

**BAYHORSE SILVER INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024**

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, 2024, 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, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 189,453	\$ 482,566
Accounts receivable		183,820	50,184
Subscriptions receivable	5	44,000	44,000
Prepaid expenses		531,471	501,164
		948,744	1,077,914
<b>Non-current assets</b>			
Property and equipment	3	1,290,576	1,426,783
Reclamation bond	7	11,700	11,700
		\$ 2,251,020	\$ 2,516,397
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable	3, 6	\$ 638,609	\$ 493,232
Accrued liabilities	4	387,572	388,409
Part XII.6 tax		139,569	132,761
Convertible debentures	4	431,141	443,071
Contract liabilities	8	22,080	17,437
		1,618,971	1,474,910
<b>Non-current liabilities</b>			
Provision for indemnity		546,356	546,356
		2,165,327	2,021,266
<b>Shareholders' equity</b>			
Share capital	5	29,861,925	29,498,214
Reserves	5	13,126,616	12,391,170
Commitment to issue shares		-	75,000
Deficit		(42,902,848)	(41,469,253)
		85,693	495,131
		\$ 2,251,020	\$ 2,516,397

**Nature of operations and going concern** (note 1)

**Commitments** (notes 8 and 12)

**Subsequent events** (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)

	Notes	Three Months Ended		Six months Ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Mineral expenses</b>					
Exploration expenses	6, 7	\$ 470,037	\$ 155,160	\$ 792,366	\$ 357,482
<b>Expenses</b>					
Communications		9,500	425	28,815	4,300
Financing fee	4, 5	-	14,873	258,506	297,627
Foreign exchange, interest and bank charges		19,506	(16,969)	38,799	(16,578)
Insurance		6,074	20,121	12,075	40,791
Management fees	6	21,600	23,400	45,000	46,800
Office and other	6	16,070	14,037	32,670	30,355
Office rent	6	3,000	3,000	6,000	6,000
Professional fees	6	70,926	64,498	144,296	127,498
Share-based compensation	5	299,414	-	311,390	-
Transfer, listing and filing fees		11,230	9,832	21,518	19,387
Travel		-	27	3,023	5,056
		(457,320)	(133,244)	(902,092)	(561,236)
<b>Operating loss</b>		(927,357)	(288,404)	(1,694,458)	(918,718)
Gain/(loss) on revaluation of silver pre-sales	8	(3,096)	2,008	(4,035)	2,092
Gain on reclamation bond		-	188,062	-	188,062
Rental income		133,409	20,150	264,898	20,150
<b>Loss before income taxes</b>		(797,044)	(78,184)	(1,433,595)	(708,414)
Deferred income tax recovery		-	4,640	-	11,543
<b>Loss and comprehensive loss for the period</b>		\$ (797,044)	\$ (73,544)	\$ (1,433,595)	\$ (696,871)
Weighted average number of common shares outstanding – basic and diluted		278,522,724	249,479,290	276,611,295	249,148,627
Basic and diluted loss per common share		(0.00)	(0.00)	\$ (0.01)	\$ (0.00)

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, 2024	June 30, 2023
<b>Cash flows (used in) provided by:</b>		
<b>Operating activities</b>		
Loss for the period	\$ (1,433,595)	\$ (696,871)
Items not involving cash:		
Mineral property cost – property reclamation	-	20,391
Foreign exchange	22,548	(10,184)
Depreciation	136,207	136,285
Share-based compensation	311,390	-
Financing fees – warrant modification	258,506	267,538
Deferred income tax recovery	-	(11,543)
(Gain)/loss on revaluation of silver pre-sales	4,035	(2,092)
Shares issued for acquisition of mineral property	-	9,000
Gain on reclamation bond	-	(188,062)
Changes in non-cash working capital items:		
Accounts receivable	(133,636)	(731)
Subscription receivable	-	(44,000)
Prepaid expenses	(30,307)	5,760
Accounts payable and accrued liabilities	144,540	178,984
<b>Cash used in operating activities</b>	<b>(720,312)</b>	<b>(335,525)</b>
<b>Financing activities</b>		
Gross proceeds from share issuance	415,500	50,000
Share issuance costs	(16,239)	(2,557)
Repayment of convertible debentures	(27,062)	-
Options exercised during the period	5,000	-
Warrants exercised during the period	125,000	-
Commitment to issue shares	(75,000)	-
<b>Cash provided by financing activities</b>	<b>427,199</b>	<b>47,443</b>
Change in cash	(293,113)	(288,082)
Cash, beginning of the period	482,566	310,442
<b>Cash, end of the period</b>	<b>\$ 189,453</b>	<b>\$ 22,360</b>

The Company did not have any investing activities for the three and six months ended June 30, 2024 and 2023.  
Supplemental cash flow information (note 9)

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' Equity  
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	Note	Number of shares	Share capital	Reserves	Commitment to issue shares	Deficit	Total
<b>Balance, December 31, 2022</b>		<b>247,929,290</b>	<b>\$ 29,071,363</b>	<b>\$ 11,637,428</b>	<b>\$ -</b>	<b>\$ (39,444,210)</b>	<b>\$ 1,264,581</b>
Shares issued for cash	5(b)	1,250,000	32,845	17,155	-	-	50,000
Share issuance costs	5(b)	-	(2,557)	-	-	-	(2,557)
Shares issued for property acquisition	5(b)	300,000	9,000	-	-	-	9,000
Financing fees - warrant modification	5(d)	-	-	267,538	-	-	267,538
Loss for the period		-	-	-	-	(696,871)	(696,871)
<b>Balance, June 30, 2023</b>		<b>249,479,290</b>	<b>\$ 29,110,651</b>	<b>\$ 11,922,121</b>	<b>\$ -</b>	<b>\$ (40,141,081)</b>	<b>\$ 891,691</b>
<b>Balance, December 31, 2022</b>		<b>268,946,790</b>	<b>\$ 29,498,214</b>	<b>\$ 12,391,170</b>	<b>\$ 75,000</b>	<b>\$ (41,469,253)</b>	<b>\$ 495,131</b>
Shares issued for cash	5(b)	8,310,000	233,810	181,690	(75,000)	-	340,500
Share issuance costs	5(b)	-	(16,239)	-	-	-	(16,239)
Shares issued for options exercised	5(c)	100,000	7,738	(2,738)	-	-	5,000
Shares issued for warrants exercised	5(d)	2,500,000	138,401	(13,401)	-	-	125,000
Financing fees - warrant modification	5(d)	-	-	258,506	-	-	258,506
Share-based compensation	5(c)	-	-	311,390	-	-	311,390
Loss for the period		-	-	-	-	(1,433,595)	(1,433,595)
<b>Balance, June 30, 2024</b>		<b>279,856,790</b>	<b>\$ 29,861,925</b>	<b>\$ 13,126,616</b>	<b>\$ -</b>	<b>\$ (42,902,848)</b>	<b>\$ 85,693</b>

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, 2024  
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### **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 4628 Rumble Street, Burnaby, BC, V5J 2A7, 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, 2024, the Company had a working capital deficit of \$670,227 (December 31, 2023 – \$396,996), an accumulated deficit of \$42,902,848 (December 31, 2023 – \$41,469,253), 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, 2024, the Company reported a loss and comprehensive loss of \$1,433,595 (2023 – \$696,871). The Company does not have sufficient funds to meet its committed obligations for the next twelve months from June 30, 2024.

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 June 30, 2024 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, 2024. 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, 2023, 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](http://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

**BAYHORSE SILVER INC.**

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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.

These condensed consolidated interim financial statements for the three and six months ended June 30, 2024 were approved and authorized for issue by the Board of Directors on August 22, 2024.

**b. Basis of consolidation**

These consolidated 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 these condensed consolidated interim financial statements.

**c. New accounting pronouncements**

There are no significant recent accounting pronouncements applicable to the Company.

**3. PROPERTY AND EQUIPMENT**

	Land	Building	Vehicle	Mining Equipment	Processing Equipment	X-Ray Sorter <sup>(1)</sup>	Power Line	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
<b>December 31, 2023 and June 20, 2024</b>	<b>114,954</b>	<b>200,153</b>	<b>13,036</b>	<b>238,116</b>	<b>777,298</b>	<b>1,498,011</b>	<b>212,172</b>	<b>3,053,740</b>
<b>Accumulated depreciation</b>								
December 31, 2022	-	19,764	4,101	235,102	251,304	774,509	68,836	1,353,616
Additions	-	20,015	2,607	1,972	77,729	149,801	21,217	273,341
<b>December 31, 2023</b>	<b>-</b>	<b>39,779</b>	<b>6,708</b>	<b>237,074</b>	<b>329,033</b>	<b>924,310</b>	<b>90,053</b>	<b>1,626,957</b>
Additions	-	10,008	1,304	521	38,865	74,900	10,609	136,207
<b>June 30, 2024</b>	<b>-</b>	<b>49,787</b>	<b>8,012</b>	<b>237,595</b>	<b>367,898</b>	<b>999,210</b>	<b>100,662</b>	<b>1,763,164</b>
<b>Carrying value</b>								
<b>December 31, 2023</b>	<b>114,954</b>	<b>160,374</b>	<b>6,328</b>	<b>1,042</b>	<b>448,265</b>	<b>573,701</b>	<b>122,119</b>	<b>1,426,783</b>
<b>June 30, 2024</b>	<b>114,954</b>	<b>150,366</b>	<b>5,024</b>	<b>521</b>	<b>409,400</b>	<b>498,801</b>	<b>111,510</b>	<b>1,290,576</b>

<sup>(1)</sup> The X-Ray Sorter is leased to a third party for a 12-month term from November 1, 2023, to October 31, 2024. The lease is classified as an operating lease. As at June 30, 2024, the Company holds a refundable damage deposit on the X-Ray Sorter of \$27,189 (December 31, 2023 - \$6,812) which was recorded within accounts payable.

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

## BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements  
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### 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 to as the "Debentures").

As at June 30, 2024 and December 31, 2023, all of the Debentures have matured and are no longer convertible into shares of the Company under the original agreements. Key features of these Debentures were as follows:

- Term
  - The Debentures had an initial term of three years from the date of issuance. All of the Debentures are now past maturity.
- 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.

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

	<b>Debenture</b>	<b>Reserves</b>
<b>Balance, December 31, 2022</b>	\$ 453,724	\$ 64,040
Foreign exchange gain	(10,653)	-
<b>Balance, December 31, 2023</b>	\$ 443,071	\$ 64,040
Repayments	(27,062)	-
Foreign exchange loss	15,132	-
<b>Balance, June 30, 2024</b>	\$ 431,141	\$ 64,040

The principal amounts in US dollars outstanding as at June 30, 2024 and their maturity dates were as follows:

<b>Maturity Date</b>	<b>Outstanding Principal US\$</b>
November 7, 2018	\$100,000
February 22, 2019	30,000
August 3, 2019	10,000
September 27, 2020	110,000
December 19, 2021	65,000
	<b>\$315,000</b>

## BAYHORSE SILVER INC.

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During the six months ended June 30, 2024, the Company recognized interest expense of \$26,394 (2023 - \$28,295) included in finance fees on the statements of loss and comprehensive loss.

As at June 30, 2024, there is accrued interest of \$351,330 (December 31, 2023 - \$334,781) on the convertible debentures which is included in accrued liabilities on the statement of financial position.

### 5. SHARE CAPITAL

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
<b>Balance, December 31, 2022</b>		<b>247,929,290</b>
Shares issued for private placements	5(b) (i)	20,417,500
Shares issued for acquisition of mineral property	5(b) (iii)	600,000
<b>Balance, December 31, 2023</b>		<b>268,946,790</b>
Shares issued for private placements	5(b) (i)	8,310,000
Shares issued for options	5(c)	100,000
Shares issued for warrants	5(d)	2,500,000
<b>Balance, June 30, 2024</b>		<b>279,856,790</b>

(i) On January 28, 2024, the Company closed its non-brokered private placement of 8,310,000 units at \$0.05 per unit for gross proceeds of \$415,500. 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 \$0.10 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$415,500) from the private placement and accordingly, \$233,810 of the total value was allocated to the shares and \$181,690 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 finders' fee of \$9,485 in cash and issued 2,710,000 brokers' warrants valued at \$7,371. The Company paid other share issuance costs totaling \$6,754.

On December 20, 2023, the Company closed its non-brokered private placement of 13,167,500 units at \$0.05 per unit for gross proceeds of \$658,375. 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 \$0.10 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$658,375) from the private placement and accordingly, \$364,363 of the total value was allocated to the shares and \$294,012 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 finders' fee of \$24,430 in cash and issued 488,600 brokers' warrants valued at \$27,598. The Company paid other share issuance costs totaling \$1,000.

On October 6, 2023, the Company closed its non-brokered private placement of 2,000,000 units at \$0.015 per unit for gross proceeds of \$30,000. Each unit consists of one common share

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and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of \$0.05 per share within 15 months from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$30,000) from the private placement and accordingly, \$18,233 of the total value was allocated to the shares and \$11,767 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 other share issuance costs totaling \$562.

On August 28, 2023, the Company closed its non-brokered private placement of 4,000,000 units at \$0.015 per unit for gross proceeds of \$60,000. 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 \$0.05 per share within 15 months from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$60,000) from the private placement and accordingly, \$38,558 of the total value was allocated to the shares and \$21,442 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 other share issuance costs totaling \$1,000.

On January 27, 2023, the Company closed its non-brokered private placement of 1,250,000 units at \$0.04 per unit for gross proceeds of \$50,000. 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 \$0.10 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$50,000) from the private placement and accordingly, \$32,845 of the total value was allocated to the shares and \$17,155 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 other share issuance costs totaling \$2,558. A total of \$44,000 from this private placement is recorded as subscriptions receivable as at December 31, 2023.

- (ii) On December 27, 2023, the Company issued 300,000 common shares with a fair value of \$21,000 pursuant to the option agreement for the Brandywine mineral property (note 7).

On March 28, 2023, the Company issued 300,000 common shares with a fair value of \$9,000 pursuant to the option agreement for the Brandywine mineral property (note 7).

- (iii) As at December 31, 2023, the Company had a commitment to issue 1,500,000 units at a price of \$0.05 per unit for gross proceeds of \$75,000. These units were issued subsequent to the year end, on January 18, 2024.

### 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 exercise price for the options shall be not less than the allowable 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.

The following were changes to the stock options of the Company:

	Number of Options issued and exercisable	Weighted Average Exercise Price	Weighted Average Life (years)
<b>Balance, December 31, 2022</b>	<b>13,245,000</b>	<b>\$0.18</b>	<b>2.67</b>
Options granted	1,400,000	\$0.05	-
Options expired	(1,880,000)	\$0.20	-
Options forfeited	(860,000)	\$0.16	-
<b>Balance, December 31, 2023</b>	<b>11,905,000</b>	<b>\$0.16</b>	<b>2.04</b>
Options granted	5,000,000	\$0.10	-
Options exercised	(100,000)	\$0.05	-
Options expired	(875,000)	\$0.10	-
<b>Balance, June 30, 2024</b>	<b>15,930,000</b>	<b>\$0.14</b>	<b>2.70</b>

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

On June 10, 2024, the Company granted 4,600,000 stock options, exercisable at \$0.10 for 5 years to directors, consultants and officers of the Company. The fair value of the share-based compensation recognized was \$299,414 as determined using the Black-Scholes Option Pricing Model. Of these stock options, 3,150,000 were granted to related parties.

On January 29, 2024, the Company granted 400,000 stock options, exercisable at \$0.10 for 5 years to a director of the Company. The fair value of the share-based compensation recognized was \$11,976 as determined using the Black-Scholes Option Pricing Model.

During the six months ended June 30, 2024, 100,000 stock options were exercised by a director of the Company at an exercise price of \$0.05 per stock option for gross proceeds of \$5,000. Reserves of \$2,738 was transferred to share capital in relation to the exercises.

On November 10, 2023, the Company granted 1,400,000 stock options, exercisable at \$0.05 for 2 years to directors, consultants and officers of the Company. The fair value of the share-based compensation recognized was \$38,334 as determined using the Black-Scholes Option Pricing Model. Of these stock options, 950,000 were granted to related parties.

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Assumptions used in the Black Scholes Option Pricing Model are as follows:

	<b>2024</b>	<b>2023</b>
Risk free rate of return	3.53% – 3.57%	4.56%
Expected life	3.55 years	2.00 years
Expected volatility	161% – 164%	185%
Expected dividend yield	0.00%	0.00%
Weighted average fair value	\$0.03 – \$0.07	\$0.03

The following stock options were outstanding and exercisable as at June 30, 2024:

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
350,000*	\$0.10	August 22, 2024
350,000	\$0.10	December 6, 2024
1,800,000	\$0.20	October 5, 2025
1,300,000	\$0.05	November 10, 2025
100,000	\$0.20	December 1, 2025
880,000	\$0.125	January 28, 2026
2,350,000	\$0.25	April 27, 2026
3,600,000	\$0.15	September 3, 2026
200,000	\$0.15	December 14, 2026
400,000	\$0.10	January 29, 2029
4,600,000	\$0.10	June 29, 2029
<b>15,930,000</b>	<b>\$0.14</b>	

\*Subsequent to June 30, 2024, these options expired unexercised (see note 13).

d) Reserves – warrants

The following were changes to the warrants of the Company:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Life Remaining (years)</b>
<b>Balance, December 31, 2022</b>	<b>123,183,517</b>	<b>\$0.16</b>	<b>1.76</b>
Warrants issued	20,906,100	\$0.09	-
Warrants expired	(30,584,722)	\$0.22	-
<b>Balance, December 31, 2023</b>	<b>113,504,895</b>	<b>\$0.13</b>	<b>1.38</b>
Warrants issued	8,499,700	\$0.10	1.55
Warrants exercised	(2,500,000)	\$0.05	-
Warrants expired	(1,784,400)	\$0.15	-
<b>Balance, June 30, 2024</b>	<b>117,720,195</b>	<b>\$0.13</b>	<b>0.95</b>

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Assumptions used in the Black Scholes Option Pricing Model for the warrants issued are as follows:

	<b>2024</b>	<b>2023</b>
Risk free rate of return	4.05%	3.68%- 4.85%
Expected life	2.00 years	1.25 - 2.00 years
Expected volatility	196%	138% - 210%
Expected dividend yield	0.00%	0.00%

The following warrants were outstanding as at June 30, 2024:

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
12,767,500*	\$0.10	August 16, 2024
1,155,000	\$0.25	September 27, 2024
1,760,000	\$0.25	October 25, 2024
1,500,000	\$0.05	November 28, 2024
2,100,000	\$0.25	December 3, 2024
9,677,500	\$0.10	December 20, 2024
1,940,000	\$0.15	December 23, 2024
2,100,000	\$0.25	December 30, 2024
1,560,000	\$0.15	December 31, 2024
2,000,000	\$0.05	January 6, 2025
1,250,000	\$0.10	January 27, 2025
11,497,000	\$0.15	March 28, 2025
4,530,000	\$0.10	April 2, 2025
7,420,000	\$0.10	April 17, 2025
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
1,213,333	\$0.20	October 30, 2025
1,600,000	\$0.20	November 27, 2025
13,656,100	\$0.10	December 20, 2025
8,499,700	\$0.10	January 18, 2026
20,000,000	\$0.15	February 1, 2026
<b>117,720,195</b>	<b>\$0.13</b>	

\*Subsequent to June 30, 2024, the expiry date of 12,750,000 of these warrants was extended to August 16, 2027 from August 16, 2024 and the remaining 17,500 warrants expired unexercised (see note 13).

On March 8, 2024, the Company extended the expiry date of the following warrants. An incremental value of \$258,506 was calculated relating to the warrant modification using the Black-Scholes Option Pricing Model with expected life of 1.06 years, risk-free interest rate of 4.10%, a dividend yield of 0% and historical volatility of 223.1%:

- i. 11,497,000 warrants with an exercise price of \$0.15 per share extended to March 28, 2025 from March 28, 2024

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During the six months ended June 30, 2024, 2,500,000 warrants were exercised by a director of the Company at an exercise price of \$0.05 per stock option for gross proceeds of \$125,000. Reserves of \$13,401 was transferred to share capital in relation to the exercises.

On December 8, 2023, the Company extended the expiry date of the following warrants. An incremental value of \$75,896 was calculated relating to the warrant modification using the Black-Scholes Option Pricing Model with expected life ranging from 1.04 to 1.07 years, risk-free interest rate of 4.16%, a dividend yield of 0% and historical volatility ranging from 223.7% to 224.6%:

- ii. 1,940,000 warrants with an exercise price of \$0.15 per share extended to December 23, 2024 from December 23, 2023; and
- iii. 1,560,000 warrants with an exercise price of \$0.15 per share extended to December 31, 2024 from December 31, 2023.

On January 6, 2023, the Company extended the expiry date of the following warrants. An incremental value of \$267,538 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life of 3.07 years, risk-free interest rate of 3.97%, a dividend yield of 0% and historical volatility of 130.9%:

- i. 20,000,000 warrants with an exercise price of \$0.15 per share extended to February 1, 2026 from February 1, 2023.

## 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, 2024 and 2023:

	Note	Six months Ended	
		June 30, 2024	June 30, 2023
Management fees	(a)	\$ 45,000	\$ 46,800
Mineral property costs – project management fees	(a)	63,000	61,200
Mineral property costs – geological	(b)	59,045	-
Professional fees	(c)	75,000	75,000
Corporate services	(d)	19,800	19,800
Office rent	(e)	6,000	6,000
Share-based compensation	(f)	217,009	-
		\$ 484,854	\$ 208,800

- a) Management fees and mineral property costs – project management fees were paid to Highcard Exploration Inc. ("Highcard"), a company controlled by Graeme O'Neill, the CEO and director of the Company ("O'Neill").

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- b) Mineral property costs – geological were paid to Mark Abrams (“Abrams”), a director of the Company.
- c) Fees paid to RHL Enterprise Corp., a company controlled by the Company’s CFO, Rick Low (“Low”).
- d) Fees paid to Wiklow Corporate Services Inc., a company controlled by the Company’s Corporate Secretary, Donna Moroney.
- e) Office rent was paid to Low.
- f) During the six months ended June 30, 2024, the Company issued 3,550,000 (2023 – nil) stock options to related parties.

The following table summarizes payable balances to related parties as at June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Trade payable to O’Neill	\$ 4,659	\$ 2,084
Trade payable to Abrams	9,835	-
Trade payable to Low	6,000	7,864
Trade payable to Highcard	164,000	135,000
Trade payable to RHL Enterprise Corp.	142,250	115,500
Trade payable to Wiklow Corporate Services Inc.	40,367	36,630
	\$ 367,111	\$ 297,078

During the six months ended June 30, 2024, O’Neil purchased 2,500,000 units which consisted of 2,500,000 common shares and 2,500,000 warrants for total proceeds of \$125,000 and Low purchased 600,000 units which consisted of 600,000 common shares and 600,000 warrants for total proceeds of \$30,000. The warrants have an exercise price of \$0.10.

During the six months ended June 30, 2024, O’Neil exercised 2,500,000 warrants for gross proceeds of \$125,000.

During the six months ended June 30, 2024, James Walker, a director of the Company, exercised 100,000 stock options for gross proceeds of \$5,000.

During the year ended December 31, 2023, O’Neil purchased 8,600,000 units which consisted of 8,600,000 common shares and 8,600,000 warrants for total proceeds of \$220,000. The warrants have exercise prices from \$0.05 to \$0.10.

During the year ended December 31, 2023, Low purchased 600,000 units which consisted of 600,000 common shares and 600,000 warrants for total proceeds of \$30,000. The warrants have an exercise price of \$0.10.

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**7. MINERAL PROPERTY AND EXPLORATION EXPENSES**

	Six months Ended	
	June 30, 2024	June 30, 2023
Acquisition and holding costs	\$ 95,941	\$ 17,635
Assays and analysis	28,366	3,667
Depreciation (note 3)	136,207	136,285
Equipment & other rentals	4,704	22,563
Geological	108,900	7,076
Labour	99,210	38,612
Mining claims	30,769	-
Project management (note 6)	63,000	61,200
Property preparation	30,224	10,608
Property reclamation	-	20,391
Supplies	32,693	2,930
Technical	102,474	-
Travel and accommodation	54,130	21,089
Miscellaneous	5,748	15,426
	<b>\$ 792,366</b>	<b>\$ 357,482</b>

**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 each year. During the six months ended June 30, 2024, the Company completed payments for 2022 and has partially completed payments for June 26, 2023.

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.

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Provisions in the option agreement allowed for dilution of either joint venture parties' interest in the joint 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 in 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 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 or before December 23, 2020 (completed);
- iv. Additional cash payment of \$40,000 (paid) and further 300,000 common shares (completed) on or before December 23, 2021;
- v. 300,000 common shares issued in each of 3<sup>rd</sup> to 5<sup>th</sup> anniversaries of the Option Date (December 23, 2022, 2023 and 2024) (Issued 600,000 common shares for the 3<sup>rd</sup> and 4<sup>th</sup> anniversary (note 5)); and
- vi. Work expenditures of \$500,000 in year one (completed), \$500,000 in year two (completed \$334,659), \$500,000 in year three (outstanding) and \$1,500,000 on or before December 23, 2024.

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 \$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) Pegasus Project, Idaho, USA

The Company has recently staked claims in Idaho, USA. The Bayhorse Pegasus Project lies one half mile east of the Bayhorse Silver Mine in Oregon and comprises 123 claims of approximately four square miles in Sections 16, 17, 20, 21, 22, 28 and 29 of T13N R7W, in Washington County, Idaho.

## 8. CONTRACT LIABILITIES

As at June 30, 2024, the Company has recorded contract liabilities as a result of the pre-sale of 1,130 ounces of silver of which 550 ounces (December 31, 2023 – 550 ounces) remained outstanding. 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 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, 2024, the Company recognized a loss on silver pre-sales of \$4,035 (2023 – gain of \$2,092) in the statement of loss and comprehensive loss on the re-measurement. The price of silver as at June 30, 2024 was US\$29.14 (December 31, 2023 – US\$23.78).

During the six months ended June 30, 2024 and 2023, the Company recognized \$nil of income from silver pre-sale from the delivery of silver to settle the obligation. In addition, the Company paid \$1,301 in repayments of the contract liability during the year ended December 31, 2023.

As at June 30, 2024, the total contract liabilities associated with the silver pre-sale is \$22,080 (US\$16,132) (December 31, 2023 – \$17,437 (US\$13,184)).

## 9. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended June 30, 2024 and 2023, the Company had the following non-cash transactions:

	Six months Ended	
	June 30, 2024	June 30, 2023
<b>Financing Activities</b>		
Fair value of warrants transferred from share capital to reserves for warrants attached to private placement units	\$ (189,060)	\$ (17,155)
Fair value of warrants issued as finder's fee for private placements	\$ 7,371	\$ -
Fair value of options transferred to share capital from reserves on exercise of options	\$ 2,738	\$ -
Fair value of warrants transferred to share capital from reserves on exercise of warrants	\$ 13,401	\$ -

During the six months ended June 30, 2024 and 2023, the Company paid interest of \$nil and taxes of \$nil.

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### 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 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 evaluation of mineral properties.

#### Geographic Segments

As at June 30, 2024, the Company's operations and assets are located in Canada and the USA. By geographic areas, the Company's net loss for the six months ended June 30, 2024 and 2023 are as follows:

	Six months Ended	
	June 30, 2024	June 30, 2023
Canada	\$ 971,356	\$ 582,037
USA	462,239	114,834
	\$ 1,433,595	\$ 696,871

By geographic areas, the Company's non-current assets as at June 30, 2024 and December 31, 2023, are as follows:

	June 30, 2024	December 31, 2023
	Canada	\$ 11,224
USA	1,291,052	1,413,454
	\$ 1,302,276	\$ 1,438,483

### 11. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK

#### Capital Requirements

The Company's capital consists of shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its exploration and evaluation assets. 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.

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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.

### 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, 2023						
Cash	\$	189,453	\$	-	\$	-
Contract liabilities	\$	(22,080)	\$	-	\$	-
December 31, 2023						
Cash	\$	482,566	\$	-	\$	-
Contract liabilities	\$	(17,437)	\$	-	\$	-

As at June 30, 2024 and December 31, 2023, the Company believes that the carrying value of its accounts receivable, account payables, accrued liabilities, provision for indemnity, and convertible debentures 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, 2024 and year ended December 31, 2023.

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

- The fair value of the contract liabilities is based on the silver commodity spot rate. The change in fair value for the six months ended June 30, 2024 and 2023 is not related to a change in the credit risk of the contract liabilities.

#### *Financial Risk*

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

#### *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

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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 and with its accounts receivable, which is primarily due from one individual for the lease of the ore sorter. This risk is managed through the use of major banks that are considered high credit quality financial institutions, 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 receivable denominated in US dollars;
- Accounts payable denominated in US dollars;
- Prepayments 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 \$86,000 during the six months ended June 30, 2024.

### *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). 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 is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they become due. 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 (note 1).

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.

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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, 2024 of the Company's significant financial liabilities and capital commitments, including contractual obligations for the years indicated:

	2024	2025	2026	2027	2028	Total
Accounts payable and accrued liabilities	\$1,026,181	\$ -	\$ -	\$ -	\$ -	\$1,026,181
Advance royalty payment obligations <sup>(1)</sup>	112,918	68,435	68,435	68,435	68,435	386,658
Consulting agreement obligations	33,000	-	-	-	-	33,000
Convertible debentures <sup>(2)</sup>	431,141	-	-	-	-	431,141
	\$1,603,240	\$68,435	\$68,435	\$68,435	\$68,435	\$1,876,980

<sup>(1)</sup> Represents advance royalty payments for the Bayhorse mineral property.

<sup>(2)</sup> The amount represents the actual face value of the debt obligation at June 30, 2024.

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 EVENTS

Subsequent to June 30, 2024:

- (a) A total of 350,000 stock options with an exercise price of \$0.10 per share expired unexercised (see note 5).
- (b) The Company extended the expiry date of 12,750,500 warrants with an exercise price of \$0.10 per share to August 16, 2027 from August 16, 2024 (see note 5).
- (c) A total of 17,500 warrants with an exercise price of \$0.10 per share expired unexercised (see note 5).