

BAYHORSE SILVER INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021
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 nine months ended September 30, 2021, 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)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Current			
Cash		\$ 1,357,158	\$ 26,374
Accounts receivable	8	29,390	13,903
Subscriptions receivable		-	55,000
Prepaid expenses		502,350	352,195
		1,888,898	447,472
Non-current			
Property and Equipment	3	1,839,348	1,509,750
Reclamation bond		11,700	-
		\$ 3,739,946	\$ 1,957,222
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current			
Accounts payable	8	\$ 540,481	\$ 697,776
Accrued liabilities		412,878	399,714
Subscriptions payable		1,012,500	-
Flow-through premium liability	7, 14	159,771	238,500
Convertible debenture	4	878,687	1,626,048
Loan payable	5	-	149,663
Lease liability	6	-	622,623
Contract liabilities	10	21,661	38,448
		3,025,978	3,772,772
Shareholders' equity (deficit)			
Share capital	7	26,228,559	21,090,640
Reserves	7	10,194,392	7,661,447
Deficit		(35,708,983)	(30,567,637)
		713,968	(1,815,550)
		\$ 3,739,946	\$ 1,957,222

Nature of operations and going concern (note 1)**Commitments** (notes 9 and 14)**Subsequent events** (note 15)

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)

	Note	Three Months Ended		Nine months Ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Mineral expenses					
Exploration expenses	8, 9	\$ 797,215	\$ 673,574	\$ 2,039,879	\$ 1,136,709
Expenses					
Communications		56,548	27,409	167,743	140,656
Financing fee	7	581,794	65,527	1,522,386	202,405
Foreign exchange and bank charges		15,990	(29,835)	24,160	38,073
Insurance		17,243	13,037	46,506	37,039
Lease interest	6	16,847	29,227	54,400	98,325
Management fees	8	19,500	22,500	54,500	67,500
Office and other		23,510	17,896	53,523	40,296
Office rent	8	9,000	9,000	27,000	27,000
Professional fees	8	63,266	40,500	184,813	127,239
Promotion		415	685	1,685	1,501
Share-based compensation	7, 8	380,820	-	952,198	-
Transfer, listing and filing fees		28,358	5,276	51,219	17,304
Travel		4,096	1,396	7,608	5,636
		(1,217,387)	(202,618)	(3,147,741)	(802,974)
Loss before other items		(2,014,602)	(876,192)	(5,187,620)	(1,939,683)
Other items					
Gain (loss) on fair value re-measurement of convertible debenture	4	(35,053)	29,443	(3,370)	(65,288)
Loss on shares issued from convertible debenture		(22,193)	-	(34,624)	-
Gain (loss) on revaluation of silver pre-sales		3,510	(8,272)	5,539	(9,609)
Loss before income taxes		(2,068,338)	(855,021)	(5,220,075)	(2,014,580)
Deferred income tax recovery		19,230	63,346	78,729	81,993
Net loss and comprehensive loss for the period		\$ (2,049,108)	\$ (791,675)	\$ (5,141,346)	\$ (1,932,587)
Weighted average number of common shares outstanding - basic and diluted		183,860,022	135,377,483	173,827,490	121,963,453
Basic and diluted loss per common share		\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)

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

BAYHORSE SILVER INC.

Condensed Consolidated Interim Statements of Cash Flows

Expressed in Canadian Dollars, Unless Noted Otherwise

(Unaudited)

	Nine months Ended	
	September 30, 2021	September 30, 2020
Operating activities		
Net loss	\$ (5,141,346)	\$ (1,932,587)
Items not involving cash:		
Foreign exchange	118,979	30,172
Depreciation	208,539	245,772
Share-based compensation	952,198	-
Financing fees – warrant modification	1,391,022	-
(Gain) loss on shares issued from convertible debenture	34,624	-
(Gain) loss from re-measurement of convertible debentures	3,370	65,288
Deferred income tax recovery	(78,729)	(81,993)
(Gain) on silver pre-sales	(5,539)	9,609
Interest on lease liability	54,400	98,325
Changes in non-cash working capital:		
Accounts receivable	(15,487)	(11,171)
Subscriptions receivable	55,000	111,250
Prepaid expenses	(150,155)	(11,803)
Accounts payable and accrued liabilities	(144,131)	(74,948)
Subscriptions payable	1,012,500	-
Contract liabilities	(11,248)	-
Cash used in operating activities	(1,716,003)	(1,552,086)
Investing activity		
Property and equipment	(538,137)	(178,253)
Reclamation bond	(11,700)	-
Cash used in investing activities	(549,837)	(178,253)
Financing activities		
Gross proceeds from share issuance	2,968,544	2,103,025
Share issuance costs	(98,210)	(83,822)
Repayment of convertible debentures	(337,572)	-
Options exercised during the period	450,500	97,500
Warrants exercised during the period	1,555,157	83,500
Loan payable	(149,663)	(5,165)
Lease liability	(792,132)	(358,292)
Cash provided by financing activities	3,596,624	1,836,746
Increase (decrease) in cash	1,330,784	106,407
Cash, beginning of the period	26,374	68,653
Cash, end of the period	\$ 1,357,158	\$ 175,060

Supplemental cash flow information (note 11)

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

BAYHORSE SILVER INC.

Condensed Consolidated Interim Statement of Changes in Shareholders' Deficit

Expressed in Canadian Dollars, Unless Noted Otherwise

(Unaudited)

	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2019		106,773,944	\$ 19,080,516	\$ 6,667,413	\$ (27,472,372)	\$ (1,724,443)
Shares issued for cash		30,056,562	1,327,161	661,534	-	1,988,695
Share issuance costs	7 (b)	-	(79,153)	-	-	(79,153)
Shares issued for options exercised	7 (c)	900,000	172,348	(74,848)	-	97,500
Shares issued on warrants exercised	7 (d)	835,000	108,270	(24,770)	-	83,500
Net loss and comprehensive loss		-	-	-	(1,932,587)	(1,932,587)
Balance, September 30, 2020		138,565,506	\$ 20,609,142	\$ 7,229,329	\$ (29,404,959)	\$ (1,566,488)
Balance, December 31, 2020		143,678,839	\$ 21,090,640	\$ 7,661,447	\$ (30,567,637)	\$ (1,815,550)
Shares issued for cash	7 (b)	30,967,925	1,949,927	1,018,617	-	2,968,544
Fair value of broker warrants	7 (b)	-	35,199	-	-	35,199
Share issuance costs	7 (b)	-	(133,409)	-	-	(133,409)
Shares issued for options exercised	7 (c)	3,510,000	779,014	(328,514)	-	450,500
Shares issued on warrants exercised	7 (d)	12,132,819	2,031,657	(476,500)	-	1,555,157
Shares issued for debenture conversion	7 (b)	3,336,392	475,531	(23,878)	-	451,653
Financing fees - warrant modification	7 (d)	-	-	1,391,022	-	1,391,022
Share-based compensation	7 (c)	-	-	952,198	-	952,198
Net loss and comprehensive loss		-	-	-	(5,141,346)	(5,141,346)
Balance, September 30, 2021		193,625,975	\$ 26,228,559	\$ 10,194,392	\$ (35,708,983)	\$ 713,968

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 Nine months Ended September 30, 2021
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

Going Concern

The accompanying consolidated 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 September 30, 2021, the Company had a working capital deficit of \$1,137,080 (December 31, 2020 - \$3,325,300), had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the nine months ended September 30, 2021, the Company reported a comprehensive loss of \$5,141,346 (2020 - \$1,932,587) and has an accumulated deficit of \$35,708,983 (December 31, 2020 - \$30,567,637).

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 material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s consolidated financial statements for the three and nine months ended September 30, 2021 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.

Covid-19 Pandemic

In March 2020, the World Health Organization declared a global Covid-19 pandemic. The expected impacts on global commerce are far reaching. To date there have been significant stock market fluctuations, and the movement of people and goods has become restricted. The mineral exploration sector is expected to be impacted significantly as many local and regional governments have issued public health orders in response to Covid-19, including restricting the movement of people, which could impact the Company’s ability to access its properties and complete its exploration programs in the coming year. A continuing period of lower prices could significantly affect the economic potential of many of the Company’s current properties and may result in the Company ceasing work on, or dropping its interest in, some or all of them. As the Company does not have revenues, the ability to fund ongoing exploration is affected by the availability of financing. Due to market uncertainty the Company may be restricted in its ability to raise additional funding.

The impact of these factors on the Company is not yet determinable. However, they may have a material impact on the Company’s financial position, results of operations and cash flows in future periods. In particular, there may be heightened risk of asset impairment and liquidity or going concern uncertainty.

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As a result, impairment indicators for the Company's assets and/or a decline in their fair value could arise if current conditions persist. The Company continues to work on revisions to its forecasts and exploration plans in light of the current conditions and will use these updated assumptions/forecasts in measurement of the carrying value of its assets going forward.

2. BASIS OF PRESENTATION

a. Statement of Compliance

These unaudited 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, 2021. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies applied are the same as those applied in the Company's most recent annual financial statements which are filed under the Company's profile on SEDAR at www.sedar.com. The results for interim periods are not necessarily indicative of results for the entire year. The preparation of these unaudited condensed consolidated interim financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of expenses during the period. As a result, actual amounts may differ from those estimates.

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

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 were approved and authorized for issue by the Board of Directors on November 24, 2021.

b. Basis of Consolidation

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

c. New Accounting Pronouncements

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

IAS 16 has been amended to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant or equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales

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proceeds and related cost in profit or loss. These amendments are effective for periods beginning on or after January 1, 2022. The Company does not expect this amendment to have any impact on the consolidated financial statements of, nor is there expected to be any future impact to the Company.

IAS 37—Provisions (“IAS 37”)

IAS 37 has been amended to clarify (i) the meaning of “costs to fulfil a contract”, and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments are effective for periods beginning on or after January 1, 2022. The Company does not expect this amendment to have any impact on the consolidated financial statements of, nor is there expected to be any future impact to the Company.

3. PROPERTY AND EQUIPMENT

	Land \$	Building \$	Mining and Processing Equipment \$	X-Ray Sorter ⁽¹⁾ \$	TOTAL \$
December 31, 2019	-	-	906,056	1,340,549	2,246,605
Additions	114,954	-	178,253	33,961	327,168
December 31, 2020	114,954	-	1,084,309	1,374,510	2,573,773
Additions	-	114,938	299,698	123,501	538,137
September 30, 2021	114,954	114,938	1,384,007	1,498,011	3,111,910
December 31, 2019	-	-	439,717	305,178	744,895
Additions	-	-	161,968	157,160	319,128
December 31, 2020	-	-	601,685	462,338	1,064,023
Additions	-	-	88,406	120,133	208,539
September 30, 2021	-	-	690,091	582,471	1,272,562
Carrying value					
December 31, 2020	114,954	-	482,624	912,172	1,509,750
September 30, 2021	114,954	114,938	693,916	915,540	1,839,348

⁽¹⁾ The X-Ray Sorter is leased equipment and is presented as a right-of-use asset (see note 6).

4. CONVERTIBLE DEBENTURE

During the year ended December 31, 2018, the Company issued 192 units of US\$5,000 convertible debentures for gross proceeds of US\$960,000 (CAD\$1,249,466). During the year ended December 31, 2017, the Company issued 200 units of US\$5,000 convertible debentures for gross proceeds of US\$1,000,000 (CAD\$1,231,400). During the year ended December 31, 2016, the Company issued 180 units of US\$5,000 convertible debentures for gross proceeds of US\$900,000 (CAD\$1,187,601). During the year ended December 31, 2015, the Company issued 70 units of US\$5,000 debentures for gross proceeds of US\$350,000 (CAD\$458,945) (all of these debentures are collectively referred as “Debentures”). Key features of these Debentures are as follows:

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- Term
 - three years from the date of issuance;
- Interest payments
 - 12% per annum, calculated and compounded monthly and not in advance, and payable annually in arrears. Interest on all overdue amounts of principal or interest, is calculated and compounded daily at the same rate, from the date that the such amount of principal or interest becomes due to the actual date of payment;
- The Company's redemption right
 - The Company may redeem the Debenture at any time after the first anniversary of the date of its issuance upon the following terms and conditions:
 - The Company must advise the holder in writing not less than 30 days prior to the date of redemption of its intention to exercise its redemption rights;
 - Redemption price will be at least the full principal portion plus accrued interest up until the redemption date;
- Conversion right to shares
 - Debenture holders ("Holders") have the option to convert the principal and unpaid accrued interests into shares at any time during the period from four months from the date of issuance and the second anniversary of such date. Redemption price ranges from CAD\$0.125 to CAD\$0.20 per share during the first year of the term, and in the second year of the term in the event the common shares of the Corporation trade for a 30-day period at a range of CAD\$0.20 to CAD\$0.30 per share or higher, the average of thirty days trading less a twenty (20%) percent discount as permitted by the rules of the TSX-V, but in no case less than a range of CAD\$0.125 to CAD\$0.20 per share;
- Conversion right to silver
 - In the event the Company successfully mines silver from the Bayhorse property prior to the maturity date of the Debenture, Holders have the option to convert the Principal and unpaid accrued interests into one the following options:
 - Physical ounces of silver at a price ranging from US\$15.50 to US\$17.50 per ounce of silver; or
 - Receive the net proceeds from the sale by the Company of silver that would otherwise have been delivered to the Holders.
- Bonus warrants
 - Each US\$5,000 Holder receives 20,000 warrants with each warrant exercisable into one common share of the Company for 3 years from date of issuance at an exercise price ranging from CAD\$0.25 to CAD\$0.30 per common share.

Fair Value Measurement

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

All of these financial instruments are classified as fair value through profit and loss ("FVTPL") and all changes in fair value are recorded in profit and loss. The fair value of the Debenture is measured using the present value of future cash flows with a market discount rate of 14.98%, which is based on a comparable

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instrument. On initial recognition, the Debenture is recorded at fair value with any excess from proceeds being credited to contributed surplus.

All Debentures are re-measured at their fair value at each reporting date with all changes in fair value recorded in profit and loss. Accordingly, for the nine months ended September 30, 2021, the Company recorded a loss of \$3,370 (2020 - \$65,288).

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

	Debenture	Contributed Surplus
Balance, December 31, 2019	\$ 1,635,073	\$ 87,918
Change in fair value	(9,025)	-
Balance, December 31, 2020	\$ 1,626,048	\$ 87,918
Converted to shares	(417,029)	(23,877)
Repayments	(337,572)	-
Foreign exchange loss	3,870	-
Change in fair value	3,370	-
Balance, September 30, 2021	\$ 878,687	\$ 64,041

	2021	2020
Debenture		
Current portion	\$ 878,687	\$ 1,626,048
Long-term portion	-	-
	\$ 878,687	\$ 1,626,048

The principal amounts in US dollars outstanding as at September 30, 2021 and their maturity dates are as follows:

Maturity Date	Outstanding Principal US\$
November 7, 2018	\$100,000
February 22, 2019	50,000
August 3, 2019	10,000
September 27, 2020	385,000
September 27, 2021	70,000
December 19, 2021	75,000
	\$690,000

5. LOANS PAYABLE

Loans payable consist of a promissory note of \$nil (December 31, 2020 - \$84,519) and insurance premiums loan of \$nil (December 31, 2020 - \$15,144).

The promissory note was due on May 30, 2021, was unsecured and bore interest at the rate of 12% per annum. Another promissory note of \$50,000 outstanding as at December 31, 2020 was fully repaid during the nine months ended September 30, 2021.

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The balance of the insurance premium loan at September 30, 2021 is \$nil (December 31, 2020 - \$15,144). The original amount of \$34,583 was repayable on a straight-line basis over 11 months with an interest rate of 4.27% per annum and was unsecured.

6. LEASE LIABILITY

On December 1, 2017, the Company entered into a 48-month lease agreement to lease the X-Ray Sorter equipment. The lease was amended effective on November 30, 2018. The lease is denominated in US dollars and the lease payments are US\$6,750, US\$13,500 and US\$29,400 for months one to three, months four to sixteen and months seventeen to forty-eight, respectively, from the commencement date of the lease.

The Company has recorded this lease as a right-of-use asset and lease liability in the statement of financial position. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease liability is secured with the Company's accounts receivable, all tangible and intangible personal property, cash and financial instruments. The lease payments are discounted using an interest rate 14.98%, which is the Company's incremental borrowing rate.

On September 29, 2021, the Company made a lease buyout payment of \$473,657 (US\$371,758).

The continuity of the lease liability is presented in the table below:

Carrying value, December 31, 2019	\$	973,926
Interest accrued		123,551
Lease payments		(473,216)
Exchange adjustment		(1,638)
Carrying value, December 31, 2020	\$	622,623
Interest accrued		42,869
Lease payments		(332,017)
Exchange adjustment		(4,070)
Carrying value before lease buyout	\$	329,405
Interest expense on lease buyout		11,886
Taxes paid on lease buyout		7,483
Change in carrying value due to lease buyout		124,883
Lease buyout payment		(473,657)
Carrying value, September 30, 2021	\$	-

Lease liability	September 30, 2021	December 31, 2020
Current portion	\$ -	\$ 622,623
Long-term portion	-	-
	\$ -	\$ 622,623

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7. CAPITAL STOCK

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

	Note	Number
Balance, December 31, 2019		106,773,944
Shares issued for private placement	7(b) (ii)	32,869,895
Shares Issued for options	7(c)	1,350,000
Shares Issued for warrants	7(d)	2,485,000
Shares issued for acquisition of mineral property	7(b) (i)	200,000
Balance, December 31, 2020		143,678,839
Shares issued for private placement	7(b) (i)	30,967,925
Shares Issued for options	7(c)	3,510,000
Shares Issued for warrants	7(d)	12,132,819
Shares issued for debentures	7(b) (iii)	3,336,392
Balance, September 30, 2021		193,625,975

- (i) On February 1, 2021, the Company issued a total of 22,000,000 units at a price of \$0.08 per unit for gross proceeds of \$1,760,000. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.15 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$1,760,000) from the private placement and accordingly, \$1,114,253 of the total value was allocated to the shares and \$645,747 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes option pricing model. The Company paid a finder's fee of \$82,965 in cash and issued 428,750 broker warrants valued at \$33,530. Graeme O'Neill, the Company's CEO and director was issued 5,750,000 units and Rick Low, the Company's CEO was issued 375,000 units.

On September 16, 2021, the Company closed the first tranche of its 16,500,000 unit private placement and issued a total of 8,967,925 units at a price of \$0.135 per unit for gross proceeds of \$1,210,670. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.225 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$1,210,670) from the private placement and accordingly, \$837,800 of the total value was allocated to the shares and \$372,870 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes option pricing model. The Company paid a finder's fee of \$14,017 in cash and issued 225,000 broker warrants valued at \$2,126. Graeme O'Neill, the Company's CEO and director was issued 6,000,000 units.

- (ii) On April 2, 2020 and April 17, 2020, the Company issued a total of 5,580,000 and 12,420,000 units, respectively, at a price of \$0.05 per unit for gross proceeds of \$900,000. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.10 per share within two years from the date of issuance or each 200 warrants may be exercised by the holder into one ounce of silver at an exercise price

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of C\$20.00 per ounce (the “Silver Option”) at any time until the close of business on the day which is two years from the date of issue of the Warrant, subject to the following conditions:

- The Silver Option may only be exercised after the Company successfully mines silver from the Bayhorse property prior to the maturity date of the warrant, provided that the Company, at its sole discretion, delivers written notice to each warrant holder (the “Silver Option Notice”) that they shall have the right to receive payment in kind by delivery of physical ounces of silver;
- The exercise of the Silver Option is subject to a minimum of 5,000 warrants; and
- Shipping and handling costs for the delivery of physical silver is paid in advance by the warrant holder upon exercise of the Silver Option.

The Company used the relative fair value method to allocate the total consideration received (\$900,000) from the private placement and accordingly, \$609,526 of the total value was allocated to the shares and \$290,474 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. As the Company is not in yet in production and does not have a minerals reserve estimate, it is not practicable to estimate the fair value of the Silver Option and accordingly, no value was assigned to the Silver Option. The Company paid finder’s fee of \$20,951 in cash and issued 419,020 broker warrants valued at \$12,213.

On July 2, 2020 and July 7, 2020, the Company issued a total of 2,806,562 and 3,950,000 units, respectively, at a price of \$0.08 per unit for gross proceeds of \$540,525. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.18 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$540,525) from the private placement and accordingly, \$361,942 of the total value was allocated to the shares and \$178,583 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 finder’s fee of \$12,670 in cash and issued 158,375 broker warrants valued at \$8,882.

On August 4, 2020, the Company issued a total of 5,300,000 flow-through units at a price of \$0.125 per unit for gross proceeds of \$662,500. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.20 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$662,500) from the private placement and accordingly, \$355,693 of the total value was allocated to the shares, \$68,307 to the warrants and \$238,500 to flow-through premium liability. The value of the shares was based on the closing market price on the date the shares were issued, the value of the warrants was based on Black Scholes option pricing model and the flow-through premium liability was based on the difference between unit price of the flow-through units and non flow-through units. The Company paid a finder’s fee of \$27,825 in cash and issued 215,600 broker warrants valued at \$16,312.

On October 30, 2020, the Company issued a total of 1,213,333 flow-through units at a price of \$0.15 per unit for gross proceeds of \$181,999. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.20 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$181,999) from the private

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placement and accordingly, \$123,281 of the total value was allocated to the shares and \$58,718 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes option pricing model. The Company paid a finder's fee of \$2,100 in cash and issued 14,000 broker warrants valued at \$734.

On November 27, 2020, the Company issued a total of 1,600,000 flow-through units at a price of \$0.125 per unit for gross proceeds of \$200,000. 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 \$0.20 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$200,000) from the private placement and accordingly, \$135,666 of the total value was allocated to the shares and \$64,334 to the warrants. The value of the shares was based on the closing market price on the date the shares were issued, and the value of the warrants was based on Black Scholes option pricing model. The Company paid a finder's fee of \$7,000 in cash and issued 56,000 broker warrants valued at \$2,941. Graeme O'Neill, the Company's CEO and director and Rick Low, the Company's CFO, were issued 130,000 and 100,000 units respectively. \$55,000 of this issuance is recorded as subscriptions receivable.

In relation to the private placements completed during the year ended December 31, 2020, the Company recorded share issuance costs of \$22,695.

On December 23, 2020, the Company issued 200,000 common shares with a fair value of \$20,000 pursuant to the option agreement for the Brandywine mineral property.

- (iii) On February 26, 2021, US\$35,000 of convertible debentures were converted into 355,180 common shares at a price of C\$0.125 per share and interest of C\$12,875 (US\$10,149) of accrued interest on the convertible debentures was paid. A loss on conversion of \$12,431 resulted from this transaction. Reserves of \$2,573 was transferred to share capital in relation to the conversion. Of this conversion, Rick Low, the Company's CFO converted US\$25,000 of convertible debentures into 253,700 common shares at a price of C\$0.125 per share and was paid C\$9,353 (US\$7,373) of accrued interest on the convertible debentures. A loss on conversion of \$8,880 resulted from this transaction. Reserves of \$1,829 was transferred to share capital in relation to the conversion.

On August 5, 2021, US\$45,000 of convertible debentures were converted into 449,892 common shares at a price of C\$0.125 per share and interest of C\$21,084 (US\$16,871) on the convertible debentures was accrued. A loss on conversion of \$24,744 for the nine months ended September 30, 2021 resulted from this transaction. Reserves of \$3,244 was transferred to share capital in relation to the conversion.

On August 30, 2021, US\$50,000 of convertible debentures were converted into 505,400 common shares at a price of C\$0.125 per share and interest of C\$14,453 (US\$11,414) of accrued interest on the convertible debentures was paid in October 2021. A loss on conversion of \$7,579 for the nine months ended September 30, 2021 resulted from this transaction. Reserves of \$3,612 was transferred to share capital in relation to the conversion.

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

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of \$10,130 for the nine months ended September 30, 2021 resulted from this transaction. Reserves of \$14,449 was transferred to share capital in relation to the conversion.

c) Reserves

Stock Options

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

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

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

During the nine months ended September 30, 2021 and year ended December 31, 2020, the following were changes to the stock options of the Company:

	Number of Options issued and exercisable	Weight Average Exercise Price	Weighted Average Life (years)
Balance, December 31, 2019	10,270,000	\$0.14	3.50
Options granted	2,100,000	\$0.20	4.80
Options exercised	(1,350,000)	\$0.11	-
Options expired	(225,000)	\$0.10	-
Options forfeited	(380,000)	\$0.16	-
Balance, December 31, 2020	10,415,000	\$0.16	2.87
Options granted	8,300,000	\$0.17	4.68
Options exercised	(3,510,000)	\$0.13	-
Options expired	(100,000)	\$0.13	-
Balance, September 30, 2021	15,105,000	\$0.18	3.18

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

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

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

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

During the nine months ended September 30, 2021, there were an aggregate of 3,510,000 stock options exercised at exercise prices ranging from \$0.10 to \$0.15 per stock option for gross proceeds of \$450,500. Reserves of \$328,514 was transferred to share capital in relation to the exercises. Of these stock options, 3,125,000 were exercised by related parties.

On October 5, 2020, the Company granted 2,000,000 stock options, exercisable at \$0.20 for five years to directors, consultants and officers of the Company. The fair value of the share-based compensation recognized was \$186,460 as determined using the Black-Scholes Option Pricing Model. Of these stock options, 1,350,000 were granted to related parties.

On December 1, 2020, the Company granted 100,000 stock options, exercisable at \$0.20 for five years to a consultant of the Company. The fair value of the share-based compensation recognized was \$6,945 as determined using the Black-Scholes Option Pricing Model.

During the year ended December 31, 2020, there were an aggregate of 1,350,000 stock options exercised at exercise prices ranging from \$0.10 to \$0.20 per stock option for gross proceeds of \$142,500. Reserves of \$107,143 was transferred to share capital in relation to the exercises.

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

	2021	2020
Risk free rate of return	0.33 - 0.77%	0.33 - 0.40%
Expected life	3.31 - 3.70 years	3.52 years
Expected volatility	115 - 117%	114 - 115%
Expected dividend yield	0.00%	0.00%

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The following stock options were outstanding and exercisable at September 30, 2021:

Number	Exercise Price	Expiry Date
750,000	\$0.15	December 5, 2021
80,000	\$0.125	December 20, 2021
230,000	\$0.20	July 13, 2022
1,000,000	\$0.20	September 18, 2022
800,000	\$0.25	March 6, 2023
370,000	\$0.20	May 8, 2023
710,000	\$0.15	September 24, 2023
260,000	\$0.10	February 12, 2024
355,000	\$0.10	May 7, 2024
310,000	\$0.10	June 17, 2024
450,000	\$0.10	August 22, 2024
450,000	\$0.10	December 6, 2024
2,000,000	\$0.20	October 4, 2025
100,000	\$0.20	December 1, 2025
940,000	\$0.125	January 28, 2026
2,500,000	\$0.25	April 27, 2026
3,800,000	\$0.15	September 3, 2026
15,105,000	\$0.18	

d) Warrants

The following table provides a continuity of warrants outstanding for the periods indicated:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life Remaining (in years)
Balance, December 31, 2019	47,257,971	\$0.23	1.28
Warrants granted	33,732,890	\$0.14	-
Warrants exercised	(2,485,000)	\$0.10	-
Warrants expired	(7,800,100)	\$0.27	-
Balance, December 31, 2020	70,705,761	\$0.19	1.57
Warrants granted	31,412,425	\$0.17	1.43
Warrants exercised	(12,132,819)	\$0.13	-
Warrants expired	(2,360,000)	\$0.25	-
Balance, September 30, 2021	87,625,367	\$0.19	1.30

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

	2021	2020
Risk free rate of return	0.15 – 0.44%	0.25 – 0.42%
Expected life	2.00 years	2.00 years
Expected volatility	117 – 121%	122 – 122%
Expected dividend yield	0.00%	0.00%

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The following warrants were outstanding as at September 30, 2021:

Number	Exercise Price	Expiry Date
28,000	\$0.25	October 25, 2021
1,480,000	\$0.25	December 19, 2021
70,000	\$0.25	December 30, 2021
4,558,000	\$0.10	April 2, 2022
7,455,000	\$0.10	April 17, 2022
6,000,000	\$0.25	May 10, 2022
731,138	\$0.125	May 29, 2022
2,806,562	\$0.18	July 2, 2022
733,333	\$0.125	July 3, 2022
3,545,875	\$0.18	July 10, 2022
1,000,001	\$0.125	July 22, 2022
3,512,600	\$0.20	August 4, 2022
2,003,000	\$0.20	August 6, 2022
1,700,000	\$0.125	August 27, 2022
1,227,333	\$0.20	October 30, 2022
1,656,000	\$0.20	November 27, 2022
1,500,000	\$0.30	December 27, 2022
2,231,500	\$0.30	January 18, 2023
20,402,500	\$0.15	February 1, 2023
3,768,500	\$0.30	March 2, 2023
500,000	\$0.19	April 12, 2023
527,804	\$0.25	April 12, 2023
2,317,046	\$0.15	July 19, 2023
8,983,675	\$0.225	September 16, 2023
432,500	\$0.15	February 12, 2024
790,000	\$0.15	March 12, 2024
550,000	\$0.15	April 15, 2024
1,155,000	\$0.25	September 27, 2024
1,760,000	\$0.25	October 25, 2024
2,100,000	\$0.25	December 3, 2024
2,100,000	\$0.25	December 30, 2024
87,625,367	\$0.19	

On February 17, 2021, the Company received approval from the TSXV Exchange to extend the expiry dates of the following warrants. An incremental value of \$417,906 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life ranging from 1.86 to 2.04 years, risk-free interest rate of 0.21%, a dividend yield of 0% and historical volatility ranging from 121 to 122%:

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

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On February 22, 2021, the Company received approval from the TSXV Exchange to extend the expiry dates of the following warrants. An incremental value of \$430,792 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life ranging from 2.97 to 3.15 years, risk-free interest rate of 0.30%, a dividend yield of 0% and historical volatility ranging from 118 to 119%:

- i. 2,000,000 warrants with an exercise price of \$0.15 per share to February 12, 2024 from February 12, 2021.
- ii. 1,100,000 warrants with an exercise price of \$0.15 per share to March 12, 2024 from March 12, 2021.
- iii. 850,000 Warrants with an exercise price of \$0.15 per share to April 12, 2023 from April 15, 2021.

On September 8, 2021, the Company received approval from the TSXV Exchange to extend the expiry dates of the following warrants. An incremental value of \$542,323 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life ranging from 3.05 to 3.31 years, risk-free interest rate of 0.49%, a dividend yield of 0% and historical volatility ranging from 116 to 117%:

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

On April 8, 2020, the Company received approval from the TSXV Exchange to extend the expiry dates of 6,000,000 warrants to May 10, 2022 at an exercise price of \$0.25 per share. These warrants had original expiry dates of May 10, 2019 (as to 2,160,000 warrants), June 12, 2019 (as to 2,060,000 warrants) and August 2, 2020 (as to 1,780,000 warrants). An incremental value of \$103,520 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life of 2.09 years, risk-free interest rate of 1.70%, a dividend yield of 0% and historical volatility of 116%.

On April 8, 2020, the Company received approval from the TSXV Exchange to extend the expiry dates of 500,000 warrants at an exercise price of \$0.25 per share which were scheduled to expire on April 12, 2020 to April 12, 2023. An incremental value of \$4,428 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life of 3.01 years, risk-free interest rate of 1.61%, a dividend yield of 0% and historical volatility of 111%.

On April 8, 2020, the Company received approval from the TSXV Exchange to extend the expiry dates of 527,804 warrants at an exercise price of \$0.25 per share which were scheduled to expire on April 12, 2020 to April 12, 2023. An incremental value of \$12,700 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life of 3.01 years, risk-free interest rate of 1.61%, a dividend yield of 0% and historical volatility of 111%.

On July 2, 2020, the Company received approval from the TSXV Exchange to extend the expiry dates of 2,325,000 warrants at an exercise price of \$0.15 per share which were scheduled to expire on July 19, 2020 to July 19, 2023. An incremental value of \$125,822 was calculated relating to the warrant modification

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using the Black-Scholes option pricing model with expected life of 3.05 years, risk-free interest rate of 1.57%, a dividend yield of 0% and historical volatility of 117%.

During the year ended December 31, 2020, there were an aggregate of 2,485,000 warrants exercised at an exercise price of \$0.10 per stock option for gross proceeds of \$248,500. Reserves of \$40,196 was transferred to share capital in relation to the exercises.

8. 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 nine months ended September 30, 2021 and 2020:

	Note	Nine months ended	
		September 30, 2021	September 30, 2020
Management fees	(a)	\$ 54,500	\$ 67,500
Mineral property costs – project management	(a)	80,500	67,500
Office rent	(a)	27,000	27,000
Interest and financing fee	(b)	10,000	17,234
Professional fees	(c)	90,000	90,000
Office and other corporate services	(d)	27,000	27,000
Share-based compensation	(e)	778,688	-
		\$ 1,067,688	\$ 296,234

- Management fees and office rental fees were paid to Highcard Exploration Inc. ("Highcard"), a company controlled by Graeme O'Neill, the CEO and director of the Company ("O'Neill").
- Interest charged at 12% per annum, compounded quarterly, and payable quarterly for overdue related party accounts payable balances.
- Fees paid to the Company's CFO, Rick Low.
- Fees paid to the Company's Corporate Secretary, Donna Moroney.
- During the nine months ended September 30, 2021, the Company issued 6,880,000 (2020 – nil) stock options to related parties.

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The following table summarizes receivable balances from related parties as at September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020
Trade receivable from Highcard*	\$ 10,000	\$ -

* Trade receivables are unsecured, non-interest bearing and are without fixed term of repayment.

The following table summarizes payable balances to related parties as at September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020
Trade payable to O'Neill**	\$ 7,567	\$ 61,798
Trade payable to Highcard**	-	66
Trade payable to corporate secretary**	10,386	67,030
Trade payable to CFO**	31,500	40,950
	\$ 49,453	\$ 169,844

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

During the nine months ended September 30, 2021, Graeme O'Neill, the Company's CEO and director, was issued 6,000,000 units of the Company's private placement that consisted of 8,967,925 units at a price of \$0.135 per unit for gross proceeds of \$1,210,670. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.225 per share within two years from the date of issuance (note 7(b)(1)).

During the nine months ended September 30, 2021, Graeme O'Neill, the Company's CEO and director, was issued 5,750,000 units and Rick Low, the Company's CEO was issued 375,000 units of the Company's private placement that consisted of 22,000,000 units at a price of \$0.08 per unit for gross proceeds of \$1,760,000. Each unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.15 per share within two years from the date of issuance (note 7(b)(1)).

During the nine months ended September 30, 2021, Rick Low, the Company's CFO converted US\$25,000 of convertible debentures into 253,700 common shares at a price of C\$0.125 per share and was paid C\$9,353 (US\$7,373) of accrued interest on the convertible debentures. A loss on conversion of \$8,880 for the nine months ended September 30, 2021 resulted from this transaction. Reserves of \$1,829 was transferred to share capital in relation to the conversion.

During the year ended December 31, 2020, O'Neill and Low were issued 3,300,000 and 400,000 units, respectively, of the Company's private placement that consisted a total of 18,000,000 units at a price of \$0.05 per unit (note 7(b)(ii)).

During the year ended December 31, 2020, O'Neill was issued 2,437,500 units of the Company's private placement that consisted of 6,756,562 units at a price of \$0.08 per unit (note 7(b)(ii)).

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During the year ended December 31, 2020, O'Neill was issued 610,000 units and Rick Low, the Company's CFO, was issued 100,000 units of the Company's private placement that consisted of 5,300,000 flow-through units at a price of \$0.125 per unit (note 7(b)(ii)).

During the year ended December 31, 2020, O'Neill and Rick Low were issued 600,000 and 150,000 units respectively, of the Company's private placement that consisted of 1,213,333 flow-through units at a price of \$0.15 per unit (note 7(b)(ii)).

During the year ended December 31, 2020, O'Neill and Low were issued 130,000 and 100,000 units respectively, of the Company's private placement that consisted of 1,600,000 flow-through units at a price of \$0.125 per unit (note 7(b)(ii)).

9. MINERAL PROPERTY AND EXPLORATION EXPENSES

	Nine months ended	
	September 30, 2021	September 30, 2020
Acquisition and holding costs	\$ -	\$ 3,084
Assays and analysis	44,477	40,979
Depreciation (Note 4)	208,539	245,772
Drilling	27,505	169,256
Equipment & other rentals	217,267	80,289
Geological	213,397	69,681
Labour	639,507	-
Other contractors	124,488	153,876
Project management (Note 9)	80,500	67,500
Property preparation	60,714	136,613
Supplies	162,140	69,480
Technical	47,540	48,684
Travel and accommodation	147,567	48,920
Miscellaneous	66,238	2,575
	\$ 2,039,879	\$ 1,136,709

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:

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Share issuances

- Issue 1,500,000 common shares.

Property expenditures

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

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

In accordance with the provisions of the option agreement, the Company was to be responsible for 80% of the project expenditures and AMCOR was to be responsible for 20% of the expenditures going forward. Provisions in the option agreement allowed for dilution of either joint venture parties' interest in the joint venture and, when either party's interest fell below 10% based on participating project expenditures, their interest shall be converted to a 1% net smelter royalty and the surviving party shall hold a 100% interest to the mining lease.

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

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

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

b) Brandywine, British Columbia

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

- i. The Company is required to obtain TSXV Exchange approval and execute an Option Agreement (completed December 16, 2019 with Option Date defined as December 23, 2019).
- ii. A non-refundable deposit of \$1,000 upon entering into the letter of intent (paid), followed by payment of \$9,000 on signing of the Option Agreement (paid), delivery of 100,000 common shares upon signing the Option Agreement (completed), and incurring \$3,000,000 of work over 5 years;
- iii. Issuance of 200,000 common shares which will occur on 1st anniversary of the Option Date (completed);
- iv. Additional cash payment of \$40,000 and further 300,000 common shares on 2nd anniversary of the Option Date;
- v. 300,000 common shares issued in each of 3rd to 5th anniversaries of the Option Date; and
- vi. Work expenditures of \$500,000 in year one (completed), \$500,000 in year two (completed \$116,924, \$500,000 in year three and \$1,500,000 on or before the 5th anniversary of the Option Date.

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

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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.

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

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

10. CONTRACT LIABILITIES

During the year ended December 31, 2019, the Company recorded additions of \$22,512 (USD\$17,333) in contract liabilities as a result of the pre-sale of 1,130 ounces of silver. There were no additions in 2020 and 2021. At the time of the pre-sale, the Company planned to sell fineness silver extracted through the ongoing testing in the exploration phase of its mining activities. The Company has not yet produced any silver and as a result, has not completed the sale transaction.

The contract liability is deliverable at a promised consideration value of US\$15.10 per ounce. There is an embedded derivative on the contract liability which is re-measured at each reporting period using the spot price of silver on the date of re-measurement. During the nine months ended September 30, 2021, the Company recognized a gain on silver pre-sales of \$5,539 (2020 – loss of \$9,609) in the statement of loss and comprehensive loss on the re-measurement. The price of silver as at September 30, 2021 was US\$21.53 as compared to US\$23.72 as at September 30, 2020.

As at September 30, 2021, the total contract liabilities associated with the silver pre-sale is \$21,661 (US\$17,001) (December 31, 2020 - \$38,448 (US\$30,170)).

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11. SUPPLEMENTAL DISCLOSURE FOR SIGNIFICANT NON-CASH TRANSACTIONS

During the nine months ended September 30, 2021 and 2020, the Company had the following non-cash transactions:

	Nine months ended	
	September 30, 2021	September 30, 2020
Financing Activities		
Fair value of options transferred to share capital from contributed surplus on exercise of options	\$ 328,514	\$ 74,848
Fair value of warrants transferred to share capital from contributed surplus on exercise of warrants	476,500	24,770
Fair value of warrants transferred from share capital to contributed surplus for warrants attached to private placement units	(983,418)	(661,534)
Fair value of warrants issued as finder's fee for private placements	(35,199)	(37,427)
Shares issued on conversion of debentures	475,531	-
	\$ 261,928	\$ (599,343)

12. 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 development of mineral properties.

Geographic Segments

As at September 30, 2021, the Company's operations and assets are located in Canada and the USA. By geographic areas, the Company's losses for the nine months ended September 30, 2021 and 2020 are as follows:

	Nine months ended	
	September 30, 2021	September 30, 2020
Canada	\$ 3,281,887	\$ 1,095,415
USA	1,859,459	837,172
	\$ 5,141,346	\$ 1,932,587

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By geographic areas, the Company's non-current assets as at September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
Canada	\$ 22,800	\$ 25,957
USA	1,828,248	1,483,793
	<u>\$ 1,851,048</u>	<u>\$ 1,509,750</u>

13. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISKCapital Requirements

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

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

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

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.

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		Level 1		Level 2		Level 3
September 30, 2021						
Cash	\$	1,357,158	\$	-	\$	-
Contract liabilities		(21,661)	\$	-		-
Convertible debenture		-		-		(878,687)
December 31, 2020						
Cash	\$	26,374	\$	-	\$	-
Contract liabilities		(38,448)	\$	-		-
Convertible debenture		-		-		(1,626,048)

As at September 30, 2021 and December 31, 2020, the Company believes that the carrying value of loans payable, account payables, and accrued liabilities approximate their fair value because of their nature and relatively short maturity dates or duration. The Company's lease liability is carried at amortized cost using the Company's incremental borrowing rate.

There were no transfers between Level 1, 2 and 3 for the nine months ended September 30, 2021 and year ended December 31, 2020.

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

- The fair value of the loan component of the Debenture is based on the present value of expected future cash flows at the discount rate that would have applied to the financial instrument without conversion or other embedded derivative features. None of the fair value change in the Debenture for the nine months ended September 30, 2021 and year ended December 31, 2020 is related to a change in the credit risk of the Debenture. All of the change in fair value is associated with changes in market condition.
- The fair value of the contract liability is based on the silver commodity spot rate. None of the fair value change in the contract liability for the nine months ended September 30, 2021 and year ended December 31, 2020 is related to a change in the credit risk of the contract liability. All of the change in fair value is associated with changes in market condition.

Financial Risk

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

Industry Risk

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

Credit Risk

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

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financial institution as determined by rating agencies. The Company's receivables relate primarily to GST recoverable from the Government of Canada. The risk associated with its receivables is minimal.

Currency Risk

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

- Cash balances held in US dollars,
- Accounts payable denominated in US dollars,
- Debentures and interest payments denominated in US dollars, and
- Lease liability 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 \$115,000 per year.

Interest Rate Risk

The Company has interest rate risk with respect to interest that can be charged on the overdue balances in accounts payable and accrued liabilities, and advances from related parties (note 8). Related party overdue payables bear interest at 12% per annum.

The Company's promissory notes payable (note 5), convertible debentures (note 4) and lease liability (note 6) accrue interest at fixed rate; therefore, the Company is not exposed to interest rate risk on these instruments.

Liquidity and Funding Risk

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

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

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

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

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14. COMMITMENTS

The following table summarizes the contractual maturities as at September 30, 2021 of the Company's significant financial liabilities and capital commitments, including contractual obligations for the years indicated:

	2021	2022	2023	2024	2025	Total
Accounts payable and accrued liabilities	\$ 953,359	\$ -	\$ -	\$ -	\$ -	\$ 953,359
Advance royalty payment obligations ⁽¹⁾	-	63,705	63,705	63,705	63,705	254,820
Convertible Debentures ⁽²⁾	879,129	-	-	-	-	879,129
	\$ 1,832,488	\$ 63,705	\$ 63,705	\$ 63,705	\$ 63,705	\$ 2,087,308

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

⁽²⁾ The convertible debentures may be converted to common shares and may not result in a cash outflow. The amount represents the actual face value of the debt obligation and not its fair value at September 30, 2021.

During the year ended December 31, 2020, the Company completed a private placement of flow-through shares for gross proceeds of \$200,000. A flow-through share premium liability of \$nil was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2022. As at September 30, 2021, the Company had spent \$nil of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds from 2021 to 2022.

During the year ended December 31, 2020, the Company completed a private placement of flow-through shares for gross proceeds of \$181,999. A flow-through share premium liability of \$nil was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2022. As at September 30, 2021, the Company had spent \$nil of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds from 2021 to 2022.

During the year ended December 31, 2020, the Company completed a private placement of flow-through shares for gross proceeds of \$662,500. A flow-through share premium liability of \$238,500 was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2022. As at September 30, 2021, the Company had spent \$203,474 of the flow-through fund on qualified programs, and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds from 2021 to 2022. The flow-through share premium liability has been reduced by \$59,499 as at September 30, 2021 for the tax benefits that were renounced for funds spent to December 31, 2020 and a deferred income tax recovery of \$59,499 has been recorded as at September 30, 2021.

During the year ended December 31, 2019, the Company completed a private placement of flow-through shares for gross proceeds of \$425,000. A flow-through share premium liability of \$nil was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2021. As at September 30, 2021, the Company had spent \$425,000 of the flow-through fund on qualified programs.

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.

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15. SUBSEQUENT EVENTS

The following occurred subsequent to September 30, 2021:

- (a) On October 4, 2021, the Company issued 1,515,322 common shares at a price of \$0.11 per share as settlement for \$166,685 of convertible debenture accrued interest.
- (b) On October 22, 2021, the Company closed the final tranche of its non-brokered private placement consisting of 16,500,000 units at \$0.135 per unit. Each unit consist of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of \$0.225 per share within two years from the date of issuance. The company issued 7,532,075 common shares and warrants for gross proceeds of \$1,016,830. Graeme O'Neill, the Company's CEO and director was issued 32,075 units.