

BAYHORSE SILVER INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

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 ended September 30, 2023, 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.

Index

	Page
FINANCIAL STATEMENTS	
Condensed Consolidated Interim Statements of Financial Position	2
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss	3
Condensed Consolidated Interim Statements of Cash Flows	4
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity	5
Notes to the Condensed Consolidated Interim Financial Statements	6 – 24

BAYHORSE SILVER INC.

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

	Notes	September 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash		\$ 23,475	\$ 310,442
GST receivable		3,371	4,377
Subscriptions receivable		44,000	-
Prepaid expenses		505,072	494,702
		575,918	809,521
Non-current assets			
Property and equipment	3	1,495,118	1,700,124
Reclamation bond	7	199,692	11,700
		\$ 2,270,728	\$ 2,521,345
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	6	\$ 470,095	\$ 190,722
Accrued liabilities	7	393,149	354,326
Subscriptions payable		30,000	-
Flow-through premium liability	5, 13	98,028	114,268
Part XII.6 tax	13	118,150	118,150
Convertible debentures	4	452,920	453,724
Contract liabilities	8	24,615	25,574
		1,586,957	1,256,764
Shareholders' equity			
Share capital	5	29,148,209	29,071,363
Reserves	5	11,943,563	11,637,428
Deficit		(40,408,001)	(39,444,210)
		683,771	1,264,581
		\$ 2,270,728	\$ 2,521,345

Nature of operations and going concern (note 1)

Commitments (notes 8 and 12)

Subsequent events (note 14)

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		Nine Months Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Mineral expenses					
Exploration expenses	6, 7	\$ 107,555	\$ 253,131	\$ 465,037	\$ 1,381,238
Expenses					
Communications		3,676	26,643	7,976	94,316
Financing fee	5, 6	15,075	202,051	312,702	445,378
Foreign exchange and bank charges		21,456	51,683	4,878	80,577
Insurance		9,725	25,863	50,516	71,751
Management fees	6	23,400	23,400	70,200	70,200
Office and other	6	13,687	15,347	44,042	48,068
Office rent	6	3,000	9,000	9,000	27,000
Professional fees	6	63,000	61,500	190,498	185,986
Transfer, listing and filing fees		9,911	12,797	29,298	54,457
Travel		-	-	5,056	148
		(162,930)	(428,284)	(724,166)	(1,077,881)
Operating loss		(270,485)	(681,415)	(1,189,203)	(2,459,119)
Gain (loss) on revaluation of silver pre-sales	8	(1,132)	161	960	2,457
Loss on settlement of debentures		-	-	-	(76,714)
Gain on reclamation bond	7	-	-	188,062	-
Rental income		-	-	20,150	-
Loss before income taxes		(271,617)	(681,254)	(980,031)	(2,533,376)
Deferred income tax recovery		4,697	5,646	16,240	16,977
Loss and comprehensive loss for the period		\$ (266,920)	(675,608)	\$ (963,791)	\$ (2,516,399)
Weighted average number of common shares outstanding – basic and diluted		250,914,073	223,878,203	249,743,576	220,229,800
Basic and diluted loss per common share		\$ (0.00)	(0.00)	\$ (0.00)	\$ (0.01)

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, 2023	September 30, 2022
Operating activities		
Loss for the period	\$ (963,791)	\$ (2,516,399)
Items not involving cash:		
Foreign exchange	(734)	40,473
Depreciation	205,007	228,041
Financing fees – warrant modification	267,538	376,834
Deferred income tax recovery	(16,240)	(16,977)
Gain on revaluation of silver pre-sales	(960)	(2,457)
Loss on settlement of debentures	-	76,714
Shares issued for acquisition of mineral property	9,000	-
Gain on reclamation bond	(188,062)	-
Changes in non-cash working capital items:		
Accounts receivable	1,006	2,110
Subscriptions receivable	(44,000)	90,000
Prepaid expenses	(10,370)	55,988
Accounts payable and accrued liabilities	318,197	73,256
Subscriptions payable	30,000	-
Cash used in operating activities	(393,409)	(1,592,417)
Investing activities		
Acquisition of equipment	-	(71,203)
Cash used in investing activities	-	(71,203)
Financing activities		
Gross proceeds from share issuance	110,000	1,429,760
Share issuance costs	(3,558)	(11,477)
Repayment of convertible debentures	-	(65,101)
Cash provided by financing activities	106,442	1,353,182
Change in cash	(286,967)	(310,438)
Cash, beginning of the period	310,442	432,062
Cash, end of the period	\$ 23,475	\$ 121,624
Supplemental cash flow information (note 9)		

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

BAYHORSE SILVER INC.

Consolidated Statement of Changes in Shareholders' Equity
Expressed in Canadian Dollars, Unless Noted Otherwise
(Unaudited)

	Note	Number of Shares	Share Capital	Reserves	Deficit	Total
Balance, December 31, 2021		206,473,372	27,365,649	10,653,542	(36,419,272)	1,599,919
Shares issued for cash	5(b)	24,247,000	1,010,049	419,711	-	1,429,760
Share issuance costs	5(b)	-	(12,157)	-	-	(12,157)
Fair value of broker warrants	5(b)	-	680	-	-	680
Financing fees - warrant modification	5(d)	-	-	376,834	-	376,834
Shares issued for debentures settlement		7,761,418	460,285	-	-	460,285
Loss for the period		-	-	-	(2,516,399)	(2,516,399)
Balance, September 30, 2022		238,391,790	\$ 28,824,506	\$ 11,450,087	\$ (38,935,671)	\$ 1,338,922
Balance, December 31, 2022		247,929,290	\$ 29,071,363	\$ 11,637,428	\$ (39,444,210)	\$ 1,264,581
Shares issued for cash	5(b)	5,250,000	71,403	38,597	-	110,000
Share issuance costs	5(b)	-	(3,557)	-	-	(3,557)
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		-	-	-	(963,791)	(963,791)
Balance, September 30, 2023		253,479,290	\$ 29,148,209	\$ 11,943,563	\$ (40,408,001)	\$ 683,771

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, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The address of the Company’s corporate office and principal place of business is 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 September 30, 2023, the Company had a working capital deficit of \$990,655 (December 31, 2022 – \$447,243), an accumulated deficit of \$40,408,001 (December 31, 2022 – \$39,444,210), 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, 2023, the Company reported a loss and comprehensive loss of \$963,791 (2022 – \$2,516,399). The Company does not have sufficient funds to meet its committed obligations for the next twelve months from September 30, 2023.

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 nine months ended September 30, 2023 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, 2023. 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, 2022, 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

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

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, 2023 were approved and authorized for issue by the Board of Directors on November 23, 2023.

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 these condensed consolidated interim financial statements.

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

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

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

3. PROPERTY AND EQUIPMENT

	Land	Building	Vehicle	Mining Equipment	Processing Equipment	X-Ray Sorter ⁽¹⁾	Power Line	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
December 31, 2021	114,954	200,153	13,036	238,116	745,466	1,498,011	172,801	2,982,537
Additions	-	-	-	-	31,832	-	39,371	71,203
December 31, 2022	114,954	200,153	13,036	238,116	777,298	1,498,011	212,172	3,053,740
Additions	-	-	-	-	-	-	-	-
September 30, 2023	114,954	200,153	13,036	238,116	777,298	1,498,011	212,172	3,053,740
Accumulated depreciation								
December 31, 2021	-	-	1,338	227,894	174,165	624,707	46,570	1,074,674
Additions	-	19,764	2,763	7,208	77,139	149,802	22,266	278,942
December 31, 2022	-	19,764	4,101	235,102	251,304	774,509	68,836	1,353,616
Additions	-	15,011	1,955	1,479	58,297	112,351	15,913	205,006
September 30, 2023	-	34,775	6,056	236,581	309,601	886,860	84,749	1,558,622
Carrying value								
December 31, 2022	114,954	180,389	8,935	3,014	525,994	723,502	143,336	1,700,124
September 30, 2023	114,954	165,378	6,980	1,535	467,697	611,151	127,423	1,495,118

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

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

4. CONVERTIBLE DEBENTURES

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

- Term
 - 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

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

compounded daily at the same rate, from the date that such amount of principal or interest becomes due to the actual date of payment;

Fair Value Measurement

The Debentures are 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 Debentures issued by the Company is a hybrid instrument, containing a loan component and embedded derivatives.

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

As at September 30, 2023 and December 31, 2022, all Debentures have matured and therefore, are no longer convertible. Accordingly, for the nine months ended September 30, 2023, the Company recorded \$nil change in fair value (2022 – \$nil).

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

	Debenture	Reserves
Balance, December 31, 2021	\$ 836,748	\$ 64,040
Converted to shares (note 6)	(352,935)	-
Repayments	(65,100)	-
Foreign exchange loss	35,011	-
Balance, December 31, 2022	\$ 453,724	\$ 64,040
Foreign exchange gain	(804)	-
Balance, September 30, 2023	\$ 452,920	\$ 64,040

The principal amounts in US dollars outstanding as at September 30, 2023 and their maturity dates were as follows:

Maturity Date	Outstanding Principal US\$
November 7, 2018	\$100,000
February 22, 2019	40,000
August 3, 2019	10,000
September 27, 2020	110,000
December 19, 2021	75,000
	\$335,000

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

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
Balance, December 31, 2021		206,473,372
Shares issued for private placement	6(b) (i)	33,784,500
Shares issued for debentures settlement	6(b) (ii)	7,671,418
Balance, December 31, 2022		247,929,290
Shares issued for private placement	6(b) (i)	5,250,000
Shares issued for acquisition of mineral property	6(b) (iii)	300,000
Balance, September 30, 2023		253,479,290

- (i) 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 two years 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.

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.

On December 20, 2022, the Company closed its non-brokered private placement of 9,537,500 units and issued 9,537,500 common shares and warrants for gross proceeds of \$381,500 at a price of \$0.04 per unit. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of \$0.10 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$381,500) from the private placement and accordingly, \$254,988 of the total value was allocated to the shares and \$126,512 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 \$5,600 in cash and issued 140,000 broker warrants valued at \$2,778.

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

On August 16, 2022, the Company closed its non-brokered private placement of 12,750,000 units and issued 12,750,000 common shares and warrants for gross proceeds of \$510,000 at a price of \$0.04 per unit. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of \$0.10 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$510,000) from the private placement and accordingly, \$372,007 of the total value was allocated to the shares and \$137,993 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 \$700 in cash and issued 17,500 broker warrants valued at \$260.

On March 28, 2022, the Company closed its non-brokered private placement of 11,497,000 units and issued 11,497,000 common shares and warrants for gross proceeds of \$919,760 at a price of \$0.08 per unit. Each unit consists of one common share and one transferable common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of \$0.15 per share within two years from the date of issuance. The Company used the relative fair value method to allocate the total consideration received (\$919,760) from the private placement and accordingly, \$638,041 of the total value was allocated to the shares and \$281,719 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 \$952 in cash and issued 11,900 broker warrants valued at \$420.

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

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

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

- 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, 2023 and year ended December 31, 2022, 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)
Balance, December 31, 2021	14,475,000	\$0.18	3.42
Options expired	(930,000)	\$0.15	-
Balance, December 31, 2022	13,245,000	\$0.18	2.67
Options expired	(1,880,000)	\$0.20	-
Balance, September 30, 2023	11,365,000	\$0.17	2.30

There were no stock options granted during the nine months ended September 30, 2023 and the year ended December 31, 2022.

The following stock options were outstanding and exercisable at September 30, 2023:

Number	Exercise Price	Expiry Date
260,000	\$0.10	February 12, 2024
355,000	\$0.10	May 7, 2024
310,000	\$0.10	June 17, 2024
450,000	\$0.10	August 22, 2024
450,000	\$0.10	December 6, 2024
2,000,000	\$0.20	October 5, 2025
100,000	\$0.20	December 1, 2025
940,000	\$0.125	January 28, 2026
2,500,000	\$0.25	April 27, 2026
3,800,000	\$0.15	September 3, 2026
200,000	\$0.15	December 14, 2026
11,365,000	\$0.17	

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
 For the Three and Nine Months Ended September 30, 2023
 (Expressed in Canadian dollars, Unless Noted Otherwise)
 (Unaudited)

d) Reserves – warrants

During the nine months ended September 30, 2023 and year ended December 31, 2022, the following were changes to the warrants of the Company:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life Remaining (years)
Balance, December 31, 2021	97,236,592	\$0.19	1.22
Warrants issued	33,953,900	\$0.12	-
Warrants expired	(8,006,975)	\$0.26	-
Balance, December 31, 2022	123,183,517	\$0.16	1.76
Warrants issued	5,250,000	\$0.06	-
Warrants expired	(22,895,497)	\$0.27	-
Balance, September 30, 2023	105,538,020	\$0.15	1.30

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

	2023	2022
Risk free rate of return	3.68%- 4.78%	0.52% - 1.63%
Expected life	1.25 - 2.00 years	2.00 years
Expected volatility	138% - 197%	101% - 116%
Expected dividend yield	0.00%	0.00%

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
 For the Three and Nine Months Ended September 30, 2023
 (Expressed in Canadian dollars, Unless Noted Otherwise)
 (Unaudited)

The following warrants were outstanding as at September 30, 2023:

Number	Exercise Price	Expiry Date
7,532,075*	\$0.225	October 22, 2023
2,013,500	\$0.15	December 23, 2023
1,643,650	\$0.15	December 31, 2023
432,500	\$0.15	February 12, 2024
790,000	\$0.15	March 12, 2024
11,508,900	\$0.15	March 28, 2024
550,000	\$0.15	April 15, 2024
12,767,500	\$0.10	August 16, 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
9,677,500	\$0.10	December 20, 2024
2,100,000	\$0.25	December 30, 2024
1,250,000	\$0.10	January 27, 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
20,000,000	\$0.15	February 1, 2026
4,000,000	\$0.05	November 28, 2024
105,538,020	\$0.15	

*These warrants expired unexercised subsequent to September 30, 2023.

On January 4, 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 130.8%:

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

On September 19, 2022, the Company extended the expiry date of the following warrants. An incremental value of \$147,135 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life ranging from 2.54 to 3.19 years, risk-free interest rate ranging from 1.05% to 1.14%, a dividend yield of 0% and historical volatility ranging from 77.8% to 111.5%:

- ii. 4,530,000 warrants with an exercise price of \$0.10 per share extended to April 2, 2025 from October 2, 2022; and
- iii. 7,420,000 warrants with an exercise price of \$0.10 per share extended to April 17, 2025 from October 17, 2022; and
- iv. 1,213,333 warrants with an exercise price of \$0.20 per share extended to October 30, 2025 from October 30, 2022; and

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

- v. 1,600,000 warrants with an exercise price of \$0.20 per share extended to November 27, 2025 from November 27, 2022.

On June 9, 2022, the Company extended the expiry date of the following warrants. An incremental value of \$121,275 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life ranging from 3.07 to 3.16 years, risk-free interest rate ranging from 0.96% to 0.98%, a dividend yield of 0% and historical volatility of 111.0%:

- i. 2,806,562 warrants with an exercise price of \$0.18 per share extended to July 2, 2025 from July 2, 2022;
- ii. 3,387,500 warrants with an exercise price of \$0.18 per share extended to July 10, 2025 from July 10, 2022;
- iii. 3,360,000 warrants with an exercise price of \$0.20 per share extended to August 4, 2025 from August 4, 2022; and
- iv. 1,940,000 warrants with an exercise price of \$0.20 per share extended to August 6, 2025 from August 6, 2022.

On May 16, 2022, the Company extended the expiry date of the following warrants. An incremental value of \$4,694 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life ranging from 1.04 to 1.13 years, risk-free interest rate ranging from 0.98% to 1.13%, a dividend yield of 0% and historical volatility ranging from 87.0%:

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

On March 28, 2022, the Company extended the expiry dates of the following warrants. An incremental value of \$164,559 was calculated relating to the warrant modification using the Black-Scholes option pricing model with expected life of six months, risk-free interest rate of 1.08%, a dividend yield of 0% and historical volatility of 86.7%:

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

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.

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

The following table summarizes transactions with related parties during the nine months ended September 30, 2023 and 2022:

	Note	Nine Months Ended	
		September 30, 2023	September 30, 2022
Management fees	(a)	\$ 70,200	\$ 70,200
Mineral property costs – project management fees	(a)	91,800	91,800
Financing fee	(a)	-	4,020
Professional fees	(b)	112,500	112,500
Office and other corporate services	(c)	29,700	29,700
Office rent	(d)	9,000	27,000
		\$ 313,200	\$ 335,200

- a) Management fees, mineral property costs – project management fees and financing fees were paid to Highcard Exploration Inc. (“Highcard”), a company controlled by Graeme O’Neill, the CEO and director of the Company (“O’Neill”).
- b) Fees paid to RHL Enterprise Corp., a company controlled by the Company’s CFO, Rick Low (“Low”).
- c) Fees paid to Wiklow Corporate Services Inc., a company controlled by the Company’s Corporate Secretary, Donna Moroney.
- d) For the nine months ended September 30, 2023, office rent was paid to Low. For the nine months ended September 30, 2022, office rent was paid to Highcard.

The following table summarizes payable balances to related parties as at September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Trade payable to O’Neill	\$ 10,054	\$ 7,954
Trade payable to Low	6,000	-
Trade payable to Highcard Exploration Inc.	86,000	-
Trade payable to RHL Enterprise Corp.	111,125	13,500
Trade payable to Wiklow Corporate Services Inc.	31,105	4,727
	\$ 244,284	\$ 26,181

During the nine months ended September 30, 2023, Graeme O’Neil purchased 4,000,000 units which consisted of 4,000,000 common shares and 4,000,000 warrants for total proceeds of \$60,000. The warrants have an exercise price of \$0.05.

During the year ended December 31, 2022, Graeme O’Neil purchased 12,000,000 units which consisted of 12,000,000 common shares and 12,000,000 warrants for total proceeds of \$680,000. The warrants have exercise prices from \$0.10 to \$0.15.

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

During the year ended December 31, 2022, Rick Low purchased 275,000 units which consisted of 275,000 common shares and 275,000 warrants for total proceeds of \$11,000. The warrants have an exercise price of \$0.10.

7. MINERAL PROPERTY AND EXPLORATION EXPENSES

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Acquisition and holding costs	\$ 21,501	\$ 139,788
Assays and analysis	5,096	36,812
Depreciation (note 3)	205,007	228,041
Equipment & other rentals	11,736	73,723
Geological	7,076	21,150
Labour	38,610	535,000
Other contractors	-	1,266
Project management (note 6)	91,800	91,800
Property preparation	17,806	-
Property reclamation	20,384	-
Supplies	4,277	105,853
Travel and accommodation	25,110	58,327
Miscellaneous	16,634	89,478
	\$ 465,037	\$ 1,381,238

a) Bayhorse Silver Mine Property, Oregon State

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

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

Share issuances

- Issue 1,500,000 common shares.

Property expenditures

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

The Company is required to make minimum advance royalty payments of US\$50,000 annually on June 26, of which the Company has completed payments up to June 26, 2021 and has partially completed payments for 2022.

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

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

- i. The Company is required to obtain TSXV Exchange approval and execute an Option Agreement (completed December 16, 2019 with Option Date defined as December 23, 2019).
- ii. A non-refundable deposit of \$1,000 upon entering into the letter of intent (paid), followed by payment of \$9,000 on signing of the Option Agreement (paid), delivery of 100,000 common shares upon signing the Option Agreement (completed), and incurring \$3,000,000 of work over 5 years;
- iii. Issuance of 200,000 common shares which will occur on 1st anniversary of the Option Date (completed);
- iv. Additional cash payment of \$40,000 (outstanding) and further 300,000 common shares (completed) on 2nd anniversary of the Option Date;
- v. 300,000 common shares issued in each of 3rd to 5th anniversaries of the Option Date (3rd anniversary 300,000 common shares issued); and
- vi. Work expenditures of \$500,000 in year one (completed), \$500,000 in year two (completed \$308,059), \$500,000 in year three (outstanding) 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 \$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

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

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.

c) Flagstaff, Washington

The Company has assumed the reclamation obligation for the Flagstaff property located Southwest of Northport, Stevens County, in Washington State, USA. The Company assumed the reclamation obligation from a former subsidiary that no longer exists. The reclamation obligation is with the United States Bureau of Land Management (“BLM”). The Company expects the reclamation work to be completed within one year and estimates that the cost of the reclamation work will be \$20,391 (US\$15,180). As a result of assuming the reclamation obligation, the BLM assigned the \$187,992 (US\$140,000) reclamation bond to the Company. The Company has recorded a reclamation obligation in accrued liabilities and expense of \$20,384 (US\$15,180) and a gain on reclamation bond of \$188,062 (US\$140,000) for the nine months ended September 30, 2023.

8. CONTRACT LIABILITIES

The Company has recorded contract liabilities as a result of the pre-sale of 1,130 ounces of silver. At the time of the pre-sale, the Company planned to sell fineness silver extracted through the ongoing testing in the exploration phase of its mining activities.

The 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, 2023, the Company recognized a gain on silver pre-sales of \$960 (2022 – \$2,457) in the statement of loss and comprehensive loss on the re-measurement. The price of silver as at September 30, 2023 was US\$23.08 (September 30, 2022 – US\$19.02).

As at September 30, 2023, the total contract liabilities associated with the silver pre-sale is \$24,615 (US\$18,206) (December 31, 2022 – \$25,574 (US\$18,882)).

9. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended September 30, 2023 and 2022, the Company had the following non-cash transactions:

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Financing Activities		
Fair value of warrants transferred from share capital to reserves for warrants attached to private placement units	\$ (38,597)	\$ (420,391)
Fair value of warrants issued as finder’s fee for private placements	\$ -	\$ 680
Shares issued on conversion of debentures	\$ -	\$ (383,571)

During the nine months ended September 30, 2023 and 2022, the Company paid interest of \$nil and taxes of \$nil.

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

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 development of mineral properties.

Geographic Segments

As at September 30, 2023, the Company's operations and assets are located in Canada and the USA. By geographic areas, the Company's losses for nine months ended September 30, 2023 and 2022 are as follows:

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Canada	\$ 764,074	\$ 1,163,989
USA	199,717	1,352,410
	<u>\$ 963,791</u>	<u>\$ 2,516,399</u>

By geographic areas, the Company's non-current assets as at September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
Canada	\$ 14,382	\$ 17,538
USA	1,680,428	1,694,286
	<u>\$ 1,694,810</u>	<u>\$ 1,711,824</u>

11. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK

Capital Requirements

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

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

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

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
September 30, 2023						
Cash	\$	23,475	\$	-	\$	-
Contract liabilities	\$	(24,615)	\$	-	\$	-
December 31, 2022						
Cash	\$	310,442	\$	-	\$	-
Contract liabilities	\$	(25,574)	\$	-	\$	-

As at September 30, 2023 and December 31, 2022, the Company believes that the carrying value of its account payables and accrued liabilities approximate their fair value because of their nature and relatively short maturity dates or duration. During the year ended December 31, 2022, the Debentures passed their maturity dates and are now carried at amortized cost (note 4).

There were no transfers between Level 1, 2 and 3 for the nine months ended September 30, 2023 and year ended December 31, 2022.

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 nine months ended September 30, 2023, and year ended December 31, 2022 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

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Credit Risk

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

Subsequent to September 30, 2023, the Company was not subject to an increased risk as a result of holding cash in a major US financial institution.

Currency Risk

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

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

These are all shown on the statement of loss and comprehensive loss. The Company does not engage in any hedging activities to reduce its foreign currency risk. A 10% variance in the foreign exchange rates would expose the Company to a positive or negative impact on its comprehensive loss of approximately \$80,800 per year.

Interest Rate Risk

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

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

Liquidity and Funding Risk

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

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

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

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

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

12. COMMITMENTS

The following table summarizes the contractual maturities as at September 30, 2023 of the Company's significant financial liabilities and capital commitments, including contractual obligations for the years indicated:

	2023	2024	2025	2026	2027	Total
Accounts payable and accrued liabilities	\$ 842,860	\$ -	\$ -	\$ -	\$ -	\$ 842,860
Advance royalty payment obligations ⁽¹⁾	108,160	67,600	67,600	67,600	67,600	378,560
Consulting agreement obligations	16,500	66,000	-	-	-	82,500
Convertible debentures ⁽²⁾	452,920	-	-	-	-	452,920
	\$1,420,440	\$ 133,600	\$ 67,600	\$ 67,600	\$ 67,600	\$ 1,756,840

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

⁽²⁾ The amount represents the actual face value of the debt obligation at September 30, 2023.

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

13. FLOW THROUGH SHARES

A summary of changes in the Company's flow-through share premium liability is as follows:

	September 30, 2023	December 31, 2022
Opening balance	\$ 114,268	\$ 141,934
Flow-through share premium on issuance	-	-
Settlement of flow-through share premium liability	(16,240)	(27,666)
Ending balance	\$ 98,028	\$ 114,268

As at September 30, 2023, the Company had \$977,136 (December 31, 2022 - \$1,021,225) in expenditure commitments for flow-through shares issued between 2019 and 2021.

14. SUBSEQUENT EVENTS

- (a) On October 6, 2023, the Company closed its non-brokered private placement for 2,000,000 units at \$0.015 cents per unit for gross proceeds of \$90,000. Each unit consists of one common share and one transferable common share purchase warrant, with each warrant exercisable into one

BAYHORSE SILVER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Expressed in Canadian dollars, Unless Noted Otherwise)
(Unaudited)

common share of the Company at an exercise price of \$0.05 cents, exercisable for a period of 15 months from the date of issuance.

- (b) On November 10, 2023, the Company granted 1,400,000 stock options to employees, directors and consultants. The stock options vest on the grant date, are exercisable at \$0.05 per common share and expire on November 10, 2025.