ equity	5,047,742	4,526,019
Total liabilities and shareholders’ equity	5,518,134	5,125,081

Nature of operations and going concern (Note 1)
Commitments and contingencies (Notes 19)

Approved by the Board of Directors

“John Carter” ______________________ Director

“J. Birks Bovaird” ______________________ Director

The accompanying notes are an integral part of these financial statements

SILVER BULLET MINING INC. (formerly Silver Bullet Mines Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
Three and nine months ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended March 31, 2022 $	Three months ended March 31, 2021 $	Nine months ended March 31, 2022 $	Nine months ended March 31, 2021 $
Operating Expenses				
Exploration and evaluation expenditures (Notes 15,16)	77,449	190,307	1,348,671	272,218
General and administrative (Note 16)	223,733	186,458	819,137	266,748
Professional fees	48,052	57,615	190,474	140,461
Foreign exchange	9,017	(33,862)	22,859	(15,417)
Depreciation	10,000		10,000	
Accretion expense	7,155	410,127	21,870	421,127
Gain on conversion feature	-	(52,928)	-	(53,928)
Share-based compensation	105,623	-	105,623	337,000
Listing expense (Note 5)	-	-	1,103,871	-
Net loss and comprehensive loss	481,029	768,737	3,622,505	1,369,229
Basic and diluted loss per share	(0.01)	(0.02)	(0.07)	(0.04)
Weighted average shares outstanding	57,829,000	32,168,000	54,094,000	30,720,000

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

SILVER BULLET MINING INC. (formerly Silver Bullet Mines Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
Nine months ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares		Share Capital		Contributed Surplus		Warrants		Accumulated Deficit		Total
Balance, June 30, 2020	30,000,001	$	3,600,001	$	-	$	-	$	(3,600,124)	$	(123)
Shares issued for cash	5,001,917		1,168,755		-		331,820		-		1,500,575
Conversion of promissory notes	4,403,554		1,045,920		-		292,114		-		1,338,034
Share issue costs-cash	-		(21,625)		-		-		-		(21,625)
Share issue costs-finders' warrants	-		(16,827)		-		16,827		-		-
Share-based compensation	-		-		337,000		-		-		337,000
Loss and comprehensive loss	-		-		-		-		(1,369,229)		(1,369,229)
Balance, March 31, 2021	39,405,472		5,776,224		337,000		640,761		(4,969,353)		(1,84,632)
Shares issued for cash	11,600,900		2,884,896		-		595,374		-		3,480,270
Shares issued as compensation	25,000		7,500		-		-		-		7,500
Share issue costs-cash	-		(225,171)		-		-		-		(225,171)
Share issue costs-finders' warrants	-		(39,341)		-		39,341		-		-
Loss and comprehensive loss	-		-		-		-		(521,212)		(521,212)
Balance, June 30, 2021	51,031,372	$	8,404,108	$	337,000	$	1,275,476	$	(5,490,565)	$	4,526,019
Shares issued for cash	7,250,591		1,862,903		-		992,000		-		2,854,903
Shares issued on RTO	2,473,333		742,000		44,784		-		-		786,784
Shares issued for services	1,500,000		450,000		-		-		-		450,000
Shares issued on exercise of options	166,666		35,715		-		-		-		35,715
Share issue costs-cash	-		(88,797)		-		-		-		(88,797)
Share issue costs-finders' warrants	-		(41,034)		-		41,034		-		-
Share-based compensation	-		-		105,623		-		-		105,623
Transfer from contributed surplus on exercise of options and expiration of options	-		31,988		(44,784)		-		12,796		-
Loss and comprehensive loss	-		-		-		-		(3,622,505)		(3,622,505)
Balance, March 31, 2022	62,421,962	$	11,396,883	$	442,623	$	2,308,510	$	(9,100,274)		5,047,742

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

SILVER BULLET MINES CORP. (formerly Pinehurst Capital 1 Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine months ended March 31
(Expressed in Canadian Dollars)
(Unaudited)

	2022	2021
Operating activities	$	$
Net loss and comprehensive loss for the period	(3,622,505)	(1,369,229)
Items not affecting cash:		
Accretion	21,870	421,127
Depreciation	10,000	-
Gain on conversion feature	-	(53,928)
Share-based compensation	105,623	337,000
Unrealized foreign exchange	(4,015)	(15,417)
Listing expense	1,103,871	-
Change in non-cash working capital:		
Miscellaneous receivables	(317,940)	(352,275)
Prepaid expenses	(143,839)	(479,529)
Accounts payable and accrued liabilities	(140,217)	121,923
Net cash used in operating activities	(2,987,152)	(1,390,328)
Investing activities		
Cash received on acquisition of Mining	135,725	-
Additions of property, mill and equipment	(2,021,611)	(752,695)
Net cash used in investing activities	(1,885,886)	(752,695)
Financing activities		
Issuance of promissory notes	-	999,500
Issuance of common shares -net	2,801,821	2,502,950
Net cash provided by financing activities	2,801,821	3,502,450
Net change in cash	(2,071,217)	1,359,427
Cash, beginning of period	3,505,402	-
Cash and cash equivalents, end of period	1,434,185	1,359,427

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Bullet Mines Corp. (formerly Pinehurst Capital 1 Inc.) ("Silver Bullet" or the "Company") was incorporated on July 13, 2018, pursuant to the provisions of the Ontario Business Corporations Act. The registered address of Silver Bullet is 200-3310 South Service Road, Burlington Ontario L7N 3M6. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "SBMI".

The Company is engaged in the acquisition, exploration, development and extraction of natural resources, specifically precious metals in Arizona, Idaho, and Nevada. The Company's primary focus is the development and operation of its Buckeye Silver Mine located outside of Globe, Arizona.

On November 12, 2020, Silver Bullet and Silver Bullet Mining Inc. ("Mining") pursuant to which Silver Bullet, contemporaneously with a consolidation of Silver Bullet's shares, acquired all of the issued and outstanding shares of the Mining on a one for one basis resulting in Mining becoming a wholly owned subsidiary of Silver Bullet (the "Transaction"). As a result of the Transaction, Silver Bullet, as the "Resulting Issuer," continued on with the business of Mining under the name "Silver Bullet Mines Corp." The Transaction was deemed to be a reverse takeover ("RTO") as the shareholders of Mining acquired control of the combined entity. The Transaction was completed effective October 15, 2021.

These condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities and commitments in the normal course of business for the foreseeable future, which is at least, but not limited to one year from the reporting date. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. These financial statements do not reflect adjustments or classifications which might be necessary if the Company was not able to continue as a going concern.

The business of mining and exploration involves a high degree of risk and there can be no assurance that exploration programs will result in profitable mining operations. The Company will require cash to meet its requirements for administrative overhead, to conduct due diligence on mineral property acquisition targets, to construct mineral processing facilities, and to conduct exploration of its mineral properties and mineral properties that may be acquired.

The Company does not generate cash flows from operations to fund its activities and therefore relies principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

The ability of the Company to realize the costs it has incurred to date on its properties is dependent upon the Company being able to identify economically recoverable reserves, to finance their development costs, and to resolve any environmental, regulatory or other constraints, which may hinder the successful development of the reserves. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

1. NATURE OF OPERATIONS AND GOING CONCERN – continued

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed interim consolidated financial statements for the period ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), and should be read together with the Company's audited financial statements for the year ended June 30, 2021.

The Board of Directors approved the condensed interim consolidated financial statements on May 30, 2022.

Basis of Measurement

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost convention. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and Presentation Currency

The presentation currency of the Company and the functional currency of the Company and its subsidiaries is the Canadian dollar. Monetary assets and liabilities in other currencies are translated at the closing rate at the reporting date. Non-monetary assets in other currencies are translated at historical rates. Income and expenses in other currencies are translated at the exchange rates at the dates of the transactions. All resulting exchange differences are recognized in income (loss).

Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Silver Bullet Mining Inc., Black Diamond Exploration Inc., Silver Bullet Holdings Inc., Silver Bullet Arizona Inc., Silver Bullet Idaho Inc., Silver Bullet Arizona LLC, and Silver Bullet Mines LLC. Control is achieved when Silver Bullet has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss from the effective date of acquisition or to the date of disposal. Intergroup balances and transactions are eliminated on consolidation.

2. BASIS OF PRESENTATION – continued

Use of Estimates and Judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. Areas where estimates are significant to the financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended June 30, 2021.

Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2022, and have not been applied in preparing these financial statements.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IFRS 3 – Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IAS In May 2020, the IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. 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 (i.e. pre-production revenue). Instead, a company will recognize such sales proceeds and related cost in the consolidated statement of comprehensive income (loss). The amendment is effective for annual periods beginning on or after January 1, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

The Company will adopt the amendments to the standards and does not expect they will have a material impact on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, 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.

Judgements

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going Concern

As is common with exploration companies, the Company's ability to continue its on-going and planned exploration activities and continue operations as a going concern, is dependent upon the recoverability of costs incurred to date on mineral properties, the existence of economically recoverable reserves, and the ability to obtain necessary equity financing from time to time.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Functional Currency

The determination of an entity's functional currency is a key judgment based on the primary economy environment in which each entity of the Company operates. In determining the functional currency, management considers the currency that most faithfully represents the economic effects of events, conditions, future direction and investment opportunities. The Company made a determination that its functional currency and that of its subsidiaries is the Canadian dollar. Management considered all of the relevant primary and secondary factors in making this determination.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Convertible Promissory Notes

The classification of the Company’s convertible promissory notes required management to analyze the terms and conditions of the promissory notes and use judgment to assess whether these debentures are liability, equity, or a combination of the two. IAS 32 provides the criteria for management to assess these complicated financial instruments to determine their appropriate classification(s). Factors considered are, but not limited to, whether the Company has a future obligation to settle the instrument in cash or exchange other assets or liabilities, the currency of settlement and if the settlement is already known to be equity, the amount will not vary based on the Company’s future share price.

Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in net comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates the higher of fair value less costs to sell and value in use. Determining the recoverable amount of an asset requires management to make assumptions about future events and circumstances and cash flows. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation mode and assumptions including the volatility of the Company’s share price and the expected life of stock options and warrants and the time. The Company uses the Black-Scholes model to value share-based compensation.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company’s provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company’s income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company’s interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Provisions and contingencies

Provisions and contingencies arising in the course of operations, including provisions for income or other tax matters are subject to estimation uncertainty. Management uses all information available in assessing the recognition, measurement and disclosure of matters that may give rise to provisions or contingencies. The actual outcome of various provisional and contingent matters may vary and may cause significant adjustments to the Company's assets when the amounts are determined, or additional information is acquired.

Convertible promissory note conversion feature

The Company measures the convertible promissory note conversion feature by reference to the fair value of the financial instrument using the Black-Scholes pricing model, taking into consideration management's best estimate of the expected volatility, expected life of the derivative and exercise price at each reporting date.

5. REVERSE ACQUISITION

As described in Note 1, effective October 15, 2021, the Company and Mining completed a Transaction which constituted a reverse acquisition. The Company issued 51,484,705 common shares to the shareholders of Mining on a one-to-one basis.

As a result of the Transaction, the shareholders of Mining obtained control of the combined entity by obtaining control of the voting power of the combined entity and the resulting power to govern the financial and operating policies of the combined entities.

For accounting purposes, Mining, the legal subsidiary, was treated as the accounting parent company and Silver Bullet Mines Corp., the legal parent, has been treated as the accounting subsidiary in these condensed interim consolidated financial statements. As Mining was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these condensed interim consolidated financial statements at their historical carrying value. Silver Bullet Mines Corp. results of operations have been included since October 15, 2021.

Consideration paid:	
Fair value of 2,473,333 common shares of the Company at $0.30 per share	742,000
Fair value of 233,333 replacement stock options issued	44,784
Fair value of 1,500,000 common shares of the Company issued as finder's fee at $0.30 per share	450,000
	1,236,784

Net tangible assets (estimated fair value) acquired:	
Cash	135,725
Accounts payable and accrued liabilities	(2,812)
	132,913

(Expressed in Canadian Dollars)

5. REVERSE ACQUISITION – continued

At the time of the Transaction, Silver Bullet's assets consisted primarily of cash and it did not have any processes capable of generating outputs: therefore Silver Bullet did not meet the definition of a business. Accordingly, as Silver Bullet did not qualify as a business in accordance with IFRS 3 *Business Combinations,* the Transaction did not constitute a business combination. The Transaction constituted a reverse acquisition of Silver Bullet by Mining and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2 *Share-based payments* and IFRS 3 *Business combinations*.

As the acquisition was not considered a business combination, the excess value of consideration paid over the net assets acquired together with the fair value of options issued to Silver Bullet shareholders, and additional transaction costs are expensed as a listing expense.

The fair value of the common shares amounted to $742,000, based on the shares issued in a concurrent financing of Mining's units at the time of the Transaction of $0.30 per unit. The fair values of the stock options were determined using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 120% based on historical volatility of comparable entities, risk free interest rate of .27%, and an expected life of 1 years at a share price of $0.30.

Consideration paid	1,236,784
Net tangible assets acquired	(132,913)
	1,103,871

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at banks and on hand earn interest at floating interest rates based on daily deposit rates. As at March 31, 2022 the Company held $851,695 in term deposits

7. MISCELLANAEOUS RECEIVABLES

Miscellaneous receivables are comprised of refundable sales tax ($36,327) and funds held by brokers with respect to units issued during the period ($488,368).

8. PREPAID EXPENSES AND DEPOSITS

	March 31, 2022	June 30, 2021
Prepaid taxes on mineral property	$ 21,643	$ 8,649
Prepaid mineral property leasing fees	12,769	51,076
Prepaid marketing costs	176,326	201,960
Deposit paid to TSX Venture Exchange (TSXV)	-	10,000
Prepaid liability insurance	16,054	-
Deposit on development costs	165,572	-
Other	23,160	-
Total	$ 415,524	$ 271,685

9. PROPERTY, MILL AND EQUIPMENT

	March 31, 2022			June 30, 2021		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Property-land	$ 752,695	$ -	$ 752,695	$ 752,965	$ -	$ 752,965
Property-development	449,058	-	449,058	-	-	-
Mill and Infrastructure	805,272	-	805,272	63,467	-	63,467
Equipment	1,246,704	10,000	1,136,704	69,572	-	69,572
Deposit on equipment	-	-	-	246,384	-	246,384
Total	$ 3,153,729	$ 10,000	$3,143,729	$1,132,118	$ -	$1,132,118

Depreciation has not been recorded for mill and infrastructure, development properties and certain equipment as the assets are not yet available for use or have not yet been determined as mine properties.

10. CONVERTIBLE PROMISSORY NOTES

During the period ended December 31, 2020, the Company issued non-interest bearing convertible promissory notes with a face value of $221,241 of which $216,241 of the promissory notes are denominated in United States dollars ("USD") ($165,000 USD). The unsecured promissory notes mature on the earlier of (i) two years from the date of issue; and (ii) the closing of a financing of not less than $2,000,000 by the Company. The promissory notes have a conversion price of 25% less than the offering price of the common shares of the Company on the TSXV or other stock exchange (the "Conversion Price") (see Note 17). The promissory notes are convertible into units of the Company with a unit consisting of one common share and one-half of one common share purchase warrant with a whole warrant exercisable at the Conversion Price for a period of twenty-four months from the date of conversion. The conversion feature was exercisable by holder at any time and the promissory notes would convert into units automatically upon maturity of the notes. The Company expected that the notes would mature within 12 months of the reporting date and as a result, the liability was presented as a current liability.

Values were allocated between the promissory notes and the conversion feature. The valuation approach involved estimating the fair value for the promissory notes in the absence of a conversion feature. The Company estimated a market rate of interest rate of 20% for a promissory note without additional features attached. The difference between the face value and the liability component was allocated to the conversion feature. The conversion feature met the definition of a derivative liability as on conversion, a variable quantity of shares would be issued. The present value of principal payments of the promissory notes resulted in an allocation of $167,290 for the promissory notes and $53,951 to the conversion feature. The liability component was being accreted over the term to maturity using the effective interest method. During the period ended September 30, 2020, accretion of $6,350 was recorded.

The convertible promissory notes were converted to equity effective February 17, 2021.

11. NOTE PAYABLE

The Company issued a note payable with a face amount of $319,575 denominated in United States dollars ("USD") ($250,000 USD) as partial consideration for the purchase of land in Arizona. The note is non-interest bearing, is unsecured, and is due February 2, 2024. A gain on discounting debt in the amount of $92,038 was recognized as a reduction in the carrying value the property during the period resulting from applying the effective interest method with an estimated market rate of interest of 12%. Accretion in the amount of $21,870 was recorded during the period ended March 31, 2022.

12. SHARE CAPITAL

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

Transactions

On July 8, 2021, the Company issued 453,333 units at $0.30 per unit for gross proceeds of $136,000. Each unit consists of one common share and one-half common share purchase warrant with one whole share purchase warrant entitling the holder to purchase one common share for $0.50 for a period of twenty-four months from the date of issue.

On February 18, 2022, the Company issued 1,910,000 units at $0.40 per unit for gross proceeds of $764,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share for $0.60 for a period of twenty-four months from the date of issue.

On March 11, 2022, the Company issued 2,025,188 units at $0.40 per unit for gross proceeds of $810,075. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share for $0.60 for a period of twenty-four months from the date of issue.

On March 30, 2022, the Company issued 2,862,070 units at $0.40 per unit for gross proceeds of $1,144,828. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share for $0.60 for a period of twenty-four months from the date of issue.

During the period, the Company issued 166,666 shares on the exercise of stock options for gross proceeds of $35,715.

13. SHARE-BASED COMPENSATION

The Company has a formal stock option plan under which it is authorized to grant options to directors, officers, employees, and consultants to purchase common shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Each stock option granted is for a term not exceeding five years unless otherwise specified.

Vesting terms and conditions are determined by the Board of Directors of the Company at the time of the grant at the market price of the common shares, subject to all regulatory requirements.

On September 27, 2020, the Company granted 3,000,000 options exercisable at $0.30 for a five-year term. The options vested immediately. The following assumptions were used for the options: expected dividend yield of 0%, expected

(Expressed in Canadian Dollars)

13. SHARE-BASED COMPENSATION – continued

volatility of 120% based on the historical volatility of comparable entities, risk free rate of return of 0.27%, expected life of 5 years, and an estimated share price of $0.12, resulting in a charge of $262,000 as share-based compensation for the year ended June 30, 2021.

On January 5, 2022, the Company granted 428,571 options exercisable at $0.30 for a five year term. The options vested immediately. The following assumptions were used for the options: expected dividend yield of 0%, expected volatility of 120% based on the historical volatility of comparable entities, risk free rate of return of 0.27%, expected life of 5 years, and an estimated share price of $0.12, resulting in a charge of $262,000 as share-based compensation for the period ended March 31, 2022.

The weighted average remaining contractual life of options outstanding at March 31, 2022 was 3.86 years. The weighted average exercise price of the 3,428,571 options outstanding at March 31, 2022 was $0.30.

During the period, 66,667 options expired.

14. WARRANTS

The total warrant value represents the fair value of outstanding warrants on the date of their issuance. The valuation is derived using a Black-Scholes option pricing model. As warrants are exercised, the fair value is transferred to share capital. Should warrants expire unexercised, the fair value is transferred as a component of contributed surplus in shareholders' equity. The following warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	
Balance June 30, 2021	10,503,189	$	0.46
Issued during the period	226,671	$	0.50
Issued during the period	6,797,258		0.60
Balance March 31, 2022	17,527,118	$	0.51

(Expressed in Canadian Dollars)

14. WARRANTS – continued

The following warrants are outstanding at March 31, 2022:

Number of warrants	Exercise price per warrant	Expiry date
700,638	$0.50	February 6, 2023
931,629	$0.50	February 26, 2023
157,778	$0.30	February 26, 2023
337,333	$0.30	March 5, 2023
100,000	$0.50	March 5, 2023
1,706,667	$0.30	March 25, 2023
768,691	$0.50	March 25, 2023
1,884,824	$0.50	April 5, 2023
1,306,000	$0.50	April 19, 2023
425,000	$0.50	May 6, 2023
578,334	$0.50	May 28, 2023
442,501	$0.50	June 14, 2023
1,163,794	$0.50	June 19, 2023
226,671	$0.50	July 8, 2023
1,910,000	$0.60	February 18, 2024
2,025,188	$0.60	March 11, 2024
2,862,070	$0.60	March 30, 2024
17,527,118		

In addition, there are 503,299 broker warrants outstanding exercisable at $0.50 per share and expire between February 6, 2023 and June 29, 2023, and 179,130 broker warrants outstanding exercisable at $0.60 per share and expire between February 18, 2024 and March 30, 2024.

On July 8, 2021, the Company issued 453,333 units at a price of $0.30 per unit, with each unit consisting of one common share and one-half common share purchase warrant with one whole share purchase warrant entitling the holder to purchase one common share for $0.50 for a period of twenty-four months. The value of these warrants was estimated using the Black-Scholes option pricing model under the following weighted average assumptions: share price-$0.24; risk free rate of return-0.26%; expected volatility-120%; expected life-2 years; expected dividend yield-0%.

On February 18, 2022, the Company issued 1,910,000 units at a price of $0.40 per unit, with each unit consisting of one common share and one common share purchase warrant with each share purchase warrant entitling the holder to purchase one common share for $0.60 for a period of twenty-four months. The value of these warrants was estimated using the Black-Scholes option pricing model under the following weighted average assumptions: share price-$0.26; risk free rate of return-0.26%; expected volatility-120%; expected life-2 years; expected dividend yield-0%.

On March 11, 2022, the Company issued 2,025,188 units at a price of $0.40 per unit, with each unit consisting of one common share and one common share purchase warrant with each share purchase warrant entitling the holder to purchase one common share for $0.60 for a period of twenty-four months. The value of these warrants was estimated using the Black-Scholes option pricing model under the following weighted average assumptions: share price-$0.26; risk free rate of return-0.26%; expected volatility-120%; expected life-2 years; expected dividend yield-0%.

On March 30, 2022, the Company issued 2,862,070 units at a price of $0.40 per unit, with each unit consisting of one common share and one common share purchase warrant with each share purchase warrant entitling the holder to purchase one common share for $0.60 for a period of twenty-four months. The value of these warrants was estimated

(Expressed in Canadian Dollars)

14. WARRANTS – continued

using the Black-Scholes option pricing model under the following weighted average assumptions: share price-$0.26; risk free rate of return-0.26%; expected volatility-120%; expected life-2 years; expected dividend yield-0%.

15. EXPLORATION AND EVALUATION EXPENDITURES

Black Diamond Property

Silver Bullet, through its subsidiary Black Diamond Exploration Inc., holds a 100% interest in the Black Diamond Property which consists of 232 unpatented mineral claims located in Gila County near Globe Arizona, USA.

The Black Diamond Property was acquired by Silver Bullet in May 2020 through the acquisition of the shares of Black Diamond Exploration Inc.

Annual payments to the Bureau of Land Management in the amount of $165 USD per claim are required to maintain the claims in good standing.

Silver Bullet also holds a lease on the Buckeye Silver Mine which is located within the Black Diamond Property. The lease, which includes two additional non-contiguous claims, is in good standing and is subject to escalating lease payments over the next 16 years (Note 18). In addition, the lease on the Buckeye Silver Mine is subject to a 5% gross equity return on metal production.

Expenses incurred during the three months ended March 31, 2022 with respect to the Black Diamond Property include:

	2022	2021
Land taxes	$ 12,986	$ 12,973
Exploration activities	51,694	164,565
Lease expenses	12,769	12,769
	$ 77,449	$ 190,307

During the period, the Buckeye Mine was transitioned to a development property from an exploration property.

Washington Mine Property

Silver Bullet owns a 100% interest in the Washington Mine Property located in Boise County Idaho, USA.

The Washington Mine Property consists of 48 ha and was purchased by Silver Bullet in December 2020.

During the period, the Washington Mine property was transitioned to a development property from an exploration property.

Arizona Property

Silver Bullet owns a 100% interest in the Arizona property and is constructing its processing mill and assaying lab on the property.

(Expressed in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS

Nevada Property

Silver Bullet holds a 100% interest in 12 unpatented mineral claims located in Esmeralda County and Nye County, Nevada, USA. The Nevada Property is subject to annual land taxes of $1,980 USD. No expenses were incurred on the Nevada Property during the three months ended March 31, 2022.

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

The Company, during the three months ended March 31, 2022, had the following transactions with related parties:

Exploration and evaluation expenses	$910,498
Management fees	$105,000

During the three-month period ended March 31, 2022, the Company paid or accrued amounts of $30,000 (2021-$20,000), $30,000 (2021-$20,000), $22,500 (2021-$15,000) and $22,500 (2021-$nil) for its CEO, President, CFO, and VP Capital Markets respectively. The Company paid $910,498 (2021-$169,282) to a company controlled by its VP Mining for mining related activities.

Included in accounts payable and accrued liabilities is an amount of $9,293 (June 30, 2021-$12,255) owing to officers of the Company. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying values of cash and cash equivalents, miscellaneous receivables, accounts payable and accrued liabilities, and note payable approximate their fair values due to the short term to expected maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution.

The credit risk associated with cash is minimized by ensuring it is placed with a major Canadian financial institution with a strong investment-grade rating issued by a primary ratings agency. The credit risk associated with miscellaneous receivables is minimized as they are receivable from a government agency and from broker. All amounts were received subsequent to March 31, 2022.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company's accounts payable and

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. See Note 9 for details of the repayment terms of the convertible promissory notes.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other commodity price risk.

i. Interest rate risk

The Company's cash and cash equivalents consist primarily of cash held in bank accounts and term deposits with banks. Due to the short-term nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair value as of March 31, 2022. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subject to interest rate risk.

ii. Foreign currency risk

The Company operates in Canada and the United States. Future exploration programs and lease payments may be denominated in USD. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies. Certain of the Company's convertible promissory notes are denominated in USD. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

iii. Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of precious metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. Based on management's knowledge and expertise of the financial markets, the Company believes that commodity price risk is remote as the Company is not a producing entity.

18. CAPITAL MANAGEMENT

The Company manages its shareholders' equity as capital, making adjustments based on available funds, to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties to which the Company currently has an interest are in the exploration stage and as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration as well as satisfy administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties should sufficient geological or economic potential be demonstrated and if the Company has adequate financial resources to do so.

(Expressed in Canadian Dollars)

18. CAPITAL MANAGEMENT – continued

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the current size of the Company. The Company is not subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

There were no changes in the Company's approach to managing capital during the periods ended March 31, 2022 and June 30, 2021.

19. COMMITMENTS AND CONTINGENCIES

Environmental contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive.

The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Buckeye Lease Agreement

The Buckeye Silver Mine, which is part of the Arizona property, is subject to a lease agreement effective July 9, 2020 under which the Company is obligated to make lease payments on July 9th each year through 2036. The annual lease payments are:

Payment Date	USD	CAD
July 9, 2022	$ 45,000	$ 57,083
July 9, 2023	50,000	63,425
July 9, 2024	55,000	69,768
July 9, 2025	60,000	76,110
Thereafter	765,000	970,403
	$ 975,000	$ 1,236,789

Lease payments from July 9, 2030 onward are payable at market rates to be negotiated which have been estimated at $70,000 USD ($90,755) per annum based on the immediately preceding period.