



SILVER HAMMER
MINING CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2023

(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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SILVER HAMMER MINING CORP.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(Expressed in Canadian Dollars)

	As at	December 31,	September 30,
	Note(s)	2023	2023
		\$	\$
ASSETS			
Current assets			
Cash		308,909	632,232
Amounts receivable		29,676	17,310
Prepaid expenses		103,395	145,472
Deferred acquisition costs	1	570,940	530,962
		1,012,920	1,325,976
Non-current assets			
Reclamation deposits	3	29,938	30,687
Property, plant and equipment		3,209	3,809
Exploration and evaluation assets	3	8,012,093	8,070,068
		8,045,240	8,104,564
TOTAL ASSETS		9,058,160	9,430,540
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	1, 5	528,283	524,094
TOTAL LIABILITIES		528,283	524,094
SHAREHOLDERS' EQUITY			
Share capital	4	12,405,539	12,405,539
Reserves	4	2,192,619	2,267,302
Accumulated deficit		(6,068,281)	(5,766,395)
Equity attributable to owners of the Company		8,529,877	8,906,446
TOTAL SHAREHOLDERS' EQUITY		8,529,877	8,906,446
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,058,160	9,430,540
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These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements

SILVER HAMMER MINING CORP.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)

(Expressed in Canadian Dollars)

	Note(s)	For the three months ended	
		December 31, 2023	December 31, 2022
		\$	\$
Expenses			
Consulting fees	5	65,000	76,000
Depreciation		600	-
Foreign exchange loss		(6,216)	(4,343)
General and administrative		12,434	16,522
Investor relations and promotion		164,509	147,172
Professional fees	5	48,438	47,079
Project evaluation costs	1	3,609	-
Regulatory and transfer agents		10,931	6,700
Travel		2,581	-
Total expenses		(301,886)	(289,130)
Net loss		(301,886)	(289,130)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(74,683)	(38,286)
Total comprehensive loss		(376,569)	(327,416)
Basic and diluted loss per share for the period attributable to common shareholders (\$ per common share)		(0.01)	(0.01)
Weighted average number of common shares outstanding - basic and diluted		54,191,412	46,713,662

See accompanying notes to these unaudited condensed consolidated interim financial statements

SILVER HAMMER MINING CORP.

Condensed Consolidated Interim Statements of Changes in Equity (unaudited)
(Expressed in Canadian Dollars)

	Note(s)	Share capital		Reserves			Accumulated deficit	TOTAL
		Number of common shares		Stock options reserve	Warrants reserve	Accumulated other comprehensive income (loss)		
			\$	\$	\$	\$	\$	\$
Balance as of September 30, 2023		54,191,412	12,405,539	1,372,210	726,621	168,471	(5,766,395)	8,906,446
Loss and comprehensive loss for the period		-	-	-	-	(74,683)	(301,886)	(376,569)
Balance as of December 31, 2023		54,191,412	12,405,539	1,372,210	726,621	93,788	(6,068,281)	8,529,877
Balance as of September 30, 2022		46,713,662	11,281,349	1,009,315	316,621	196,529	(3,805,996)	8,997,818
Loss and comprehensive loss for the period		-	-	-	-	(38,286)	(289,130)	(327,416)
Balance as of December 31, 2022		46,713,662	11,281,349	1,009,315	316,621	158,243	(4,095,126)	8,670,402

See accompanying notes to these unaudited condensed consolidated interim financial statements

SILVER HAMMER MINING CORP.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in Canadian Dollars)

	Note(s)	For the three months ended	
		December 31, 2023	December 31, 2022
		\$	\$
Cash flow from (used in)			
OPERATING ACTIVITIES			
Net loss		(301,886)	(289,130)
Depreciation		600	-
Net changes in non-cash working capital items:			
Amounts receivable		(12,366)	13,474
Prepaid expenses		42,077	151,263
Accounts payable and accrued liabilities		(4,163)	(244,591)
Cash flow used in operating activities		(275,738)	(368,984)
INVESTING ACTIVITIES			
Exploration and evaluation assets additions	3	(11,005)	(79,420)
Deferred acquisition costs	1	(36,580)	-
Cash flow used in investing activities		(47,585)	(79,420)
Decrease in cash		(323,323)	(448,404)
Cash, beginning of period		632,232	1,427,556
Cash, end of period		308,909	979,152
Supplemental cash flow information			
Change in accounts payable and accrued liabilities related to exploration and evaluation assets		4,954	33,715
Change in accounts payable and accrued liabilities related to deferred acquisition costs	1	3,398	-
Cash paid for income taxes		-	-
Cash paid for interest		-	-

See accompanying notes to these unaudited condensed consolidated interim financial statements

SILVER HAMMER MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Three Months Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

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 December 31, 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 \$6,068,281 as of December 31, 2023 (September 30, 2023 – \$5,766,395), 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 Condensed Consolidated Interim Financial Statements (unaudited)
For the Three Months Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

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").

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Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Three Months Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

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 \$570,940 in transaction costs, classified as deferred acquisition costs, of which \$377,252 was included in accounts payable and accrued liabilities, as of December 31, 2023. In addition, the Company incurred project evaluation costs of \$3,609 on the Shafter Project during the three months ended December 31, 2023.

The Proposed Transaction had not been closed as of December 31, 2023.

These unaudited condensed consolidated interim financial statements of the Company for the three months ended December 31, 2023 were approved by the Board of Directors on February 27, 2024.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance with International Financial Reporting Standards

These unaudited condensed consolidated interim 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”). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting

Basis of presentation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual consolidated financial statements of the Company for the year ended September 30, 2023.

New Accounting Standards and Interpretations

There were no new or amended IFRS pronouncements effective October 1, 2023 that impacted these condensed consolidated interim financial statements.

SILVER HAMMER MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

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 \$
Balance as of September 30, 2023	4,850,307	1,732,861	1,486,900	8,070,068
Deferred exploration costs				
- Consulting	-	9,619	-	9,619
- Geological	5,379	961	-	6,340
	5,379	10,580	-	15,959
Effect of movements in exchange rates	(55,672)	(11,930)	(6,332)	(73,934)
Balance as of December 31, 2023	4,800,014	1,731,511	1,480,568	8,012,093

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 December 31, 2023, the balance of the reclamation deposit was \$29,938 (US\$22,600) (September 30, 2023 – \$30,687 (US\$22,600)).

SILVER HAMMER MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Three Months Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

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)
- On April 9, 2024: 404,999 common shares

As of December 31, 2023, there were 404,999 common shares held in escrow (September 30, 2023 – 809,998).

Issued share capital

As of December 31, 2023, the Company had 54,191,412 (September 30, 2023 – 54,191,412) common shares issued and outstanding.

During the three months ended December 31, 2023 and 2022, no share capital transactions occurred.

Warrants

No warrants were issued, exercised or expired during the three months ended December 31, 2023 and 2022.

The following summarizes information about warrants outstanding at December 31, 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	0.42
June 2, 2024	0.50	3,956,643	-	0.42
June 21, 2024	0.38	50,000	9,030	0.47
May 24, 2025	0.25	472,200	42,043	1.40
May 24, 2025	0.33	3,708,250	370,825	1.40
		8,689,924	558,501	0.89
Weighted average exercise price (\$)		0.41		

SILVER HAMMER MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (CONTINUED)

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.

No stock options were issued, exercised or expired, during the three months ended December 31, 2023 and 2022.

The following summarizes information about stock options outstanding and exercisable at December 31, 2023:

Expiry date	Exercise price (\$)	Options outstanding	Options exercisable	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
June 16, 2026	0.62	1,650,000	1,650,000	602,637	2.46
August 9, 2026	0.65	100,000	100,000	40,196	2.61
February 15, 2028	0.24	1,750,000	1,750,000	340,647	4.13
March 15, 2028	0.24	185,000	185,000	22,248	4.21
		3,685,000	3,685,000	1,005,728	3.35
Weighted average exercise price (\$)		0.42	0.42		

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 three months ended December 31, 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
	\$	\$
Peter Ball, CEO, President, Director ⁽¹⁾		
Consulting fees	50,000	-
Alnesh Mohan, CFO, Director, Corporate Secretary ⁽²⁾		
Professional fees	31,200	31,200
Deferred acquisition costs	2,500	-
	33,700	31,200
Morgan Lekstrom, Former CEO, Former President ⁽³⁾		
Consulting fees	-	37,500

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Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

	December 31, 2023	December 31, 2022
	\$	\$
Warwick Smith, Former Interim CEO, Former Interim President, Former Director ⁽⁴⁾		
Consulting fees	-	12,500
TOTAL	83,700	81,200

(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 and Interim President.

Related party balances

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$40,626 as at December 31, 2023 (September 30, 2023 – \$45,547). 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.

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.

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Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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(Expressed in Canadian Dollars)

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:

	December 31, 2023	FVTPL	Amortized costs	FVTOCI
	\$	\$	\$	\$
FINANCIAL ASSETS				
ASSETS				
Cash	308,909	308,909	-	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(528,283)	-	(528,283)	-

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

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

As at December 31, 2023 and September 30, 2023, 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.

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For the Three Months Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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.

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 December 31, 2023, the Company had cash of \$308,909 and accounts payable and accrued liabilities of \$528,283. 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\$.

SILVER HAMMER MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

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

The Company's financial instruments were denominated as follows as of December 31, 2023:

	CA\$	US\$
Cash	304,239	3,526
Amounts receivable	29,676	-
Reclamation deposits	-	22,600
Accounts payable and accrued liabilities	(211,503)	(239,140)
	122,412	(213,014)
Rate to convert to \$1.00 CA\$	1.00	1.32
Equivalent to CA\$	122,412	(282,173)

Based on the above net exposures as at December 31, 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 \$28,000.

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.