

NORSEMAN SILVER INC.
(Formerly "Norseman Capital Ltd.")
Condensed Interim Consolidated Financial Statements
(Unaudited and expressed in Canadian Dollars)
For the nine months ended June 30, 2021 and 2020

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of Norseman Silver Inc. (formerly Norseman Capital Ltd.) have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

Norseman Silver Inc.**(Formerly "Norseman Capital Ltd.")**

Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2021 and 2020

(Unaudited and expressed in Canadian Dollars)

	Note	June 30, 2021	September 30, 2020
ASSETS			
<i>Current Assets</i>			
Cash		\$ 739,452	\$ 353,719
Other Receivables	4	12,157	18,883
		751,609	372,602
Exploration and Evaluation Assets	5	3,163,674	322,820
Total assets		3,915,283	695,422
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	9	386,232	194,670
		386,232	194,670
SHAREHOLDERS' EQUITY			
Share capital	7	32,524,338	28,019,932
Contributed surplus	7	5,107,441	3,951,191
Deficit		(34,102,728)	(31,470,371)
		3,529,051	500,752
		\$ 3,915,283	\$ 695,422

Nature of operations and going concern 1

Events After the Reporting Date 12

On behalf of the Board of Directors

"Sean Hurd" , Director & CEO
Sean Hurd

"J. Campbell Smyth" , Director & Chairman
J. Campbell Smyth

Norseman Silver Inc.**(Formerly "Norseman Capital Ltd.")**

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

For the period ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian Dollars)

	Note	For the three months ended June 30, 2021	For the three months ended June 30, 2020	For the nine months ended June 30, 2021	For the nine months ended June 30, 2020
General and Administrative Expenses					
Audit, accounting and legal	9	\$ 64,884	\$ 10,772	\$ 162,786	\$ 59,589
Bank charges interest and financing fees		693	194	4,277	3,310
Consulting fees	9	91,629	22,500	367,419	84,500
Insurance		3,579	-	19,079	-
Office and miscellaneous		7,191	-	14,441	1,649
Regulatory and transfer agent fees		9,704	7,761	74,274	26,342
Salary and wages		15,000	-	15,000	-
Shareholders information		18,872	-	19,322	2,956
Stock-based compensation	7	162,000	-	1,156,250	85,432
Marketing and promotion		235,693	-	785,384	-
Travel		7,794	1,469	14,063	28,443
Loss from operations		<u>617,041</u>	<u>42,696</u>	<u>2,632,295</u>	<u>292,221</u>
Other Income (Expenses)					
Foreign exchange gain (loss)		-	-	(1,132)	2,301
Interest income		464	4	1,070	6
Total other income		<u>464</u>	<u>4</u>	<u>(62)</u>	<u>2,307</u>
Net and comprehensive income (loss) for the period					
		<u>(\$616,577)</u>	<u>(\$42,692)</u>	<u>(\$2,632,357)</u>	<u>(\$289,914)</u>
Basic and diluted income (loss) per share					
		\$ (0.01)	\$ (0.00)	\$ (0.08)	\$ (0.02)
Weighted average number of common shares outstanding					
		42,185,780	19,081,554	31,971,639	14,872,850

Norseman Silver Inc.**(Formerly "Norseman Capital Ltd.")**

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

As at June 30, 2021 and 2020

(Unaudited and expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Shares Subscriptions	Deficit	Total Shareholders' Equity
Balance September 30, 2019		5,826,554	\$ 26,717,682	\$ 3,771,991	\$ -	(\$30,958,119)	(\$468,446)
Shares issued - shares for debt	7	5,255,000	262,750	-	-	-	\$262,750
Shares issued - private placements	7	8,000,000	400,000	-	-	-	\$400,000
Stock-based compensation	7	-	-	85,432	-	-	\$85,432
Shares subscriptions	7	-	-	-	20,000	-	\$20,000
Net income (loss) for the period		-	-	-	-	(289,914)	(\$289,914)
Balance June 30, 2020		19,081,554	\$ 27,380,432	\$ 3,857,423	\$ 20,000	(\$31,248,033)	\$9,822
Balance September 30, 2020		25,701,554	28,019,932	3,951,191	-	(31,470,371)	\$500,752
Stock-based compensation	7	-	-	1,156,250	-	-	\$1,156,250
Shares issued - options exercised	7	2,008,115	120,406	-	-	-	\$120,406
Shares issued - mineral property rights	7	7,550,000	2,634,000	-	-	-	\$2,634,000
Shares issued - private placement	7	7,000,000	1,750,000	-	-	-	\$1,750,000
Net income (loss) for the period		-	-	-	-	(2,632,357)	(\$2,632,357)
Balance June 30, 2021		42,259,669	\$ 32,524,338	\$ 5,107,441	\$ -	(\$34,102,728)	\$3,529,051

Norseman Silver Inc.**(Formerly "Norseman Capital Ltd.")**

Condensed Interim Consolidated Statements of Cash Flows

For the period ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian Dollars)

	Note	For the nine months ended June 30, 2021	For the nine months ended June 30, 2020
Operating Activities			
Net income (loss) for the period		\$ (2,632,357)	\$ (289,914)
Add items not affecting cash			
Stock-based compensation		1,156,250	85,432
Changes in non-cash working capital			
Other receivables		6,726	(3,890)
Accounts payable and accrued liabilities		191,562	(196,246)
Net cash used in operating activities		(1,277,819)	(404,618)
Investing Activities			
Exploration and evaluation assets		(206,854)	(8,000)
Net cash used in investing activities		(206,854)	(8,000)
Financing Activities			
Loan payable		-	(173,236)
Shares issued - private placements		1,750,000	400,000
Shares issued - options exercised		120,406	262,750
Net cash provided by financing activities		1,870,406	509,514
Increase (decrease) in cash		385,733	96,896
Cash, beginning of period		353,719	79
Cash, end of period		\$ 739,452	\$ 96,975

Norseman Silver Inc.**(Formerly Norseman Capital Ltd.)**

Notes to the Consolidated Financial Statements

For the period ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian Dollars)

1. Nature of Operations

Norseman Silver Inc. (formerly, Norseman Capital Ltd.) (the “Company”) was incorporated on September 25, 1985 under the laws of British Columbia, Canada and is a junior natural resource company. The common shares of the Company are listed on the TSX Venture Exchange (“TSXV”) under the symbol NOC.H. The Company is primarily engaged in the acquisition, exploration, and development of mineral properties. All of the Company’s activities to date have been of an exploratory nature.

On February 25, 2020, the TSXV approved the Company’s name change from Gem International Resources Inc. to Norseman Capital Ltd. Then, on September 16, 2020, the TSXV approved another name change from Norseman Capital Ltd. to Norseman Silver Inc.

The address of the Company’s registered office and principal place of business is the 520 – 999 West Hastings St, Vancouver BC V6C 2W2.

Going Concern

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as exploration and evaluation assets is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of its properties.

While the Company’s condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events indicate a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The company reported:

	June 30, 2021	September 30, 2020
Net income (loss)	(2,632,357)	(512,252)
Working capital surplus (deficiency)	365,377	177,932

The Company does not have sufficient funds available to bring its mineral properties to production, if possible, which would allow it to be self-sustaining. The Company will need additional financing to continue exploring, and if successful develop its properties to bring it to the production stage. While in the past the Company has been successful in obtaining funding from equity financings, option agreements, loans or through other arrangements, there is no assurance that these initiatives will be successful in the future.

2. Basis of Presentation

a. Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual audited financial statements for the year ended September 30, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

The policies applied in these financial statements are based on IFRS issued and outstanding and as of August 30, 2021, the date the Board of Directors approved these condensed interim consolidated financial statements.

b. Basis of Presentation

These condensed interim consolidated financial statements were prepared on an accrual basis and are based on historical costs, except for financial instruments measured at fair value.

c. Basis of Consolidation

a. Subsidiaries

In addition to the Company, the condensed interim consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly, or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

Name of Subsidiary	Principal Activity	Place of incorporation and Operation	Portion of Ownership interest and Voting Power held	
Sierra Exploration and Mining	Inactive	Tanzania	100%	100%
Gold Land Group Ltd.	Inactive	British Virgin Island	100%	100%
Ease Land Holdings Ltd.	Inactive	British Virgin Island	100%	100%

The subsidiaries have been inactive since May 1, 2014.

b. Consolidation Principles

Assets, liabilities, revenues, and expenses of the subsidiaries are recognized in accordance with the Company’s accounting policies. Intercompany transactions are eliminated at consolidation.

Norseman Silver Inc.
(Formerly Norseman Capital Ltd.)
Notes to the Consolidated Financial Statements
For the period ended June 30, 2021 and 2020
(Unaudited and expressed in Canadian Dollars)

2. Basis of Presentation (continued)

d. Functional and Presentation Currency

The Company's functional currency is the Canadian Dollar ("CAN"). The condensed interim consolidated financial statements are presented in CAN which is the Company's presentation currency, unless otherwise noted.

All amounts in these condensed interim consolidated financial statements are rounded to the nearest dollar.

3. Significant Accounting Policies

The Company's significant accounting policies can be read in Note 3 to the Company's annual audited consolidated financial statements as at and for the year ended September 30, 2020.

4. Other Receivables

	June 30, 2021	September 30, 2020
GST receivable	\$ 12,157	\$ 18,883

5. Exploration and Evaluation Assets

	Caribou	Silver Switchback	Silver Vista	New Moon	Taquetren	Total
Balance September 30, 2019	-	-	-	-	-	-
Option Payments - Cash	10,000	30,000	20,000	-	-	60,000
Option Payments - Shares	50,000	139,500	-	-	-	189,500
Exploration expenditures	3,000	65,320	5,000	-	-	73,320
Balance September 30, 2020	63,000	234,820	25,000	-	-	322,820
Option Payments - Cash	20,000	-	30,000	10,000	50,344	110,344
Option Payments - Shares	240,000	-	950,000	1,380,000	64,000	2,634,000
Exploration expenditures	-	90,866	5,645	-	-	96,510
Balance June 30, 2021	323,000	325,686	1,010,645	1,390,000	114,344	3,163,674

Caribou Property

On June 3, 2020, the Company entered into an option agreement with Cloudbreak Discovery Corp. ("Cloudbreak"), a company with a common officer, to acquire a 100% interest in certain mining claims located in the Skeena Mining Division area in British Columbia, known as the Caribou Property.

Pursuant to the Option Agreement, in order to fully exercise the option (the "Option"), the Company shall pay to Cloudbreak an aggregate of \$80,000 (\$30,000 paid) and issue 2,750,000 (1,750,000 issued) common shares of the Company in three instalments.

Norseman Silver Inc.

(Formerly Norseman Capital Ltd.)

Notes to the Consolidated Financial Statements

For the period ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

In addition, pursuant to the option agreement, the Company granted to Cloudbreak a 2.0% net smelter return (“NSR”) royalty. The Company has the right to acquire one-half of the NSR (1.0%) from Cloudbreak at a price of \$1,000,000 at any time prior to the commencement of commercial production. If the Company purchases the first half of the NSR, the Company shall have the right to acquire the remaining half of the NSR (1.0%) at price of \$4,000,000, for an aggregate of \$5,000,000.

Silver Switchback Property

On August 27, 2020, the Company entered into an option agreement with Cloudbreak to acquire a 100% interest in an underlying option agreement between Cloudbreak and 1975647 Alberta Ltd (“197 Alberta”). The underlying option agreement provides the Company with the option to acquire a 100% in certain mining claims located in British Columbia, known as the Silver Switchback Property.

Pursuant to the option agreement, in order to fully exercise the option (the “Option”), the Company shall:

- (i) pay to Cloudbreak an aggregate of \$30,000 (paid) and issue 750,000 (370,000 issued) common shares of the Company in installments;
- (ii) pay to 197 Alberta an aggregate of \$60,000 and issue 1,850,000 (250,000 issued) common shares of the Company in installments; and
- (iii) incur aggregate exploration expenditures of \$475,000 (\$156,186 incurred) on the Silver Switchback Property prior to May 8, 2023.

In addition, pursuant to the option agreement, the Company granted to Cloudbreak a 1.0% NSR royalty. The Company shall have the right to acquire one-half (0.5%) of the NSR from Cloudbreak at a price of \$500,000 at any time prior to commencement of commercial production. The Silver Switchback Property is also subject to a 2.0% NSR royalty pursuant to the underlying option agreement.

Silver Vista Property

On September 21, 2020, the Company entered into an option agreement with Cloudbreak to acquire a 100% interest in an underlying option agreement between Cloudbreak and 197 Alberta. The underlying option agreement provides the Company with the option to acquire a 100% in certain mining claims located in British Columbia, known as the Silver Vista Property.

Pursuant to the Option Agreement, in order to fully exercise the option (the “Option”), the Company shall:

- (i) pay to Cloudbreak an aggregate of \$50,000 (\$20,000 paid in September 2020 and the remaining \$30,000 paid in February 2021) and issue 2,000,000 (issued in February 2021) common shares of the Company in installments;
- (ii) pay to 197 Alberta an aggregate of \$45,000 and issue 1,000,000 common shares of the Company in installments; and
- (iii) incur aggregate exploration expenditures of \$275,000 (\$10,645 incurred) on the Silver Vista Property prior to May 8, 2023.

Norseman Silver Inc.

(Formerly Norseman Capital Ltd.)

Notes to the Consolidated Financial Statements

For the period ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

In addition, pursuant to the option agreement, the Company granted to Cloudbreak a 1.0% NSR royalty. The Company shall have the right to acquire one-half (0.5%) of the NSR from Cloudbreak at a price of \$500,000 at any time prior to commencement of commercial production. The Silver Vista Property is also subject to a 2.0% NSR royalty pursuant to the underlying option agreement.

New Moon Property

On December 9, 2020, the Company entered into an asset purchase agreement (the “Agreement”) with Cabox Gold Corp. (“Cabox”), 1269270 BC Ltd. (“9270 BC”), 1236686 BC Ltd. (“6686 BC”) and Samuel Hardy to acquire certain mining claims located in British Columbia, known as the New Moon Claims.

In consideration for the acquisition of the New Moon Claims, the Company shall:

- (i) Pay \$10,000 (paid) to Cabox on the effective date of the Agreement;
- (ii) Issue 2,500,000 (issued January 2021) common shares of the Company to Cabox on the closing date of the Agreement;
- (iii) Issue 600,000 (issued January 2021) common shares of the Company to 9270 BC on the closing date of the Agreement; and
- (iv) Issue 1,500,000 (issued January 2021) common shares of the Company to 6686 BC on the closing date of the Agreement.

The common shares issued pursuant to the Agreement shall be subject to a hold period of four months and on day from the date of issuance.

In addition, pursuant to the Agreement, the Company shall grant to Cabox a 2.0% NSR royalty. The Company shall retain the right to purchase at any time from Cabox one half of the NSR (1.0%) for \$1,000,000. In addition, if the Company acquires any mineral rights within five kilometres from the external boundary of the New Moon Claims, such mineral rights will be subject to the NSR on the same terms as the NSR.

Taquetren Property

On May 4, 2021, the company entered into an option agreement to acquire a 100% interest in the Taquetren Silver Project, located in the Navidad-Calcatreanu mining district, Argentina.

Pursuant to the Option Agreement, in order to fully exercise the option, the Company shall:

- (i) Make payment of \$40,000 USD (paid)
- (ii) Issue 200,000 Common Shares within seven days of signing the Definitive Agreement (issued)
- (iii) Issue 300,000 Common Shares and incur \$70,000 USD of exploration expenditures on the Project on or before the first anniversary of the Definitive Agreement
- (iv) Issue 500,000 Common Shares and incur \$200,000 USD of additional exploration expenditures on the Project on or before the second anniversary of the Definitive Agreement;
- (v) Issue 2,000,000 Common Shares and incur and additional \$500,000 USD of exploration expenditures on the Project on or before the third anniversary of the Definitive Agreement.

Norseman Silver Inc.**(Formerly Norseman Capital Ltd.)**

Notes to the Consolidated Financial Statements

For the period ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

In addition, pursuant to the Agreement, the Company shall grant to the Optionors a 2.0% NSR royalty. The Company shall retain the right to purchase at any time from the Optionors one quarter of the NSR (0.5%) for \$1,000,000 USD and a second quarter of the NSR (0.5%) for \$2,000,000 USD and 5,000,000 Common Shares.

6. Loans PayableMosman Oil and Gas Limited

Pursuant to a loan agreement dated March 28, 2018, between the Company and Mosman Oil and Gas Limited, a related company provided an advance of \$100,000 to the Company. The loan bore interest at 5% per annum, payable on the last day of each month, with an original repayment date of December 31, 2018.

During the year ended September 30, 2020, \$50,000 of this loan was repaid through common shares issued for debt, and the remaining \$50,000 was repaid in cash.

Clariden Capital Pty Ltd.

Pursuant to a loan agreement dated April 24, 2018, between the Company and Clariden Capital Pty Ltd., a related company founded by a former director of the Company, the Company was provided an advance of \$50,000. The loan bore interest at 5% per annum, payable on the last day of each month, with an original repayment date of December 31, 2018.

During the year ended September 30, 2020, the loan was repaid through common shares issued for debt.

Loans - Others

A group of individuals executed loan agreements dated January 11, 2019, with the Company for an aggregate of \$50,000 AUD, of which \$12,500 AUD was advanced by an individual related to a certain director and \$12,500 AUD was advanced by Clariden Capital Pty Ltd. The loan agreements had identical terms, with each having bore interest at 5% per annum, and having original repayment dates of December 31, 2019.

During the year ended September 30, 2020, the loans were repaid through common shares issued for debt.

7. Share Capital

a) Authorized:

Unlimited number of common shares without par value

b) Issued and Outstanding – Common Shares

	June 30, 2021	September 30, 2020
Total outstanding and issued common shares:	42,259,669	25,701,554

Norseman Silver Inc.**(Formerly Norseman Capital Ltd.)**

Notes to the Consolidated Financial Statements

For the period ended June 30, 2021 and 2020

*(Unaudited and expressed in Canadian Dollars)***7. Share Capital (continued)**

<u>Date</u>	<u>Shares</u>	<u>Consideration</u>	<u>Details</u>
2019-01-10	5,826,554	26,717,682	Opening Balance Prior Year
2019-12-17	6,900,000	\$ 345,000	Private placement \$0.05
2019-12-17	100,000	\$ 5,000	Private placement \$0.05
2019-12-27	1,000,000	\$ 50,000	Private placement \$0.05
2019-12-27	5,255,000	\$ 262,750	Shares for debt
2020-08-19	3,000,000	\$ 150,000	Private placement \$0.05
2020-08-19	2,000,000	\$ 300,000	Private placement \$0.15
2020-08-19	1,000,000	\$ 50,000	Caribou Property Option Agreement
2020-09-08	620,000	\$ 139,500	Silver Switchback Property Option Agreement
2020-09-30	<u>25,701,554</u>	<u>\$28,019,932</u>	Opening Balance Current Year
2021-01-08	4,600,000	\$ 1,380,000	New Moon Property Option Agreement
2021-01-14	7,000,000	\$ 1,750,000	Private placement \$0.25
2021-02-04	2,000,000	\$ 950,000	Silver Vista Property Option Agreement
2021-02-09	2,008,115	\$ 120,406	Exercise of Options
2021-06-23	750,000	240,000	Caribou Property Option Agreement
2021-06-23	<u>200,000</u>	<u>\$ 64,000</u>	Taquetren property Letter of Intent
2021-06-30	<u>42,259,669</u>	<u>\$32,524,338</u>	Closing Balance Current Year

c) Share purchase warrants

On January 14, 2021, the Company completed a non-brokered private placement financing for gross proceeds of \$1,750,000, composed of 7,000,000 units, at a price of \$0.25 per unit. Each unit is composed of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.30 per common share and expires twenty-four months from the date of issuance.

Share purchase warrant activities for the period ended June 30, 2021, and 2020 were as follows:

	Number of Warrants	Weighted Average Exercise	Weighted Average Life Remaining in Years
Balance September 30, 2020	1,000,000	0.25	1.14
Issued	7,000,000	0.30	1.54
Expired	-	-	-
Balance June 30, 2021	<u>8,000,000</u>	<u>0.29</u>	<u>1.49</u>

Norseman Silver Inc.**(Formerly Norseman Capital Ltd.)**

Notes to the Consolidated Financial Statements

For the period ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian Dollars)

7. Share Capital (continued)**d) Stock Options**

On January 2, 2020, the Company granted options to acquire a total of 1,600,000 common shares of the Company to employees, officers, directors, and consultants at the exercise price of \$0.05 per share, for a period of five years, subject to vesting requirements. Of the 1,600,000 stock options granted; 1,200,000 of the stock options were granted to the directors of the Company.

On July 1, 2020, the Company granted options to acquire a total of 308,155 common shares of the Company to a company controlled by officers of the Company at the exercise price of \$0.05 per share, for a period of five years, subject to vesting requirements.

On September 2, 2020, the Company granted options to acquire a total of 400,000 common shares of the Company to certain directors and officers at the exercise price of \$0.25 per share, for a period of five years, subject to vesting requirements.

On November 18, 2020, the Company granted options to acquire a total of 125,000 common shares of the Company to an officer at the exercise price of \$0.25 per share, for a period of five years, subject to vesting requirements.

On February 9, 2021, the Company granted 3,075,000 stock options to purchase common shares of the company at a price of \$0.375 per share for a period of 5 years to certain consultants, directors, and officers of the company.

On June 16, 2021, the Company granted 500,000 stock options to purchase common shares of the company at a price of \$0.40 per share for a period of 5 years to certain consultants, directors, and employees of the company.

The following variables were used to calculate stock-based compensation:

	January 2, 2020	July 1, 2020	September 2, 2020	November 18, 2020	February 9, 2021	June 16, 2021
- weighted average risk-free interest rate	1.62%	0.38%	0.35%	0.44%	0.49%	0.92%
- dividend yield of	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- volatility rate	137%	111%	111%	130%	125%	119%
- expected life (years)	5	5	5	5	5	5

A summary of the status of the stock options outstanding under the Company's stock option plan as at June 30, 2021, is as follows:

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(Unaudited and expressed in Canadian Dollars)

7. Share Capital (continued)

	Number of Options Granted	Number of Options Exercised	Number of Options Remaining	Weighted Average Exercise Price	Weighted average remaining contractual life
Granted 01/02/2020	1,600,000	1,600,000	-	0.05	3.51
Granted 07/01/2020	308,115	308,115	-	0.05	4.00
Granted 09/02/2020	400,000	100,000	300,000	0.25	4.18
Granted 11/18/2020	125,000	-	125,000	0.25	4.39
Granted 02/09/2021	3,075,000	-	3,075,000	0.375	4.61
Granted 06/16/2021	500,000	-	500,000	0.40	4.96
Outstanding June 30, 2021	6,008,115	2,008,115	4,000,000	0.36	4.27

As at June 30, 2021, the exercise prices for options outstanding under the Company's stock option plan ranges from \$0.25 to \$0.40; and the weighted average remaining contractual life for stock options under the Company's stock option plan is 4.27 years.

8. Financial Instruments and Risk Management

The Company's financial instruments include cash, accounts payable and accrued liabilities and loans payable. The carrying values of these financial instruments approximate their fair value due to their short-term maturity. Cash is the only financial asset that is measured at fair value subsequent to initial recognition, which is measured based on level 1 input of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's cash is held in a major Canadian financial institution which is considered to have high credibility. Management believes that the Company have no significant credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. The Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

As of June 30, 2021, the Company has sufficient cash on hand to meet current liabilities and its expected administrative requirements for the coming year. The company had cash and total liabilities as follows:

Norseman Silver Inc.**(Formerly Norseman Capital Ltd.)**

Notes to the Consolidated Financial Statements

For the period ended June 30, 2021 and 2020

*(Unaudited and expressed in Canadian Dollars)***8. Financial Instruments and Risk Management (continued)**

	<u>June 30,</u>	<u>September 30,</u>
	<u>2021</u>	<u>2020</u>
Cash	\$ 739,452	\$ 353,719
Liabilities	\$ 386,232	\$ 194,670

To execute its planned exploration program for the next twelve months, the Company will need to raise additional funds through the issuance of equity or debt instruments or the sale of assets. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and cash equivalents, and expected exercise of stock options and share purchase warrants.

c) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency, and other price risk.

i. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balance and periodically short-term investments. Due to the short-term nature of these financial instruments, management believes that risks related to interest rates are not significant to the Company at this time.

ii. Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to minimal foreign currency risk at this time.

9. Related Party Transactions

The following is a summary of related party transactions that occurred during the period ended June 30, 2021, and 2020 and amounts in accounts payable and accrued liabilities:

	For the period ended June 30, 2021	For the period ended June 30, 2020	Amount payable as at June 30, 2021	Amount payable as at September 30, 2020
Consulting Fees - Directors & Officers	244,500	81,750	25,750	4,161
Accounting and Management Services	67,500	-	15,750	80,345
Stock based compensation	1,156,250	84,800	-	N/A

Norseman Silver Inc.**(Formerly Norseman Capital Ltd.)**

Notes to the Consolidated Financial Statements

For the period ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian Dollars)

9. Related Party Transactions (continued)

During the September 30, 2019, year end, the Company had written off \$237,392 in disputed payables belonging to the former CEO, former president (and companies related to them), and former directors and related expenses incurred by them. The \$237,392 relate to accounting fees, consulting fees, rent, and travel expenses charged to the Company which were not authorized by the new Board of Directors. Management has no intention to pay the aforementioned expenses and therefore, the amounts have been written off.

The above transactions with related parties, occurring in the normal course of operations, were measured at the fair value, are unsecured with no specific terms of repayment and are non-interest bearing; unless, otherwise stated.

10. Supplementary Cash Flow Information

The following non-cash investing and financing activities were excluded from the consolidated statements of cash flows:

- For the nine months ended June 30, 2021, the Company issued 7,550,000 common shares for deemed value of \$2,634,000 (2020 – 1,000,000 common shares for deemed value of \$50,000) pursuant to exploration and evaluation asset option agreements.
- For nine months ended June 30, 2021, the Company issued no common shares (2020 – \$140,000) to settle accounts payables and accrued liabilities.
- For the nine months ended June 30, 2021, the Company issued no common shares (2020 – \$122,750) to settle loans payable.

11. Capital Disclosures

The Company's objectives when managing capital are to raise the necessary equity financing to fund its exploration projects and to manage the equity funds raised which best optimizes its exploration programs and the interests of its equity shareholders at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity.

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. In order to maintain or adjust the capital structure, the Company may raise additional equity funds and acquire new exploration properties as circumstances dictate.

There were no changes in the Company's approach to capital management during the period ended June 30, 2021. The Company is not subject to externally imposed capital requirements.

12. Events After the Reporting Date

On August 19, 2021, the Company closed a non-brokered private placement financing for gross proceeds of \$1,574,591 consisting of 4,771,488 units at a price of CAD\$0.33 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of CAD\$0.43 per common share with a term of two years.