



**SILVER HAMMER**  
MINING CORP.

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

**(EXPRESSED IN CANADIAN DOLLARS)**

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of Silver Hammer Mining Corp.

**Opinion**

We have audited the consolidated financial statements of Silver Hammer Mining Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at September 30, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter - Material Uncertainty Related to Going Concern**

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the year ended September 30, 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

**Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Artem Valeev.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
January 29, 2024

## Table of Contents

<b>Consolidated Statements of Financial Position .....</b>	<b>5</b>
<b>Consolidated Statements of Loss and Comprehensive Loss .....</b>	<b>6</b>
<b>Consolidated Statements of Changes in Equity .....</b>	<b>7</b>
<b>Consolidated Statements of Cash Flows .....</b>	<b>8</b>
<b>Notes to the Consolidated Financial Statements .....</b>	<b>9</b>
1. Corporate information and continuance of operations .....	9
2. Significant accounting policies and basis of presentation .....	11
3. Exploration and evaluation assets .....	18
4. Share capital.....	20
5. Related party transactions.....	25
6. Contingencies.....	26
7. Segmented information .....	26
8. Management of capital.....	26
9. Financial instruments and risk management.....	26
10. Income taxes .....	29

**SILVER HAMMER MINING CORP.**Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	As at	September 30,	September 30,
	Note(s)	2023	2022
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		632,232	1,427,556
Amounts receivable		17,310	42,643
Prepaid expenses		145,472	249,458
Deposits		-	5,000
Deferred acquisition costs	1	530,962	-
		<b>1,325,976</b>	<b>1,724,657</b>
<b>Non-current assets</b>			
Reclamation deposits	3	30,687	31,049
Property, plant and equipment		3,809	-
Exploration and evaluation assets	3	8,070,068	7,594,835
		<b>8,104,564</b>	<b>7,625,884</b>
<b>TOTAL ASSETS</b>		<b>9,430,540</b>	<b>9,350,541</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	1, 5	524,094	352,723
<b>TOTAL LIABILITIES</b>		<b>524,094</b>	<b>352,723</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4	12,405,539	11,281,349
Reserves	4	2,267,302	1,522,465
Accumulated deficit		(5,766,395)	(3,805,996)
<b>Equity attributable to owners of the Company</b>		<b>8,906,446</b>	<b>8,997,818</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,906,446</b>	<b>8,997,818</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>9,430,540</b>	<b>9,350,541</b>
Corporate information and continuance of operations	1		
Segmented information	7		
Subsequent events	1, 4		

These audited consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Alnesh Mohan Director

/s/ Lawrence Roulston Director

See accompanying notes to these consolidated financial statements

**SILVER HAMMER MINING CORP.**Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)

	Note(s)	For the years ended	
		September 30, 2023 \$	September 30, 2022 \$
<b>Expenses</b>			
Consulting fees	5	361,416	406,000
Depreciation		1,000	-
Foreign exchange loss		14,792	36,154
General and administrative		168,419	71,868
Investor relations and promotion		599,244	848,561
Professional fees	5	260,605	351,087
Project evaluation costs	1	133,279	-
Regulatory and transfer agents		46,988	48,242
Share-based payments	4	362,895	-
Travel		11,761	12,402
<b>Total expenses</b>		<b>(1,960,399)</b>	<b>(1,774,314)</b>
<b>Other income (expenses)</b>			
Impairment of exploration and evaluation assets	3	-	(265,317)
<b>Total other income (expenses)</b>		<b>-</b>	<b>(265,317)</b>
<b>Loss for the year</b>		<b>(1,960,399)</b>	<b>(2,039,631)</b>
<b>Other comprehensive income (loss)</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences for foreign operations		(28,058)	189,359
<b>Total comprehensive loss</b>		<b>(1,988,457)</b>	<b>(1,850,272)</b>
<b>Basic and diluted loss per share for the year attributable to common shareholders (\$ per common share)</b>		<b>(0.04)</b>	<b>(0.05)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<b>49,383,716</b>	<b>40,921,771</b>

See accompanying notes to these consolidated financial statements

**SILVER HAMMER MINING CORP.**

 Consolidated Statements of Changes in Equity  
 (Expressed in Canadian Dollars)

	Note(s)	Share capital		Reserves			Total \$	
		Number of common shares	Amount \$	Stock options reserve \$	Warrants reserve \$	Accumulated other comprehensive income (loss) \$		Deficit \$
<b>Balance at September 30, 2021</b>		<b>37,405,960</b>	<b>8,154,807</b>	<b>1,039,545</b>	<b>184,125</b>	<b>7,170</b>	<b>(1,766,365)</b>	<b>7,619,282</b>
Shares issued for cash - private placements	4	7,913,286	3,007,049	-	-	-	-	3,007,049
Share issue costs	4	-	(388,949)	-	-	-	-	(388,949)
Fair value of finder's warrants issued for share issue costs	4	-	(145,632)	-	145,632	-	-	-
Shares issued for cash - exercise of warrants	4	1,094,416	488,844	-	(13,136)	-	-	475,708
Shares issued for cash - exercise of stock options	4	100,000	92,230	(30,230)	-	-	-	62,000
Shares issued for exploration and evaluation assets	3, 4	200,000	73,000	-	-	-	-	73,000
Loss and comprehensive loss for the year		-	-	-	-	189,359	(2,039,631)	(1,850,272)
<b>Balance as of September 30, 2022</b>		<b>46,713,662</b>	<b>11,281,349</b>	<b>1,009,315</b>	<b>316,621</b>	<b>196,529</b>	<b>(3,805,996)</b>	<b>8,997,818</b>
Shares issued for cash - private placement	4	7,296,500	1,459,300	-	364,825	-	-	1,824,125
Shares issued for cash - exercise of warrants	4	61,250	6,125	-	-	-	-	6,125
Share issue costs	4	-	(326,060)	-	-	-	-	(326,060)
Shares issued for finders' fees	4	120,000	24,000	-	6,000	-	-	30,000
Fair value of finders' warrants	4	-	(42,043)	-	42,043	-	-	-
Reclassification of grant-date fair value on exercise of warrants	4	-	2,868	-	(2,868)	-	-	-
Share-based payments	4	-	-	362,895	-	-	-	362,895
Loss and comprehensive loss for the year		-	-	-	-	(28,058)	(1,960,399)	(1,988,457)
<b>Balance as of September 30, 2023</b>		<b>54,191,412</b>	<b>12,405,539</b>	<b>1,372,210</b>	<b>726,621</b>	<b>168,471</b>	<b>(5,766,395)</b>	<b>8,906,446</b>

See accompanying notes to these consolidated financial statements

**SILVER HAMMER MINING CORP.**  
Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

	Note(s)	For the years ended	
		September 30, 2023	September 30, 2022
		\$	\$
<b>Cash flow from (used in)</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Net loss for the year</b>		(1,960,399)	(2,039,631)
Depreciation		1,000	-
Impairment of exploration and evaluation assets		-	265,317
Share-based payments	4	362,895	-
<b>Net changes in non-cash working capital items:</b>			
Amounts receivable		25,333	(16,700)
Prepaid expenses		101,574	(6,770)
Deposits		5,000	44,661
Accounts payable and accrued liabilities		39,387	(68,034)
<b>Cash flow used in operating activities</b>		<b>(1,425,210)</b>	<b>(1,821,157)</b>
<b>INVESTING ACTIVITIES</b>			
Exploration and evaluation assets additions	3	(732,592)	(1,484,117)
Reclamation deposits paid		-	(28,651)
Purchase of property, plant and equipment		(4,809)	-
Deferred acquisition costs	1	(166,903)	-
<b>Cash flow used in investing activities</b>		<b>(904,304)</b>	<b>(1,512,768)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds on exercise of warrants	4	6,125	-
Proceeds on issuance of common shares, net of cash share issue costs	4	1,528,065	3,155,808
<b>Cash flow provided by financing activities</b>		<b>1,534,190</b>	<b>3,155,808</b>
Effects of exchange rate changes on cash		-	(1,168)
<b>Decrease in cash</b>		<b>(795,324)</b>	<b>(179,285)</b>
<b>Cash, beginning of year</b>		<b>1,427,556</b>	<b>1,606,841</b>
<b>Cash, end of year</b>		<b>632,232</b>	<b>1,427,556</b>
<b>Supplemental cash flow information</b>			
Exploration and evaluation assets included in accounts payable and accrued liabilities		-	232,075
Deferred acquisition costs included in accounts payable and accrued liabilities	1	364,059	-
Fair value of finders' warrants	4	42,043	145,632
Payment of finder's fees through issuance of finder's units	4	6,000	-
Reclassification of grant-date fair value on exercise of stock options	4	-	30,230
Reclassification of grant-date fair value on exercise of warrants	4	2,868	13,136
Shares issued for exploration and evaluation assets	4	-	73,000
Cash paid for income taxes		-	-
Cash paid for interest		-	-

See accompanying notes to these consolidated financial statements



## **SILVER HAMMER MINING CORP.**

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### **1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS**

Silver Hammer Mining Corp. (the “Company”) was formed on May 2, 2017 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 206 – 595 Howe Street, Vancouver, British Columbia, Canada.

The Company’s common shares are listed on the Canadian Securities Exchange under the symbol “HAMR”.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at September 30, 2023, the Company holds an interest in early-stage mineral exploration properties located in United States and the Company had not yet determined whether the Company’s mineral property asset contains a deposit of minerals that is economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

The Company had a deficit of \$5,766,395 as of September 30, 2023 (September 30, 2022 – \$3,805,996), which has been funded by the issuance of equity. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. While the Company has been successful in obtaining financing in the past, there is no assurance that such financing will continue to be available or be available on favorable terms in the future. An inability to raise additional financing may impact the future assessment of the Company as a going concern. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company’s assets may be adversely affected. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

#### **Proposed Transaction**

On September 27, 2023, the Company entered into a definitive share purchase agreement (the “Purchase Agreement”) to acquire a 100% interest in the Shafter silver property (the “Shafter Project”), located in Presidio County in Southwest Texas, from Aurcana Silver Corporation (“Aurcana”) (the “Proposed Transaction”).

In connection with the Purchase Agreement, the Company will first complete a reorganization (the “Reorganization”) whereby all of the Company’s outstanding common shares will be acquired by a newly incorporated company, Silver Hammer Metals Corp. (“Newco”), and shareholders of the Company will receive common shares of Newco (“Newco Shares”) in exchange for common shares of the Company. Newco will then acquire all of the outstanding common shares in the capital of Rio Grande Mining Corporation (“Rio Grande”), a subsidiary of Aurcana that owns the assets, property, rights and undertakings of and relating to the Shafter Project (the “Shafter Acquisition”). The Reorganization is expected to be implemented by way of a court-approved plan of arrangement under the Business Corporations Act (British Columbia) (the “Plan of Arrangement”), which will result in the Company becoming a wholly-owned subsidiary of Newco. Under the Plan of Arrangement, each common share of the Company will be exchanged for one Newco Share and the convertible securities of the Company will become exercisable for securities of Newco on an equivalent basis. The Reorganization is subject to approval of the Supreme Court of British Columbia and the shareholders of the Company.

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (CONTINUED)

#### **Proposed Transaction (continued)**

On closing of the Proposed Transaction, in consideration for the shares of Rio Grande, Aurcana will receive a cash payment of US\$800,000 (less certain exclusivity fees and prepaid expenses) and 23,000,000 Newco Shares at a price of \$0.25 per Newco Share. In addition, upon the completion of the next equity financing completed by Newco following the closing of the proposed transaction, Aurcana will receive an additional cash payment of US\$375,000. Aurcana may also receive additional post-closing payments, payable in cash or shares, subject to the achievement of certain milestones within 48 months of closing of the Shafter Acquisition in the aggregate amount of up to US\$3,000,000, as follows:

- a) up to US\$1,000,000 will be payable in connection with the first public announcement of a new mineral resource estimate on the Shafter Project which includes measured and indicated mineral resources of at least 18 million ounces as follows:
  - i. US\$500,000 will be payable if the updated mineral resource estimate includes measured and indicated mineral resources, as defined under the Canadian Institute of Mining Metallurgy and Petroleum (the "CIM") Standards, of at least 18,000,000 ounces of silver; and
  - ii. a further US\$500,000 will be payable if the updated mineral resource estimate includes measured and indicated mineral resources, as defined under the CIM Standards, of at least 22,000,000 ounces of silver,
- b) US\$1,000,000 will be payable upon the Shafter Project entering commercial production,
- c) US\$500,000 will be payable if the spot price of silver is equal to or greater than US\$30 per ounce for a period of 60 consecutive days, and
- d) an additional US\$500,000 will be payable if both (b) and (c), above, are met.

Newco has also entered into an agreement with noteholders of Rio Grande to settle certain outstanding debt of Rio Grande in connection with the Shafter Acquisition (the "Debt Settlement"). Pursuant to the Debt Settlement, Newco will acquire all of the outstanding notes of Rio Grande in the aggregate principal amount of \$6,517,662 (the "Rio Grande Notes") in consideration for:

- a) an aggregate of 4,000 debenture units of Newco, each consisting of one \$1,000 principal amount secured convertible debenture of Newco, representing \$4,000,000 in total (the "Debentures"), and 2,000 common share purchase warrants of Newco (the "Newco Warrants"),
- b) an aggregate of 8,000,000 units of Newco, each consisting of one Newco Share and one-half of a Newco Warrant, and
- c) additional securities of Newco on the same terms as the Concurrent Financing (as described below) in settlement of all interest accrued on the Rio Grande Notes from August 31, 2023 to the closing date of the Proposed Transaction.

The Debentures will be convertible into Newco Shares at the conversion price of \$0.25 per Newco Share and each Newco Warrant will entitle the holder thereof to purchase one Newco Share at the exercise price of \$0.33 per Newco Share for a period of 24 months from closing.

In connection with the Shafter Acquisition and pursuant to the terms of the Purchase Agreement, the Company will arrange concurrent equity financing for minimum gross proceeds of \$3,000,000 (the "Concurrent Financing").

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (CONTINUED)

#### **Proposed Transaction (continued)**

Completion of the Shafter Acquisition is subject to a number of conditions, including:

- i. the receipt of all required approvals of the shareholders of Aurcana and the Company;
- ii. the receipt of all necessary regulatory and third-party consents, approvals and authorizations, including all necessary stock exchange approvals;
- iii. the completion of the Concurrent Financing for minimum gross proceeds of \$3,000,000,
- iv. the completion of the Reorganization and the Debt Settlement,
- v. conditional approval of the CSE for the listing of the Newco Shares, including the Newco Shares to be issued in connection with the Shafter Acquisition, the Reorganization and the Debt Settlement, and
- vi. other standard closing conditions for a transaction of this nature.

In connection with the Proposed Transaction, the Company has incurred \$530,962 in transaction costs, classified as deferred acquisition costs, of which \$364,059 was included in accounts payable and accrued liabilities, as of September 30, 2023. In addition, the Company incurred project evaluation costs of \$133,279 on the Shafter Project during the year ended September 30, 2023.

The Proposed Transaction had not been closed as of September 30, 2023.

These consolidated financial statements of the Company for the year ended September 30, 2023 were approved by the Board of Directors on January 29, 2024.

### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

#### *Statement of compliance with International Financial Reporting Standards*

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### *Basis of preparation*

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on September 30, 2023.

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)

#### *Basis of consolidation*

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries of the Company:

	Country of incorporation	Percentage owned	
		September 30, 2022	September 30, 2021
Silver Strand Exploration Corp. <sup>(1)</sup>	Canada	100%	100%
123456 US Inc.	United States	100%	100%
1304562 BC Ltd. <sup>(2)</sup>	Canada	100%	100%
1304562 Nevada Ltd.	United States	100%	100%

(1) Formerly known as Silver Hammer Mining Corp.

(2) This company has been dormant since the date of incorporation.

#### **Subsidiaries**

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

#### **Critical accounting estimates**

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements are as follows:

#### **Carrying value and recoverability of exploration and evaluation assets**

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for based on management's judgement that the carrying amounts will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

#### **Share-based payment arrangements**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)

#### *Critical accounting judgments*

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

#### *Functional currency*

In accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”, management determined that the functional currency of the Company is the Canadian dollar, as this is the currency of the primary economic environment in which the Company operates. The functional currency of the Company’s subsidiaries is as follows:

	<b>Functional currency</b>
Silver Strand Exploration Corp.	Canadian Dollar (CA\$ or \$)
123456 US Inc.	US Dollar (US\$)
1304562 BC Ltd.	Canadian Dollar (\$)
1304562 Nevada Ltd.	US Dollar (US\$)

#### *Going concern*

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

#### *Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company’s ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management’s assessment of the Company’s ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

#### *Significant accounting policies*

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand.

## **SILVER HAMMER MINING CORP.**

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

#### *Significant accounting policies (continued)*

##### **Foreign exchange**

###### **Translation of foreign transactions and balances into the functional currency**

Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

###### **Translation of the functional currency into the presentation currency**

The results of foreign operations which have a different functional currency of the Company are translated to Canadian dollars at appropriate average rates of exchange during the year and are included in other comprehensive income (loss). The assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of foreign operation's assets and liabilities to Canadian dollars at period end are recognized in accumulated other comprehensive income (loss) as a foreign currency translation adjustment. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

##### **Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based payments expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based payments and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

##### **Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)

#### *Significant accounting policies (continued)*

##### **Income taxes (continued)**

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

##### **Exploration and evaluation assets**

Once the legal right to explore has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to acquisition costs. These direct expenditures include such costs as materials used, staking costs, drilling costs and payments made to contractors. Costs not directly attributable to exploration and evaluation expenditures, including general administration and overhead costs are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects for the Company, the exploration and evaluation expenditures, along with the acquisition costs, are deemed to be impaired and written off.

The Company assesses exploration and evaluation assets for impairment when the facts and circumstances suggest that the carrying amount of these assets may exceed their recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'Mines under construction'.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

##### **Impairment of non-financial assets**

Non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the cash-generating unit, which is the lowest group of assets in which the asset belongs for which they are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in other comprehensive loss/income.

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)

#### *Significant accounting policies (continued)*

##### **Loss per share**

Basic loss per share is computed by dividing the net loss applicable to the common shares by the weighted average number of common shares outstanding for the period.

Diluted loss per share is computed by dividing the net loss applicable to the common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When losses are incurred, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

##### **Financial instruments**

- **Financial assets**

##### **Classification and measurement**

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

**Financial assets at FVTPL** – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. As of September 30, 2023, and 2022, the Company has classified its cash as FVTPL.

**Financial assets at FVTOCI** – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. As of September 30, 2023, and 2022, the Company has no financial assets classified as FVOCI.



## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)

#### *Significant accounting policies (continued)*

#### **Financial instruments (continued)**

- **Financial assets (continued)**

**Financial assets at amortized cost** – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. As of September 30, 2023, and 2022, the Company has no financial assets classified as amortized cost.

#### **Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

#### **Derecognition of financial assets**

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

- **Financial liabilities**

The Company classifies its financial liabilities into one of two categories as follows:

**Fair value through profit or loss (FVTPL)** – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

**Other financial liabilities** – This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. As of September 30, 2023, and 2022, the Company has classified its accounts payable as other financial liabilities

Refer to Note 9 for further disclosures.

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)

#### **Recent Accounting Pronouncements**

The Company has not identified any new accounting pronouncements that are likely to have a material impact on the consolidated financial statements.

#### **New Accounting Standards and Interpretations**

There were no recently adopted accounting standards with a material impact to the consolidated financial statements during the year ended September 30, 2023.

### 3. EXPLORATION AND EVALUATION ASSETS

The Company's evaluation and exploration assets are broken down as follows:

	Silver Strand Project \$	Eliza Silver Project \$	Silverton Silver Project \$	TOTAL \$
<b>Balance as of September 30, 2022</b>	4,634,323	1,526,243	1,434,269	7,594,835
<b>Staking fees</b>	7,790	23,814	2,448	34,052
<b>Deferred exploration costs</b>				
- Assays and analysis	451	-	-	451
- Consulting	-	81,227	2,549	83,776
- Drilling	13,545	-	-	13,545
- Field	9,084	1,033	3,537	13,654
- Field office administration	8,988	-	-	8,988
- Geological	197,571	102,330	46,150	346,051
	<b>229,639</b>	<b>184,590</b>	<b>52,236</b>	<b>466,465</b>
<b>Effect of movements in exchange rates</b>	(21,445)	(1,786)	(2,053)	(25,284)
<b>Balance as of September 30, 2023</b>	<b>4,850,307</b>	<b>1,732,861</b>	<b>1,486,900</b>	<b>8,070,068</b>

**SILVER HAMMER MINING CORP.**

Notes to the Consolidated Financial Statements  
 For the Years Ended September 30, 2023 and 2022  
 (Expressed in Canadian Dollars)

**3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

	Lacy Project \$	Silver Strand Project \$	Eliza Silver Project \$	Silverton Silver Project \$	Total \$
<b>Balance as of September 30, 2021</b>	<b>265,317</b>	<b>3,170,098</b>	<b>1,287,007</b>	<b>1,255,944</b>	<b>5,978,366</b>
<b>During the year ended September 30, 2022</b>					
<b>Acquisition costs</b>					
- Cash	-	32,371	31,263	-	<b>63,634</b>
- Shares	-	73,000	-	-	<b>73,000</b>
<b>Total acquisition costs</b>	<b>-</b>	<b>105,371</b>	<b>31,263</b>	<b>-</b>	<b>136,634</b>
<b>Staking fees</b>	<b>-</b>	<b>-</b>	<b>7,759</b>	<b>11,342</b>	<b>19,101</b>
<b>Deferred exploration costs</b>					
- Consultants	-	133,914	106,673	106,673	<b>347,260</b>
- Drilling	-	602,455	-	-	<b>602,455</b>
- Field	-	31,690	19,841	19,841	<b>71,372</b>
- Field office administration	-	28,107	28,107	-	<b>56,214</b>
- Geological	-	341,647	-	-	<b>341,647</b>
- Lodging and food	-	18,586	-	-	<b>18,586</b>
- Sample analysis	-	59,978	25,565	25,565	<b>111,108</b>
<b>Total deferred exploration costs</b>	<b>-</b>	<b>1,216,377</b>	<b>180,186</b>	<b>152,079</b>	<b>1,548,642</b>
<b>Impairment</b>	<b>(265,317)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(265,317)</b>
<b>Effect of movements in exchange rates</b>	<b>-</b>	<b>142,477</b>	<b>20,028</b>	<b>14,904</b>	<b>177,409</b>
<b>Balance as of September 30, 2022</b>	<b>-</b>	<b>4,634,323</b>	<b>1,526,243</b>	<b>1,434,269</b>	<b>7,594,835</b>

**Lacy Property**

Pursuant to an option agreement dated November 2, 2017 (the "LP Agreement") and amended on October 8, 2020, with Barrie Field-Dyde (the "LP Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Lacy Property (the "LP Property") located in the Alberni Mining Division of British Columbia. The LP Property is comprised of three mineral claims.

In accordance with the LP Agreement, the Company has the option to acquire a 100% undivided interest in the LP Property by paying \$10,000 (paid) upon execution of the Agreement and issue 300,000 common shares of the Company (issued with fair value of \$30,000) no later than 15 days after the Company's common shares are listed on a securities exchange in Canada.

The LP Optionors will retain a 2% net smelter returns royalty (the "NSR") on the LP Property. The Company has the right to purchase each of the percentage of NSR for \$1,000,000 during the five-year period commencing from the date the LP Property is put into commercial production.

During the year ended September 30, 2022, the Company decided not to continue exploration of the Lacy Property. As a result of the Company's management's decision not to conduct any significant work on the Lacy Property in the near future, the Company impaired the capitalized costs associated with the Lacy Property with an amount of \$265,317 during the year ended September 30, 2022.

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

#### Silver Strand Project

##### Asset Purchase Agreement with Silver Strand Development LLC.

The Company through its' wholly owned subsidiary, 123456 US Inc., entered into an asset purchase agreement with a third party, Silver Strand Development LLC. ("SSD"), (the "SSD Agreement") to acquire a 100% interest in certain mineral claims (the "SSD Claims") located in the State of Idaho, USA.

To acquire 100% interest of the SSD Claims, the Company will have to:

- Pay US\$10,000 to SSD for the transfer of the title to 123456 US Inc. of the SSD Claims (the "Transfer of Title") (paid);
- Pay US\$25,000 to SSD within 5 business days of the SS Acquisition (paid – \$31,171);
- Issue 200,000 common shares of the Company to SSD at the date of the SS Acquisition (issued with fair value of \$50,000);
- Pay US\$25,000 to SSD on the first anniversary following the completion of the SS Acquisition (paid – \$32,371); and
- Issue 200,000 common shares of the Company to SSD on the first anniversary following the completion of the SS Acquisition (issued with fair value of \$73,000).

#### Eliza Silver Project and Silverton Silver Project

The Company through its' wholly owned subsidiary, 1304562 B.C. Ltd., owns a 100% interest in the Eliza Silver Project and the Silverton Silver Mine.

During the year ended September 30, 2022, the Company entered into an asset purchase agreement with Treasure Hill Resources LLC ("TH Resources") to acquire certain patented mining claims and associated property rights in White Pine County, Nevada (the "California Patent") with an amount of \$31,263 (US\$25,000). TH Resources will retain a 1% NSR from the production of minerals from the California Patent.

During the year ended September 30, 2022, the Company made a reclamation deposit of US\$22,600 as collateral for the Silverton Silver project in the event of future operations. As of September 30, 2023, the balance of the reclamation deposit was \$30,687 (US\$22,600) (September 30, 2022 – \$31,049 (US\$22,600)).

### 4. SHARE CAPITAL

#### Authorized share capital

Unlimited number of common shares without par value.

#### Escrow shares

On March 4, 2021, the Company entered into an escrow agreement pursuant to National Policy 46-201 *Escrow for Initial Public Offerings*, whereby common shares will be held in escrow and are scheduled for release as follows:

- On the Listing Date: 270,000 common shares (released)
- On October 29, 2021: 405,001 common shares (released)
- On April 9, 2022: 405,001 common shares (released)
- On October 29, 2022: 405,000 common shares (released)
- On April 9, 2023: 405,000 common shares (released)
- On October 29, 2023: 404,999 common shares (released subsequent to September 30, 2023)
- On April 9, 2024: 404,999 common shares

As of September 30, 2023, there were 809,998 common shares held in escrow (September 30, 2022 – 1,619,998).

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 4. SHARE CAPITAL (CONTINUED)

#### Issued share capital

As of September 30, 2023, the Company had 54,191,412 (September 30, 2022 – 46,713,662) common shares issued and outstanding.

#### During the year ended September 30, 2023

- On May 24, 2023, the Company completed a brokered private placement (the “2023 Financing”) by issuing 7,296,500 units at \$0.25 per unit for total gross proceeds of \$1,824,125. Each unit is comprised of one common share of the Company and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.33 for a period of 24 months from the closing date of the 2023 Financing.

For accounting purposes, the Company applied the residual method to allocate the proceeds to common shares and warrants and determined that \$364,825 was allocated to the warrants.

In connection with the 2023 Financing, the Company:

- paid a cash commission of \$118,050 to the agent;
- issued 472,200 broker’s warrants, each exercisable to acquire one common share at \$0.25 for a period of 24 months from the closing date of the 2023 Financing; and
- issued 120,000 units, which are subject to a 4-month hold, with fair value of \$30,000 as corporate finance fee.

The Company estimated the fair value of broker’s warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 4.18%, an expected life of 2 years, an expected volatility of 91% and an expected dividend yield of 0%, which totaled \$42,043, and recorded these values as share issuance costs.

For accounting purposes, the Company applied the residual method to allocate the fair value of the units issued for the corporate finance fee to common shares and warrants and determined that \$6,000 was allocated to the warrants.

In addition, the Company incurred \$178,010 share issuance costs.

- 61,250 warrants were exercised for proceeds of \$6,125. In addition, the Company reclassified the grant date fair value of the exercised warrants of \$2,868 from warrants reserve to share capital.

#### During the year ended September 30, 2022

- On June 2, 2022, the Company completed a brokered private placement and non-brokered private placement (collectively the “2022 Financings”) by issuing 7,325,286 units and 588,000 units, respectively, at \$0.38 per unit for total gross proceeds of \$ 3,007,049. Each unit is comprised of one common share of the Company and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.50 for a period of 24 months from the closing date of the 2022 Financings.

For accounting purposes, the Company applied the residual method to allocate the proceeds to common shares and warrants and concluded no value was allocated to the warrants.

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

### 4. SHARE CAPITAL (CONTINUED)

#### Issued share capital (continued)

##### ***During the year ended September 30, 2022 (continued)***

In connection with the 2022 Financings, the Company

- paid a cash commission of \$182,146 to the agent;
- a cash advisory fee of \$27,900;
- issued 502,831 broker's warrants; and
- 50,000 advisory warrants.

The broker's warrants and advisory warrants are exercisable to acquire one common share of the Company at a price of \$0.38 for a period of 24 months from the closing date of the 2022 Financings.

The Company estimated the fair value of broker's warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 2.80%, an expected life of 2 years, an expected volatility of 103% and an expected dividend yield of 0%, which totaled \$136,602, and recorded these values as share issuance costs.

The Company estimated the fair value of advisory warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 3.31%, an expected life of 2 years, an expected volatility of 105% and an expected dividend yield of 0%, which totaled \$9,030, and recorded these values as share issuance costs.

In addition, the Company incurred \$178,903 share issuance costs.

- On August 18, 2022, the Company issued 200,000 common shares of the Company with fair value of \$73,000 pursuant to the SSD Agreement (Note 3).
- 1,094,416 warrants were exercised for proceeds of \$475,708. In addition, the Company reclassified the grant date fair value of the exercised warrants of \$13,136 from warrants reserve to share capital.
- 100,000 stock options were exercised for proceeds of \$62,000. In addition, the Company reclassified the grant date fair value of the exercised options of \$30,230 from stock options reserve to share capital.

#### Warrants

The changes in warrants during the years ended September 30, 2023 and 2022 are as follows:

	September 30, 2023		September 30, 2022	
	Number outstanding	Weighted average exercise price (\$)	Number outstanding	Weighted average exercise price (\$)
Balance, opening	11,289,538	0.49	7,874,480	0.49
Issued	4,180,450	0.32	4,509,474	0.49
Exercised	(61,250)	0.10	(1,094,416)	0.43
Expired	(6,718,814)	0.50	-	-
Balance, closing	8,689,924	0.41	11,289,538	0.49

During the year ended September 30, 2023, 6,718,814 warrants expired unexercised (September 30, 2022 – nil).

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

### 4. SHARE CAPITAL (CONTINUED)

#### Warrants (continued)

The following summarizes information about warrants outstanding as of September 30, 2023:

Expiry date	Exercise price (\$)	Warrants outstanding	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
June 2, 2024	0.38	502,831	136,603	0.67
June 2, 2024	0.50	3,956,643	-	0.67
June 21, 2024	0.38	50,000	9,030	0.73
May 24, 2025	0.25	472,200	42,043	1.65
May 24, 2025	0.33	3,708,250	370,825	1.65
		<b>8,689,924</b>	<b>558,501</b>	<b>1.14</b>
<b>Weighted average exercise price (\$)</b>		<b>0.41</b>		

#### Options

The Company has a share option plan (the "Plan") that allows it to grant options to its employees, officers, directors and consultants. A fixed maximum of 10% of the common shares issued may be granted. The exercise price of each option shall not be less than the closing market price for the common shares on the trading day prior to the date of the grant. Options may have a maximum term of ten years. Vesting conditions of options is at the discretion of the Board of Directors at the time the options are granted.

The changes in options during the years ended September 30, 2023 and 2022 are as follows:

	September 30, 2023		September 30, 2022	
	Number outstanding	Weighted average exercise price (\$)	Number outstanding	Weighted average exercise price (\$)
<b>Balance, opening</b>	2,400,000	0.62	2,700,000	0.62
Granted	1,935,000	0.24	-	-
Exercised	-	-	(100,000)	0.62
Cancelled	(650,000)	0.62	(200,000)	0.62
<b>Balance, closing</b>	<b>3,685,000</b>	<b>0.42</b>	<b>2,400,000</b>	<b>0.62</b>

#### During the year ended September 30, 2023

- The Company granted 750,000 options with an exercise price of \$0.24 to its newly appointed President and CEO. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- The Company granted 1,000,000 options with an exercise price of \$0.24 to its directors, officers, employees and consultants. 100,000 options were granted to an IR consultant. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- The Company granted 185,000 options with an exercise price of \$0.24 to its Board advisor. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- 650,000 options were cancelled.

During the year ended September 30, 2022, 200,000 options were cancelled.

**SILVER HAMMER MINING CORP.**

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

**4. SHARE CAPITAL (CONTINUED)****Options (continued)**

The estimated grant date fair value of the options granted during the year ended September 30, 2023 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Number of options granted	1,935,000
Risk-free interest rate	3.56%
Expected annual volatility	92%
Expected life (in years)	5
Expected dividend yield	-
Grant date fair value per option (\$)	0.19
Share price at grant date (\$)	0.26

During the year ended September 30, 2023, the Company recognized share-based payments expense of \$362,895 (September 30, 2022 – \$nil).

The following summarizes information about stock options outstanding and exercisable as of September 30, 2023:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Estimated grant date fair value (\$)</b>	<b>Weighted average remaining contractual life (in years)</b>
June 16, 2026	0.62	1,650,000	1,650,000	602,637	2.71
August 9, 2026	0.65	100,000	100,000	40,196	2.86
February 15, 2028	0.24	1,750,000	1,750,000	340,647	4.38
March 15, 2028	0.24	185,000	185,000	22,248	4.46
		<b>3,685,000</b>	<b>3,685,000</b>	<b>1,005,728</b>	<b>3.60</b>
<b>Weighted average exercise price (\$)</b>		<b>0.42</b>	<b>0.42</b>		



**SILVER HAMMER MINING CORP.**

Notes to the Consolidated Financial Statements  
 For the Years Ended September 30, 2023 and 2022  
 (Expressed in Canadian Dollars)

**5. RELATED PARTY TRANSACTIONS****Related party transactions**

The Company considers the executive officers and directors as the key management of the Company.

Total compensation of key company personnel for the years ended September 30, 2023 and 2022 are as follows:

	For the years ended	
	September 30, 2023	September 30, 2022
	\$	\$
<b>Peter Ball, CEO, President, Director <sup>(1)</sup></b>		
Consulting fees	175,000	-
Share-based payments	145,992	-
	<b>320,992</b>	<b>-</b>
<b>Alnesh Mohan, CFO, Director, Corporate Secretary <sup>(2)</sup></b>		
Professional fees	127,260	136,380
Share-issuance costs	9,500	3,500
Deferred acquisition costs	9,013	-
Share-based payments	36,011	-
	<b>181,784</b>	<b>139,880</b>
<b>Lawrence Roulston, Director</b>		
Share-based payments	36,011	-
	<b>36,011</b>	<b>-</b>
<b>Joness Lang, Former Director</b>		
Share-based payments	36,011	-
	<b>36,011</b>	<b>-</b>
<b>Ron Burk, Director, Technical Advisory</b>		
Share-based payments	36,011	-
	<b>36,011</b>	<b>-</b>
<b>Morgan Lekstrom, Former CEO, Former President <sup>(3)</sup></b>		
Consulting fees	37,500	175,000
	<b>37,500</b>	<b>175,000</b>
<b>Warwick Smith, Former Interim CEO, Former Interim President, Former Director <sup>(4)</sup></b>		
Consulting fees	37,500	-
Share-based payments	31,145	-
	<b>68,645</b>	<b>-</b>
<b>TOTAL</b>	<b>716,954</b>	<b>314,880</b>

(1) Fees paid to Ariston Capital Corp., a corporation controlled by the CEO, President and Director.

(2) Fees paid to Quantum Advisory Partners LLP, a partnership in which the CFO is an incorporated partner. Fees were paid for the provision of CFO, financial reporting and accounting support.

(3) Fees paid to All Mine Consulting, a corporation controlled by the former CEO and President.

(4) Fees paid to Harbourside Consulting, a corporation controlled by the former Interim CEO, President and Director.

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 5. RELATED PARTY TRANSACTIONS (CONTINUED)

#### Related party balances (continued)

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$45,547 as at September 30, 2023 (September 30, 2022 – \$11,156). These amounts are unsecured, non-interest bearing and payable on demand.

### 6. CONTINGENCIES

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. Other than disclosed herein, 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.

### 7. SEGMENTED INFORMATION

The Company operates in one reportable segment being the exploration and evaluation of mineral properties. The Company's non-current assets mainly consist of the exploration and evaluation assets located in the United States and Canada, of which the assets held in Canada were impaired during the year ended September 30, 2022.

### 8. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

### 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Fair value

Financial instruments are classified into one of the following categories: FVTPL, amortized cost and FVTOCI.

Set out below are the Company's financial assets and liabilities by category:

	September 30, 2023	FVTPL	Amortized costs	FVTOCI
	\$	\$	\$	\$
<b>FINANCIAL ASSETS</b>				
<b>ASSETS</b>				
Cash	632,232	632,232	-	-
<b>FINANCIAL LIABILITIES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	(524,094)	-	(524,094)	-

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

### 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Fair value (continued)

	September 30, 2022	FVTPL	Amortized costs	FVTOCI
	\$	\$	\$	\$
<b>FINANCIAL ASSETS</b>				
<b>ASSETS</b>				
Cash	1,427,556	1,427,556	-	-
Deposits	5,000	-	5,000	-
<b>FINANCIAL LIABILITIES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	(352,723)	-	(352,723)	-

The carrying values of cash, deposits and accounts payable approximate their fair values due to the relatively short period to maturity of those financial instruments. Deposits approximate their fair value due to their liquidity.

As at September 30, 2023 and 2022, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 1, 2 and 3 in the fair value hierarchy above.

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

#### Financial risk management

##### ***Credit risk***

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Management believes that the credit risk concentration with respect to these financial instruments is remote. Cash based in Canada are accessible.

## SILVER HAMMER MINING CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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### 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Financial risk management (continued)

##### **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

As of September 30, 2023, the Company had cash of \$632,232 and accounts payable and accrued liabilities of \$524,094. All accounts payable and accrued liabilities are current.

##### **Market risk**

The significant market risks to which the Company is exposed are interest rate risk, foreign currency risk, and price risk.

##### - **Interest rate risk**

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held at a Canadian chartered bank. Management believes that the credit risk concentration with respect to cash is remote as the cash is easily accessible.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash. The Company is not exposed to significant interest rate risk relating to its cash.

##### - **Foreign currency risk**

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in CA\$. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, deposits, and accounts payable and accrued liabilities are held in CA\$ and US\$; therefore, US\$ accounts are subject to fluctuation against the CA\$.

The Company's financial instruments were denominated as follows as of September 30, 2023:

	CA\$	US\$
Cash	603,361	21,263
Amounts receivable	17,310	-
Reclamation deposits	-	22,600
Accounts payable and accrued liabilities	(214,784)	(227,799)
	<b>405,887</b>	<b>(183,936)</b>
Rate to convert to \$1.00 CA\$	1.00	1.36
<b>Equivalent to CA\$</b>	<b>405,887</b>	<b>(249,752)</b>

Based on the above net exposures as at September 30, 2023, and assuming that all other variables remain constant, a 10% change of the CA\$ against the US\$ would change profit or loss by approximately \$25,000.

**SILVER HAMMER MINING CORP.**

Notes to the Consolidated Financial Statements  
 For the Years Ended September 30, 2023 and 2022  
 (Expressed in Canadian Dollars)

**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****Financial risk management (continued)*****Market risk (continued)******Commodity price risk***

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities. The Company is not exposed to significant other price risk.

**10. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	September 30, 2023 \$	September 30, 2022 \$
<b>Loss for the year</b>	<b>(1,960,399)</b>	<b>(1,850,772)</b>
Expected income tax (recovery)	(539,000)	(500,000)
Change in foreign exchange rates and other	9,000	1,878,000
Non-deductible expenses	-	2,000
Share issue cost	23,000	(105,000)
Change in unrecognized deductible temporary differences	(507,000)	(1,275,000)
<b>Total income tax expense (recovery)</b>	<b>-</b>	<b>-</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	September 30, 2023 \$	Expiry Range	September 30, 2022 \$	Expiry Range
<b>Temporary Differences</b>				
Exploration and evaluation assets	-	No expiry date	(7,591,000)	No expiry date
Share issue costs	574,000	2044 to 2047	78,000	2043 to 2046
Non-capital losses available for future period	4,489,000	2027 to 2043	2,792,000	2027 to 2042

Tax attributes are subject to review and potential adjustment by tax authorities.