



**SILVER HAMMER**  
MINING CORP.

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2023**

## Table of Contents

INTRODUCTION.....	3
FORWARD - LOOKING INFORMATION .....	3
COMPANY OVERVIEW.....	3
EXPLORATION AND EVALUATION ASSETS .....	4
SELECTED INFORMATION.....	6
SUMMARY OF QUARTERLY INFORMATION .....	7
RESULT OF OPERATIONS.....	8
LIQUIDITY AND CAPITAL RESOURCES .....	8
OUTSTANDING SHARE DATA .....	9
RELATED PARTY TRANSACTIONS AND BALANCES .....	10
OFF-BALANCE SHEET FINANCING ARRANGEMENTS.....	11
PROPOSED TRANSACTIONS .....	11
CRITICAL ACCOUNTING ESTIMATES.....	13
NEW ACCOUNTING STANDARDS .....	13
COMMITMENTS .....	13
CONTINGENCIES.....	13
FINANCIAL INSTRUMENTS .....	13
RISKS AND UNCERTAINTIES .....	13
MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS .....	16

## **SILVER HAMMER MINING CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

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## **INTRODUCTION**

This Management Discussion and Analysis (the “MD&A”) of Silver Hammer Mining Corp.’s (“Silver Hammer” or the “Company”) financial position and results of operations for the three months ended December 31, 2023 is prepared as at February 27, 2024. 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, 2023. 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.sedarplus.ca](http://www.sedarplus.ca).

## **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.sedarplus.ca](http://www.sedarplus.ca). 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. 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”.

## **SILVER HAMMER MINING CORP.**

### MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

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The Company's principal business activities include the acquisition and exploration of mineral property assets. As at December 31, 2023, the Company holds interests in early-stage mineral exploration properties located in the United States 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. ("Silver Strand"), 123456 US Inc. ("123456 US"), 1304562 BC Ltd. ("BCCO"), and 1304562 Nevada Ltd. ("1304562 Nevada"). Silver Strand and 123456 US became wholly-owned subsidiaries on June 16, 2021. BCCO and 1304562 Nevada became wholly-owned subsidiaries on September 2, 2021.

### **EXPLORATION AND EVALUATION ASSETS**

There has been no new technical information disclosed by the Company since the September 30, 2023 annual filing.

#### **Silver Strand Project**

The Silver Strand Project is in the Coeur d'Alene mining district in Idaho. Located in north Idaho's Silver Valley along Interstate 90, the district has been a significant producer of silver globally, 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 1,800 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. As a result of the SS Acquisition, the Company, through its' wholly owned subsidiary 123456 US, 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 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 anniversary following the completion of the SS Acquisition (paid – \$32,371); and
- Issue 200,000 common shares of the Company to SSD on the anniversary following the completion of the SS Acquisition (issued with a fair value of \$73,000).

On January 9, 2024, the Company announced that it has received the acknowledgement from the US Forest Service ("USFS"), subject to the payment of a reclamation bond, that the Plan of Operations application applied for on April 5, 2023, was approved. Please refer to the press release dated April 11, 2023 on [www.sedarplus.ca](http://www.sedarplus.ca) for further details.

The Company incurred the following acquisition and deferred exploration costs, which were capitalized as exploration and evaluation assets on the Silver Strand Project during the three months ended December 31, 2023 and 2022:

**SILVER HAMMER MINING CORP.**

## MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

	For the three months ended	December 31, 2023	December 31, 2022
		\$	\$
<b>Deferred exploration costs</b>			
- Assays and analysis		-	453
- Drilling		-	11,187
- Field		-	642
- Field office administration		-	9,624
- Geological		5,379	67,504
		<b>5,379</b>	<b>89,410</b>

As of December 31, 2023, the carrying value of the Silver Strand Project is \$4,800,014.

**Outlook**

The Company received the permit from the United States Forest Service in December 2023, subject to the payment of a reclamation bond. Silver Hammer will review the project as per the Plan of Operations for a potential upcoming exploration plan in 2024, which could include up to 1,200 meters of drilling and 8 exploration drill holes. Silver Strand is an advanced exploration project and Silver Hammer may also look at joint venturing the project in the future.

**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 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 high-grade silver mines and prospects were developed in the district in the late 1800's.

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.

On January 9, 2024, the Company provided an updated on the Eliza Silver Project including its continued plans to advance its permitting efforts with the USFS and anticipates receiving approval of its Plan of Operations application in the second quarter of 2024. The application was originally submitted on April 26, 2023. Please refer to the press release dated May 2, 2023 on [www.sedarplus.ca](http://www.sedarplus.ca) for further details.

The Company incurred the following acquisition and deferred exploration costs, which were capitalized as exploration and evaluation assets on the Eliza Silver Project during the three months ended December 31, 2023 and 2022:

	For the three months ended	December 31, 2023	December 31, 2022
		\$	\$
<b>Deferred exploration costs</b>			
- Consulting		9,619	3,336
- Geological		961	12,942
		<b>10,580</b>	<b>16,308</b>

**SILVER HAMMER MINING CORP.**  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Three Months Ended December 31, 2023  
(Expressed in Canadian Dollars)

As of December 31, 2023, the carrying value of the Eliza Silver Project is \$1,731,511.

**Outlook**

The Company anticipates receiving the Plan of Operations permit from the United States Forest Service in the second quarter of 2024, which was submitted in April 2023. Silver Hammer will review the project as per the Plan of Operations for a potential upcoming exploration plan in 2024, which would include up to 2,100 meters of drilling and 17 drill sites. Eliza is an advanced exploration project and Silver Hammer may also look at joint venturing the project in the future.

**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.

During the year ended September 30, 2022, the Company made a reclamation deposit of US\$22,600 as collateral for the 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)).

On January 9, 2024, the Company provided an updated on the Silverton Project. The Silverton mine silver project remains permitted since March 2022, which will allow the Company up to 13 drill site, 8,530 feet of drilling, 3,248 feet of constructed road and 200 feet of overland travel covering 2.35 acres of surface disturbance. The Company's plan is to test areas around the existing mine.

The Company incurred the following acquisition and deferred exploration costs, which were capitalized as exploration and evaluation assets on the Silverton Silver Project during the three months ended December 31, 2023 and 2022:

	For the three months ended	December 31, 2023	December 31, 2023
		\$	\$
<b>Deferred exploration costs</b>			
- Field		-	2,255
- Geological		-	5,162
		-	<b>7,417</b>

As of December 31, 2023, the carrying value of the Silverton Silver Project is \$1,480,568.

**Outlook**

In 2024, the Company will review the existing exploration program and determine next steps, which may or may not include a drill program. The project is currently permitted for up to 2,600 meters of drilling and 13 drill sites. Silverton is an advanced exploration project and Silver Hammer may also look at joint venturing the project in the future.

**SELECTED INFORMATION**

	For the three months ended		
	December 31, 2023	December 31, 2022	December 31, 2021
	\$	\$	\$
Operating expenses	301,886	289,130	448,216
Interest and miscellaneous income	-	-	-
Net loss for the period	(301,886)	(289,130)	(448,216)
Comprehensive loss for the period	(376,569)	(327,416)	(445,270)

**SILVER HAMMER MINING CORP.**  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Three Months Ended December 31, 2023  
(Expressed in Canadian Dollars)

Basic and diluted loss per share:			
- net loss	(0.01)	(0.01)	(0.01)

As at	December 31, 2023	September 30, 2023	September 30, 2022
	\$	\$	\$
Working capital	484,637	801,882	1,371,934
Total assets	9,058,160	9,430,540	9,350,541
Total liabilities	528,283	524,094	352,723
Share capital	12,405,539	12,405,539	11,281,349
Deficit	6,068,281	5,766,395	3,805,996

The increase in operating expenses during the three months ended December 31, 2023, compared to the three months ended December 31, 2022, was mainly due to the increase in investor relations and promotions, professional fees and regulatory and transfer agents, which was partially offset by the decrease in consulting fees and general and administrative. The decrease in operating expenses during the three months ended December 31, 2022, compared to the three months ended December 31, 2021, was mainly due to the decrease in foreign exchange gain, general and administrative, investor relations and promotion, professional fees, regulatory and transfer agents and travel.

The decrease in working capital during the three months ended December 31, 2023 and 2022 was mainly due to the increase in operating activities.

The increase in liabilities as of December 31, 2023, compared to September 30, 2023 and 2022, was mainly related to the costs, which remained unpaid as of December 31, 2023, incurred on the proposed transaction with Aurcana Silver Corporation.

There is no seasonality to these variations, nor are they indicative of any trend. The Company has no operating revenue and relies primarily on financing activities to fund its activities. There have been no distributions or cash dividends declared for the periods presented.

**SUMMARY OF QUARTERLY INFORMATION**

	Three months ended			
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
	\$	\$	\$	\$
Interest income	-	-	-	-
Net loss	(301,886)	(289,297)	(544,231)	(837,741)
Comprehensive loss	(376,569)	(206,370)	(614,724)	(839,947)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.02)

	Three months ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	\$	\$	\$	\$
Interest income	-	-	-	-
Net loss	(289,130)	(639,373)	(550,847)	(401,195)
Comprehensive loss	(327,416)	(477,167)	(506,133)	(421,702)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.02)

## **SILVER HAMMER MINING CORP.**

### MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

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All the Company's resource properties are in the exploration stage. The Company has not had revenue from inception and does not expect to have revenue in the near future. The Company's operating results are not seasonal in nature and have been mainly attributed to the amount of business activities. The expenses incurred in the presented periods above are relatively constant. The increase in net loss during the three months ended March 31, 2023 was mainly due to recognition of the share-based payments and one-time placement fees paid for appointing the Chief Executive Officer of the Company. The increase in net loss during the three months ended September 30, 2022 was mainly due to recognition of the impairment loss of the exploration and evaluation assets.

## **RESULT OF OPERATIONS**

### ***Three Months Ended December 31, 2023 compared with the Three Months Ended December 31, 2022***

The Company is in the exploration stage and has no revenue from operations. During the three months ended December 31, 2023, the Company recorded a net loss of \$301,886, an increase of \$12,756, compared to a net loss of \$289,130 for the three months ended December 31, 2022.

The increase in net loss during the three months ended December 31, 2023, is primarily due to the increase in investor relations and promotion, project evaluation costs, regulatory and transfer agents and travel offset by the decrease in consulting fees.

Investor relations and promotion was \$164,509 for the three months ended December 31, 2023 compared to \$147,172 for the three months ended December 31, 2022. The increase of \$17,337 was mainly related to the increase in the number of conferences attended by Company personnel.

Project evaluation costs was \$3,609 for the three months ended December 31, 2023 compared to \$nil for the three months ended December 31, 2022. The increase is due to the due diligence work being done for the proposed transaction. [See Section: Proposed Transactions for details.]

Regulatory and transfer agents was \$10,931 for the three months ended December 31, 2023 compared to \$6,700 for the three months ended December 31, 2022. The increase of \$4,231 was mainly related to the increase in annual listing expenses.

Travel was \$2,581 for the three months ended December 31, 2023 compared to \$nil for the three months ended December 31, 2022. The increase is related to travel costs incurred by Company personnel.

Consulting fees were \$65,000 for the three months ended December 31, 2023 compared to \$76,000 for the three months ended December 31, 2022. The decrease of \$11,000 is related to the decrease in corporate advisory services received by two consultants who agreed to reduced monthly consulting fees.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Working capital and cashflow**

As at December 31, 2023, the Company had working capital of \$484,637 (September 30, 2023 – \$1801,882) including cash of \$308,909 (September 30, 2023 – \$632,232).

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.



## SILVER HAMMER MINING CORP.

### MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

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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.

#### Operating activities

Cash outflows of \$275,738 were recorded from operating activities during the three months ended December 31, 2023. This is primarily due to outflows relating to consulting fees, general and administrative, investor relations and promotion, professional fees, project evaluation costs, regulatory and transfer agents and travel.

#### Investing activities

During the three months ended December 31, 2023, the Company incurred \$11,005 in exploration and evaluation expenditures on the Silver Strand, Eliza Silver and Silverton Silver projects. The Company also paid \$36,580 in connection with the proposed transaction. *[See Section: Proposed Transactions for details.]*

#### OUTSTANDING SHARE DATA

At December 31, 2023, the Company had 54,191,412 (September 30, 2023 – 54,191,412) common shares issued and outstanding with a value of \$12,405,539 (September 30, 2023 – \$12,405,539).

#### 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).

#### During the three months ended December 31, 2023

- No share capital transactions occurred.
- No warrants were issued, exercised or expired.
- No options were issued, exercised or expired.

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

- 54,191,412 common shares;
- 8,689,924 warrants with exercise prices ranging from \$0.25 to \$0.50; and
- 3,685,000 stock options with exercise prices ranging from \$0.24 to \$0.65.

**SILVER HAMMER MINING CORP.**

## MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

**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>
Peter A. Ball	President, CEO and Director
Alnesh Mohan	CFO, Director and Corporate Secretary
Lawrence Roulston	Director
Donald Birak	Director
Ron Burk	Director, Technical Advisor
Warwick Smith	Former Interim CEO, Former Interim President
Joness Lang	Former Director
Morgan Lekstrom	Former CEO and Former President
Michael Dake	Former Director, Former CEO and Former Corporate Secretary
David Grandy	Former Director
Ariston Capital Corp.	A corporation controlled by the CEO, President and Director
Quantum Advisory Partners LLP	A partnership in which the CFO is a partner
All Mine Consulting	A company controlled by the Former CEO and Former President
Harbourside Consulting	A company controlled by the Former Interim CEO and Former Interim President

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.

The following table discloses the total compensation incurred to the Company's key management personnel during the three months ended December 31, 2023 and 2022:

	<b>For the three months ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Peter Ball, CEO, President, Director <sup>(1)</sup></b>		
Consulting fees	50,000	-
	<b>50,000</b>	<b>-</b>
<b>Alnesh Mohan, CFO, Director, Corporate Secretary <sup>(2)</sup></b>		
Professional fees	31,200	31,200
Deferred acquisition costs	2,500	-
	<b>33,700</b>	<b>31,200</b>
<b>Morgan Lekstrom, Former CEO, Former President <sup>(3)</sup></b>		
Consulting fees	-	37,500
	<b>-</b>	<b>37,500</b>
<b>Warwick Smith, Former Interim CEO, Former Interim President, Former Director <sup>(4)</sup></b>		
Consulting fees	-	12,500

## SILVER HAMMER MINING CORP.

### MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

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	-	12,500
<b>TOTAL</b>	<b>83,700</b>	<b>81,200</b>

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- (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.

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) of which \$18,120 is owed to Ariston Capital Corp. (September 30, 2023 - \$25,545) and \$22,506 owed to Quantum Advisory Partners LLP (September 30, 2023 - \$20,002).

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, 2023, and the date of this MD&A, the Company did not have any off-balance sheet financing arrangements.

### PROPOSED TRANSACTIONS

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 deposit (the "Shafter Project"), a previously producing high-grade silver mine 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.

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 deemed 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:

## SILVER HAMMER MINING CORP.

### MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

---

- 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").

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.

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

On January 9, 2024, the Company provided an update on the Shafter Acquisition. The Company continues to evaluate strategic financing opportunities to complete the acquisition of the Shafter Project. The Company is working with various banking groups to assist in potential financing alternatives that will assist in closing the Proposed Transaction.

### **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, 2023 that impacted the Company’s unaudited condensed consolidated interim financial statements for the three months ended December 31, 2023.

### **COMMITMENTS**

The Company does not have any significant commitments except for the commitments noted under the section of “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, 2023. 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, 2023.

### **RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic; the Company has not been significantly impacted by the spread of COVID-19. However, the ongoing COVID-19 pandemic, inflationary pressures, rising interest rates, the global financial climate and the conflict in Ukraine and the Middle East are affecting current economic conditions and increasing economic uncertainty, which may impact the Company’s operating performance, financial position and the Company’s ability to raise funds at this time.

## **SILVER HAMMER MINING CORP.**

### MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

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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 Silver Strand Project, the Eliza Silver Project and the Silverton Silver Project.

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

## **SILVER HAMMER MINING CORP.**

### MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

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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 approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on the Company's properties. On March 24, 2022, the Company received permits to drill at Silverton Project. The Company currently does not have any permits in place for any of other projects.

#### **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.

#### **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.



## **SILVER HAMMER MINING CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the Three Months Ended December 31, 2023

(Expressed in Canadian Dollars)

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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 in the United States constitutes a national emergency. Over the past couple of years, 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 2023 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.