



**SILVER HAMMER**  
MINING CORP.

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2021**

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## **SILVER HAMMER MINING CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the Three Months Ended December 31, 2021

(Expressed in Canadian Dollars)

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## **INTRODUCTION**

This Management Discussion and Analysis (the “MD&A”) of Silver Hammer Mining Corp.’s (formerly Lakewood Exploration Inc.) (“Silver Hammer” or the “Company”) financial position and results of operations for the three months ended December 31, 2021 is prepared as at February 25, 2022. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company and the notes relating thereto, for the three months ended December 31, 2021. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All financial amounts are stated in Canadian currency unless stated otherwise. Additional information relating to the Company is filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD - LOOKING INFORMATION**

This MD&A may contain forward-looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.

Except for statements of historical fact, this MD&A contains certain “forward-looking information” within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, which are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices; governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under “Risks and Uncertainties” as well as in our public filings available at [www.sedar.com](http://www.sedar.com). Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

## **COMPANY OVERVIEW**

The Company was formed on May 2, 2017 under the laws of British Columbia and changed its name from Lakewood Exploration Inc. to Silver Hammer Mining Corp. on October 1, 2021. The address of the Company’s corporate office is 1500-1055 W. Georgia Street, Vancouver, British Columbia, Canada and its principal place of business is 206-595 Howe Street, Vancouver, British Columbia, Canada.

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The Company's common shares were listed on the Canadian Securities Exchange on April 29, 2021 and began trading under the symbol "LWD" on May 3, 2021 (the "Listing Date"). On October 1, 2021, the trading symbol was changed to "HAMR" in association with the name change.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at December 31, 2021, the Company holds interests in early-stage mineral exploration properties and the Company has not yet determined whether the Company's mineral property assets contain a deposit of minerals that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets are 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 properties 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 has four wholly-owned subsidiaries, Silver Strand Exploration Corp., 123456 US Inc., 1304562 BC Ltd., and 1304562 Nevada Ltd. Silver Strand Exploration Corp. and 123456 US Inc. became wholly-owned subsidiaries on June 16, 2021, as discussed below. 1304562 BC Ltd. and 1304562 Nevada Ltd. became wholly-owned subsidiaries on September 2, 2021, as discussed below.

### **COVID-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

The Company could be adversely impacted by the effects of the coronavirus. The extent to which the coronavirus impacts the Company, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the coronavirus outbreak. The continued spread of the coronavirus globally could materially and adversely impact the Company's operations including, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, and restrictions to its drill programs, exploration and other metallurgical testing. To date, the Company has not had any adverse effects from the coronavirus.

### **FISCAL 2022 HIGHLIGHTS**

- The Company announced, on October 7, 2021, that it had staked an additional 52 new claims at its Eliza Silver Project. The Company also announced that David Grandy stepped down as a director of the Company.
- On October 14, 2021, the Company reported that Phase I drilling commenced at the Silver Strand Mine.
- On October 15, 2021, the Company announced the appointment of Morgan Lekstrom as CEO of the Company and Alnesh Mohan as Corporate Secretary of the Company. The Company also announced the resignation of Michael Dake as CEO of the Company, but will remain as a director of the Company.
- On October 29, 2021, the Company commenced trading on the OTCQB venture exchange market under the symbol "HAMRF". The Company also provided an update on the Lacy Property which includes filing an assessment report with the BC provincial government.
- On November 4, 2021, the Company appointed technical advisor, Ron Burk, to the Company's board of directors.
- On November 29, 2021, the Company reported results from sampling, mapping and detailed hyperspectral satellite imaging positions at the Silverton Project.
- On December 6, 2021, the Company reported high-grade silver assays for a number of rock samples collected at the Eliza Silver Project.

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- On December 14, 2021, the Company reported Phase 1 drill results and confirmed significant gold-silver mineralization below old mine workings at Silver Stand.

#### **SUBSEQUENT EVENTS**

- On January 19, 2022, the Company provided a corporate update and 2022 exploration outlook which includes plans for advancing the Company's portfolio of assets during 2022. For further information regarding the update, refer to the press release available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).
- On January 26, 2022, the Company reported historical (2002) high-grade, near-surface drill results and the repatriation of drill core from work previously done on the Silver Strand Project.

#### **EXPLORATION AND EVALUATION ASSETS**

##### **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 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. As of April 30, 2021, the Company owned 100% of the Lacy Property following the issuance of 300,000 common shares.

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.

On October 29, 2021, the Company announced that it filed an assessment report on the Lacy Property with the BC provincial government. The LP Property comprises 590 hectares of mineral tenures which has produced encouraging results. Management is considering a more detailed program including further geophysics over the next 6-12 months to identify possible drill targets.

##### **Silver Strand Project**

The Silver Strand Project has a 5.5 km strike length in the Coeur d'Alene mining district in Idaho. Located in North Idaho's Silver Valley along Interstate 90, the district has been a globally significant producer of silver, with an aggregate total of more than 1.2 billion ounces of silver being recovered since the late 1880's, along with major quantities of lead and zinc. Presently operating underground mines are exploiting orebodies up to 1,500 meters below surface.

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

On June 16, 2021, the Company completed the acquisition (the "SS Acquisition") of all the issued and outstanding securities of Silver Strand Exploration Corp. (formerly Silver Hammer Mining Corp.) ("Silver Strand"). As a result of the SS Acquisition, the Company, through 123456 US Inc., the wholly owned subsidiary of Silver Strand, 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.

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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 Acquisition (paid – \$31,171);
- Issue 200,000 common shares of the Company to SSD at the date of the Acquisition (issued with fair value of \$50,000);
- Pay US\$25,000 to SSD on the anniversary following the completion of the SS Acquisition; and
- Issue 200,000 common shares of the Company to SSD on the anniversary following the completion of the SS Acquisition.

In addition, from the SSD Effective Date, the Company is required to pay the claim fees to the United States Bureau of Land Management, pay the fees, and file the notices to Kootenai County, Idaho, no later than August 15<sup>th</sup> of each year.

On October 14, 2021, the Company announced that Phase I drilling commenced at the Silver Strand Project. Phase I drilling was designed to provide valuable information regarding the orientation and the depth and lateral extensions of the gold- and silver-bearing lode to support the Company’s modelling and plans for future drilling.

On December 14, 2021, the Company reported results from the completed initial Phase I drilling campaign, with all six drillholes cutting significant Au-Ag mineralization beneath the historical mine workings.

On January 26, 2022, the Company reported high-grade, near-surface drill results including 2,071 grams silver equivalent per tonne (“g/t AgEq”) over 1 metercore length, 1,249 g/t AgEq over 3.3 meters, plus multiple greater than 1,000 g/t AgEq assayed intercepts from previously unreported drill-holes. The Company also obtained the drill cores and assay certificates produced by a 2002 drilling campaign that was completed by a previous owner of the Silver Strand property.

### **Eliza Silver Project and Silverton Silver Project**

On September 2, 2021, the Company completed the acquisition (the “BCCO Acquisition”) of all the issued and outstanding securities of 1304562 B.C. Ltd. (“BCCO”). As a result of the BCCO Acquisition, the Company now owns a 100% interest in the Eliza Silver Project and the Silverton Silver Project.

#### **Eliza Silver Project**

The Eliza Silver Project is located in the general area of the Hamilton silver mining district in western White Pine County, Nevada. A number of small mines and prospects were developed in the district in the late 1800’s, with some of the ores being particular high grade for silver.

The Company announced, on October 7, 2021, that it staked 52 new claims, more than doubling its original land holding in the district. With the addition of these new claims, the Eliza land package now comprises 88 claims covering 5.52 square kilometers.

On December 6, 2021, the Company reported high-grade silver assays for a number of rock samples collected at the Eliza Silver Project. A total of 73 rock-chip samples were collected within the Eliza Project area along with 35 geochemical survey samples. The assay results confirm the existence of a well-developed silver-rich mineral system that also shows enrichments in copper, lead and zinc. In addition to the targeted rock sampling, the Company also completed hyperspectral imaging analysis of the Eliza property area.

**Silverton Silver Project**

The Silverton Project is located in south-central Nevada about 100 kilometers southwest of the Eliza Project. The Company's original six-claim mineral property covers the historic Silverton mine, a small 19<sup>th</sup> Century producer of silver from relatively high-grade ores.

On October 7, 2021, the Company announced initial results from a surface rock sampling program at the Silverton Mine which also confirmed the presence of gold mineralization on the eastern side of the property.

On November 29, 2021, the Company reported results from rock and soil sampling, geological mapping and detailed hyperspectral satellite image analysis that had recently been completed on the project. A total of 35 rock-chip samples and 111 soil samples were collected from the property; the best sample yielded 692 g/t silver.

**CHANGE IN MANAGEMENT**

On October 7, 2021, the Company announced that David Grandy stepped down as a director of the Company.

On October 15, 2021, the Company announced the appointment of Morgan Lekstrom as CEO of the Company and Alnesh Mohan as Corporate Secretary of the Company. The Company also announced the resignation of Michael Dake as CEO of the Company, but will remain as a director of the Company.

On November 4, 2021, the Company appointed Ron Burk, Technical Advisor, to the Company's board of directors.

**SELECTED INFORMATION**

	For the three months ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	\$	\$	\$
Operating expenses	448,216	20,735	-
Interest and miscellaneous income	-	-	-
Net loss for the period	(448,216)	(20,735)	-
Comprehensive loss for the period	(445,270)	(20,735)	-
Basic and diluted loss per share:			
- net loss	(0.01)	(0.00)	-

As at	December 31, 2021	September 30, 2021	September 30, 2020
	\$	\$	\$
Working capital	1,047,418	1,640,916	6,557
Total assets	7,627,366	7,894,134	167,548
Total liabilities	116,574	274,852	43,964
Share capital	8,532,203	8,154,807	236,501
Deficit	2,214,581	1,766,365	200,417

The fluctuation in operating expenses and corporate costs is attributable to variations in various expense items, such as consulting fees, investor relations and promotions, professional fees, regulatory and transfer agents, travel and general and administrative expenses, which occur due to the administrative, exploration and fund-raising activities occurring during a particular period and to the availability of funds in those periods to pay for those activities. There is no seasonality to these variations, nor are they indicative of any trend. As the Company became more active and undertook

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acquisitions during the year ended September 30, 2021 and subsequently continued exploration activities into the September 30, 2022 fiscal year, the related expenditures and total assets increased compared to prior periods.

**SUMMARY OF QUARTERLY INFORMATION**

	Three months ended			
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	\$	\$	\$	\$
Interest income	-	-	-	-
Net loss	(448,216)	(315,160)	(1,193,295)	(36,758)
Comprehensive loss	(445,270)	(307,990)	(1,193,295)	(36,758)
Basic and diluted loss per share	(0.01)	(0.01)	(0.09)	(0.00)

	Three months ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
	\$	\$	\$	\$
Interest income	-	-	-	-
Net loss	(20,735)	(22,577)	(18)	(22)
Comprehensive loss	(20,735)	(22,577)	(18)	(22)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

The variations in operating expenses in the previous periods are primarily a result of the Company completing its exploration and evaluation asset acquisitions and listing on the Canadian Securities Exchange. Fluctuations reported were the result of the level of activity of the Company in each given reporting period.

**RESULT OF OPERATIONS**

***Three Months Ended December 31, 2021 compared with the Three Months Ended December 31, 2020***

The Company is in the exploration stage and has no revenue from operations. During the three months ended December 31, 2021, the Company recorded a net loss of \$448,216, an increase of \$427,481, compared to a net loss of \$20,735 for the three months ended December 31, 2020. The increase in net loss was a result of the Company's acquisition of Silver Strand and BCCO, financing activity and increased business and exploration activity.

During the three months ended December 31, 2021, the Company incurred the following significant expenditures:

- Consulting fees of \$76,500 (December 31, 2020 – \$nil) which includes general consulting services, corporate advisory services as well as fees paid to All Mine Consulting, a corporation controlled by the President and CEO (related party);
- Investor relations and promotion of \$255,676 (December 31, 2020 – \$nil) which were incurred as a result of marketing and advisory services, social media services, conferences and seminars attended by the Company and business and corporate development services;
- Professional fees of \$73,071 (December 31, 2020 – \$16,187) which were paid for corporate secretary services, legal fees and accounting fees. Accounting fees of \$31,720 were paid to Quantum Advisory Partners LLP (related party), a partnership in which the CFO is an incorporated partner;
- Regulatory and transfer agents of \$10,607 (December 31, 2020 – \$nil) which were paid to the Canadian Securities Exchange for listing fees as well as transfer agent fees paid to Endeavor Trust Corporation; and
- Travel of \$10,177 (December 31, 2020 – \$nil) incurred by the All Mine Consulting (related party) for travel expenses incurred during the period.



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#### LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2021, the Company had working capital of \$1,047,418 (September 30, 2021 – \$1,640,916) including cash of \$931,041 (September 30, 2021 – \$1,606,841).

Negative cash flows of \$477,237 were recorded from operating activities during the three months ended December 31, 2021. This is primarily due to outflows relating to consulting fees, investor relations and promotion, professional fees, regulatory and transfer agents and travel.

The Company's activities have been funded through equity financings and the Company expects it will continue to be able to utilize this source of financing until it develops cash flow from future operations.

There can be no assurances the Company will be successful in its endeavors. If such funds are not available or other sources of finance cannot be obtained then the Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

#### OUTSTANDING SHARE DATA

At December 31, 2021, the Company had 38,151,520 (September 30, 2021 – 37,405,960) common shares issued and outstanding with a value of \$8,532,203 (September 30, 2021 – \$8,154,807).

#### 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: 250,000 common shares (released)
- On November 3, 2021: 375,000 common shares (released)
- On May 3, 2022: 375,000 common shares
- On November 3, 2022: 375,000 common shares
- On May 3, 2023: 375,000 common shares
- On November 3, 2023: 375,000 common shares
- On May 3, 2024: 375,000 common shares

As of December 31, 2021, there were 1,875,000 common shares held in escrow (September 30, 2021 – 2,250,000).

#### During the three months ended December 31, 2021

- 645,560 warrants were exercised for gross proceeds of \$274,780.
- 100,000 options were exercised for gross proceeds of \$62,000.

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#### Subsequent to December 31, 2021

- 20,000 warrants were exercised for gross proceeds of \$10,000.

As at the date of this MD&A, the Company had the following common shares, options and warrants issued and outstanding:

- 38,171,520 common shares;
- 7,208,920 Warrants with exercise prices ranging from \$0.10 to \$0.50; and
- 2,600,000 stock options with exercise prices ranging from \$0.62 to \$0.65.

#### RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties as defined as IAS 24, Related Party Disclosures, include the Company's subsidiaries and the following directors, executive officers, key management personnel, and enterprises which are controlled by these individuals:

<b>Related Party</b>	<b>Relationship</b>
Morgan Lekstrom	CEO, President
Alnesh Mohan	CFO, Director and Corporate Secretary
Lawrence Roulston	Director
Joness Lang	Director
Ron Burk	Director, Technical Advisor
Michael Dake	Director, Former CEO and Former Corporate Secretary
All Mine Consulting	A company controlled by the President and CEO
Quantum Advisory Partners LLP	A partnership in which the CFO is a partner
David Grandy	Former Director
Sean McGrath	Former Director
Jerry A. Minni	Former CFO
Mcorp Investment Group	A company controlled by the Former CFO

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

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The following table discloses the total compensation incurred to the Company's key management personnel during the three months ended December 31, 2021 and 2020:

	For the three months ended	
	December 31, 2021	December 31, 2020
	\$	\$
<b>Morgan Lekstrom, CEO, President</b>		
Consulting fees <sup>(1)</sup>	37,500	-
	37,500	-
<b>Alnesh Mohan, CFO, Director and Corporate Secretary</b>		
Professional fees <sup>(2)</sup>	31,720	-
	31,720	-
<b>Jerry A. Minni, Former CFO</b>		
Professional fees <sup>(3)</sup>	-	4,000
	-	4,000
<b>Total</b>	<b>69,220</b>	<b>4,000</b>

- (1) Paid to All Mine Consulting.
- (2) Paid to Quantum Advisory Partners LLP.
- (3) Paid to Mcorp Investment Group.

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$12,373 as at December 31, 2021 (September 30, 2021 – \$15,407) which is owed to Quantum Advisory Partners LLP. These amounts are unsecured, non-interest bearing and payable on demand.

Unless otherwise noted, all related party balances are unsecured, non-interest bearing with no fixed terms of repayment.

#### **OFF-BALANCE SHEET FINANCING ARRANGEMENTS**

As of December 31, 2021, and the date of this MD&A, the Company did not have any off-balance sheet financing arrangements.

#### **CRITICAL ACCOUNTING ESTIMATES**

The financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, the financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### **NEW ACCOUNTING STANDARDS**

There were no new or amended IFRS pronouncements effective October 1, 2021 that impacted the Company's unaudited financial statements for the three months ended December 31, 2021.

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#### **COMMITMENTS**

The Company does not have any significant commitments except for the mineral property commitments noted above under Exploration and Evaluation Assets.

#### **CONTINGENCIES**

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

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

#### **FINANCIAL INSTRUMENTS**

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in note 9 of our unaudited condensed consolidated interim financial statements for the three months ended December 31, 2021. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to note 2 of the financial statements for the year ended September 30, 2021.

#### **RISKS AND UNCERTAINTIES**

The Company is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subjected to variations in commodity prices, market sentiment, exchange rates for currency, inflations and other risks. The Company currently has no source of revenue other than interest income. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

##### **Insufficient Capital**

The Company does not currently have any revenue producing operations and may, from time to time, report a working capital deficit. To maintain its activities, the Company will require additional funds which may be obtained either by the sale of equity capital or by entering into an option or joint venture agreement with a third party providing such funding. There is no assurance that the Company will be successful in obtaining such additional financing; failure to do so could result in the loss or substantial dilution of the Company's interest in the Lacy Property, the Silver Strand Project, the Eliza Silver Project and the Silverton Silver Project.

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There can be no assurance that financing will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs until the Company achieves positive cash flow. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. The Company currently has no commitments for any credit facilities such as revolving credit agreements or lines of credit that could provide additional working capital. The Company has no long-term debt, capital lease obligations, operating leases or any other long-term obligations.

#### **Negative Operating Cash Flow**

The Company has negative operating cash flow. The failure of the Company to achieve profitability and positive operating cash flows could have a material adverse effect on the Company's financial condition and results of operations. To the extent that the Company has negative cash flow in future periods, the Company may need to deploy a portion of its cash reserves to fund such negative cash flow. The Company expects to continue to sustain operating losses in the future until it generates revenue from the commercial production of its properties. There is no guarantee that the Company will ever be profitable.

#### **Exploration and Development**

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will, in part, be directly related to the costs and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

#### **Uninsurable Risks**

In the course of exploration, development and production of mineral properties, certain risks, in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

#### **Permits and Government Regulations**

The future operations of the Company may require permits from various federal, provincial and local governmental authorities and will be governed by laws and regulations governing prospecting, development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There can be no guarantee that the Company will be able to obtain all necessary permits and

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approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on the Company's Lacy Property. The Company currently does not have any permits in place.

#### **Environmental and Safety Regulations and Risks**

Environmental laws and regulations may affect the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations. In all major developments, the Company generally relies on recognized designers and development contractors from which the Company will, in the first instance, seek indemnities. The Company intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making the Company's operations more expensive.

The Lacy Property is located in an area known for its strong environmental activism and the Company may encounter strong opposition for any of its exploration and development plans which could result in significant delays to the Company's plans, or result in increased costs to the Company.

#### **Mineral Titles**

The Company has not yet obtained a title opinion in respect of the Lacy Property. The claims on the Property have not been legally surveyed. The Property may be subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects. The Company is satisfied, however, that evidence of title to the Property is adequate and acceptable by prevailing industry standards with respect to the current stage of exploration on the Property.

#### **Fluctuating Mineral Prices and Currency Risk**

The Company's revenues, if any, are expected to be in large part derived from the extraction and sale of precious and base minerals and metals. Factors beyond the control of the Company may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Company's exploration projects cannot be accurately predicted and may be adversely affected by fluctuations in mineral prices. In addition, currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in a world market in US dollars.

#### **Management**

The success of the Company is currently largely dependent on the performance of its directors and officers. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business.

#### **Public Health Crisis**

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises, including the recent outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the outbreak a global health emergency, on March 12, 2020, the World Health Organization declared the outbreak a pandemic and on March 13, 2020, the U.S. declared that the COVID-19 outbreak

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in the United States constitutes a national emergency. Over the past several months, there were a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada, the United States, Europe and China. The outbreak has also caused companies and various international jurisdictions to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary and a number of jurisdictions, including in Canada and the United States, have started to lift certain COVID-19 related restrictions, the duration of the various disruptions to businesses locally and internationally and related financial impact cannot be reasonably estimated at this time.

Public health crises such as COVID-19 can result in volatility and disruptions in the supply and demand for gold, silver and other metals and minerals, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety, a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, increased labour and fuel costs, regulatory changes, political or economic instabilities or civil unrest.

While the impact of the COVID-19 pandemic is not expected to last indefinitely, the circumstances relating to the pandemic are dynamic and its impacts on the Company's business operations cannot be reasonably estimated at this time. However, it is not expected that the COVID-19 pandemic will have a material adverse impact on the Company's business, results of operations, financial position and cash flows in 2022 and going forward. As the government decreed that mining has been determined an essential service, the Company has resumed operations and have put in place the appropriate safety policies and procedures related to COVID-19.

#### **Current Global Financial Condition**

Current global financial conditions have been subject to increased volatility. Access to financing has been negatively impacted by both sub-prime mortgages in the United States and elsewhere and the liquidity crisis affecting the asset-backed commercial paper market. As such, the Company is subject to counterparty risk and liquidity risk. The Company is exposed to various counterparty risks including, but not limited to: (i) through financial institutions that hold the Company's cash; (ii) through companies that have payables to the Company; and (iii) through the Company's insurance providers. The Company is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares could be adversely affected.

#### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.