



**SILVER PREDATOR CORP.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**FOR THE YEAR ENDED MAY 31, 2012**

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*Set out below is a review of the activities, results of operations and financial condition of Silver Predator Corp. ("SPD", "Silver Predator", or the "Company") and its subsidiaries for the three and twelve months ended May 31, 2012. The discussion below should be read in conjunction with the Company's May 31, 2012 audited consolidated financial statements and related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and with the Company's consolidated annual financial statements and Management Discussion and Analysis ("MD&A") for the year ended May 31, 2011, which were prepared in accordance with historical Canadian GAAP. The accounting policies have been consistently followed in preparation of these financial statements. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A is prepared as of August 15, 2012.*

*The Company is a reporting issuer in the Provinces of British Columbia, Alberta, and Ontario in Canada and is listed on the Toronto Stock Exchange under the symbol SPD.*

*Additional information related to the Company, including its Annual Information Form is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

*The Company's website is [www.silverpredator.com](http://www.silverpredator.com)*

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## **1. BACKGROUND AND CORE BUSINESS**

Silver Predator's corporate mandate is to explore and develop commercially viable silver resources in the leading silver districts of Nevada, USA and Yukon, Canada. The Company acquired interests in 21 advanced stage and development mineral properties comprising over 39,000 hectares in Nevada and Yukon in a series of transactions that led to its Toronto Stock Exchange ("TSX") listing in April 2011, and subsequently acquired the Illinois Creek property in Alaska, and the Hy, Flip and Rusty properties in the Yukon.

The Company controls the Taylor silver deposit in Ely, Nevada, which hosts a National Instrument ("NI") 43-101 compliant mineral resource estimate, as well as the highly prospective Plata project in the Yukon. Working within stable geopolitical jurisdictions, Silver Predator is focused on silver-dominant bulk tonnage and/or high-grade opportunities. Proven management plus access to geological talent in the Yukon and extensive experience in Nevada provide the ability to maximize shareholder value from the quality asset base.

On February 28, 2012, the Company completed a business combination with Nevgold Resource Corp. ("Nevgold") through which the Company acquired all of the outstanding common shares of Nevgold. Nevgold was a public exploration company with a portfolio that includes the Cornucopia Property, located within the Cornucopia silver mining district in Elko County, Nevada, the Copper King Property located two miles north of the Lucky Friday silver mine in the Coeur d'Alene District of Idaho, and the Cordero Property located in Humboldt County, Nevada.

## **2. COMPANY HIGHLIGHTS**

During the period the Company:

- Completed acquisition of Nevgold.
- Nathan A. Tewalt appointed Chief Executive Officer.
- Acquired Illinois Creek property in Alaska.
- Reported drilling results from its Taylor Project in Nevada.
- Reported high grade Silver and Zinc intercepts at Plata Project in Yukon.
- Reporting drilling results from Rusty Project in Yukon.
- Initiated 2012 Taylor exploration program and reported positive initial results.

## **3. CORPORATE DEVELOPMENTS AND SIGNIFICANT TRANSACTIONS AND FACTORS AFFECTING RESULTS OF OPERATIONS**

### *Changes to Management and the Board*

Nathan A. Tewalt was appointed Chief Executive Officer and Director in February 2012. Mr. Tewalt has over 25 years of experience in exploration and executive management positions in the Western United States. Prior to the merger with Silver Predator, Mr. Tewalt founded Nevgold in 2007 and Colombian Mines Corporation in 2006, serving as Chief Executive Officer for both companies. In 2006, as President and CEO of Standard Uranium Inc., Mr. Tewalt completed a private company acquisition in Texas that resulted in the uranium explorer progressing from a private start-up in 2003, gaining a public listing in 2004, and winding up as a successful buy-out in 2006 by Energy Metals Corporation (subsequently acquired by Uranium One for \$1.8 billion). Prior to Standard Uranium, he was the co-founder and Chief Executive Officer of Great Basin Gold Ltd., where he and his exploration team discovered the Midas-style vein system and completed the Hollister 'Ivanhoe' Mine acquisition. Mr. Tewalt is a Registered Geologist (Washington) specializing in Nevada-style precious metals systems.

William B. Harris was appointed to the Company's board of directors in March 2012. Mr. Harris has more than 35 years of experience in financial and executive management with public companies. A partner of Solo Management Group, LLC, he was previously President and CEO of Hoechst Fibers Worldwide, a \$5 billion [sales] company. He is a former director of Energy Metals Corporation and Potash One Inc., and is currently a Director of Golden Predator Corp., Tigris Uranium Corp., and EMC Metals Corp.

Blair M. Shilleto was appointed to the Company's board of directors in June 2011. Mr. Shilleto has been involved in the mining, tunnelling and construction industry throughout North America since 1976 when he began his career working for United Keno Hill Mine in Yukon, Canada. Mr. Shilleto formed and led his own tunnel/mine contract company in a joint venture capacity, setting up projects in logistically challenging environments, including British Columbia, the Northwest Territories, and Alaska. Mr. Shilleto has managed projects for notable clients such as Cameco Corp., Canamax Resources Inc., Cordilleran Engineering Ltd., Geddes Resources Ltd., Minnova Inc., Peter Kiewit & Sons Inc., Westmin Resources Ltd., Whitewater Engineering Corp., and United Keno Hills Mines Ltd. Mr. Shilleto has acted as a self-employed consultant to the mining contract and exploration industry and an advisor to the resource investment sector for European-based resource asset managers since 2006. Mr. Shilleto is originally from Mayo, Yukon, is a member of the First Nation of Na-Cho Nyak Dun, and is a member of the Board of Directors of Golden Predator Corp. and Redtail Metals Corp.

Thomas Chadwick was appointed Vice President, Exploration in February 2012. Mr. Chadwick is a Certified Professional Geologist with over 30 years of mineral exploration and production-related mining experience. A graduate of the Geoscience Program at the University of Arizona (BSc), Mr. Chadwick also conducted post-graduate studies in geology at the University of Montana. Mr. Chadwick has worked as an independent consultant both domestically and internationally for clients that include Placer Dome, AngloGold, Barrick Gold Corporation, and Eurasian Minerals Inc. and has a reputation for excellent field mapping skills within the Western United States exploration community. Mr. Chadwick served as President of Nevgold from the company's inception in 2008 until the recent completion of the business combination with Silver Predator. Mr. Chadwick has been instrumental in a number of discoveries during his career, including the Montanore deposit in Northwest Montana and the Hollister Mine in Nevada. His work has been published in many venues, including the Geological Society of America (1995), Economic Geology (1996), Mineralogy and Petrology (1997) and the Nevada Bureau of Mines and Geology (Santa Reina Fields 7.5' map, 2006).

Doug Eaton resigned as a director of the Company in April 2012.

#### *Corporate Acquisition*

#### **Nevgold**

On February 28, 2012, Silver Predator Corp. acquired 100% of Nevgold by way of a plan of arrangement (the "Arrangement"). Under the terms of the Arrangement, Silver Predator issued 0.5 of a common share of Silver Predator (the "Silver Predator Shares") for each one outstanding common share of Nevgold (the "Exchange Ratio"). Outstanding warrants to acquire common shares of Nevgold now entitle the holders thereof on exercise to receive Silver Predator Shares, adjusted for the Exchange Ratio with a corresponding adjustment to the exercise price.

Pursuant to the Arrangement, Silver Predator issued an aggregate of 7,059,000 Silver Predator Shares to the former Nevgold shareholders, representing approximately 18.8% of the Silver Predator Shares issued and outstanding on closing of the Arrangement. An additional 502,500 Silver Predator Shares have been authorized for issuance upon the exercise of the outstanding Nevgold warrants, which expire in November 2012.

Nevgold is an exploration company with a portfolio that includes the Cornucopia Property, located within the Cornucopia silver mining district in Elko County, Nevada, the Copper King Property located two miles north of the Lucky Friday silver mine in the Coeur d'Alene District of Idaho, the Cordero Property, located seven miles southwest of the town of McDermitt in Humboldt County, north-central Nevada, and the McBride Property, located southwest of Lynn Lake in Manitoba.

Total consideration paid of \$3,134,698 included the fair value of 7,059,000 Silver Predator Shares issued at \$0.415 (based on the closing price of Silver Predator Shares on February 28, 2012) amounting to \$2,929,485, the fair value of 502,500 share purchase warrants amounting to \$27,348, and Silver Predator's transaction costs of \$177,864. The transaction was accounted for as an asset acquisition.

Nevgold's exploration portfolio includes the Cornucopia Property, located within the Cornucopia silver mining district in Elko County, Nevada, the Copper King Property located two miles north of the Lucky Friday silver mine in the Coeur d'Alene District of Idaho, and the Cordero Property, located seven miles southwest of the town of McDermitt in Humboldt County, north-central Nevada.

The Cornucopia Property, is located in Elko County's Cornucopia mining district, where historic underground high grade precious metal production started in 1873 from veins averaging approximately 24.6 oz per ton ("opt") silver and 0.43 opt gold (Smith, 1976). The property is situated approximately 15 miles (24 km) north-northwest of Tuscarora, Nevada. The Company's consolidated land position covering the Cornucopia district is comprised of a contiguous block of one patented and 48 unpatented lode mining claims totalling approximately 950 acres (384 ha). The property's epithermal silver mineralization is hosted by Tertiary volcanic rocks, and has similarities to the Midas mine (Newmont Mining Corporation) and the Ivanhoe property (currently under development by Great Basin Gold) located 32 miles (51 km) to the southwest. The mineralization is associated with quartz veining, silicification and argillic alteration. High-grade silver veins of the Leopard underground mine occur with ruby silver, tetrahedrite, stephanite and electrum, and display crustiform to colliform banding, and evidence of multiple periods of vein and wall rock brecciation.

The Copper King Property consists of 50 unpatented lode mining claims covering approximately 560 acres (226.6 ha) in northern Idaho's famous Coeur d'Alene Silver District. Silver Predator's target at Copper King is a sediment-hosted, stratabound, copper-silver system similar to those found 100 miles (160 km) to the north in northwestern Montana (Troy Mine type). These deposits are also similar to the better-known examples from the copper belt of Central Africa. The Copper King claims are situated two miles north of Hecla's Lucky Friday Mine,

one of the Coeur d'Alene District's largest silver producers, with production of over 144 million ounces of silver since 1942. Copper-silver mineralization occurs on the claim block, both as veins and larger stratabound disseminated bodies. The property has never been drilled despite productive mining of high grade stratabound mineralization immediately to the southeast at the Snowstorm and National Mines.

The Cordero Property, located in Humboldt County, north-central Nevada, includes the historic Cordero underground mercury mine adjacent to the more recently mined McDermitt open pit mercury mine, where each mine's annual production was large enough to rank them as the largest producers of mercury in the western hemisphere during their respective years of operation (1933-1991). The gold and silver-gold targets identified to date in limited reverse circulation and core drilling, include lower grade, flat-lying, potentially bulk mineable gold mineralization starting approximately 100 feet (30 metres) below the surface and higher grade vein style mineralization indicated by a 5.4 foot (1.65 m) core intercept assaying 0.15 opt gold (see Nevgold news release dated March 8, 2010). Alteration and mineralization occurs in Miocene-aged volcanics of bi-modal composition ranging from rhyolites to andesites and basalts, although past mercury production and currently identified precious metal mineralization is typically hosted in the more felsic rhyolites. Antimony is an important pathfinder to precious metal mineralization and local concentrations are high enough that an antimony recovery circuit was considered by earlier operators. Silica alteration is high level "opalite" silica, a microcrystalline to chalcedonic/opaline silica that occupies fault zones with considerable vertical extent, but can also cover substantial areas as a relatively flat-lying "cap rock". At deeper levels, quartz is locally present in some of the fault zones. Clay/zeolite alteration includes variable kaolinite-smectite-alunite and clinoptilolite-mordenite. Potassic alteration, composed of quartz and adularia, is present locally. Petrographic (SEM/EDS) work has identified pyrite, marcasite, galena, sphalerite, tetrahedrite, arsenopyrite and small grains of gold.

Please see the Company's news releases dated November 15, 2011, December 12, 2011, and February 28, 2012 for additional information on the Nevgold Arrangement.

*Mr. Thomas H. Chadwick, CPG, a Qualified Person as defined by National Instrument 43-101 and Vice President of Exploration for the Company, has reviewed and verified the technical information provided on the Company's Cornucopia, Copper King and Cordero Projects.*

#### *Mineral Property Transactions*

#### **Illinois Creek**

In June 20, 2011, the Company entered into an option agreement to acquire a 100%-interest in 125 State of Alaska mining claims comprising the Illinois Creek silver-gold district located in west-central Alaska, subject to a 2.0% NSR royalty on precious metals and a 1.0% NSR royalty on base metals in favor of the optionor. One percent of the 2.0% precious metals royalty can be purchased by the Company for US\$3,000,000.

The past-producing Illinois Creek Mine lies in the southern Kaiyuh Mountains in west-central Alaska about 30 kilometres east of the Yukon River and the small village of Kaltag and 90 kilometres south of the town of Galena. Between 1997 and 2004, approximately 144,000 oz of gold and 755,000 oz of silver were produced at a seasonal, run-of-mine heap leach operation constructed by USMX/Dakota Mining. The mine site is supported by air with an airstrip capable of accommodating Hercules-sized aircraft. The Illinois Creek operation has been reclaimed to State of Alaska standards. A 60- person camp remains onsite.

Over 500 drill holes have defined precious metal mineralization along a 10 km x 2 km structural corridor developed in a metamorphosed Ordovician-age sedimentary package. Ongoing compilation of the +20 years of exploration and development data within the district highlights the potential for significant polymetallic (silver-gold-lead-zinc-copper) replacement mineralization as well as porphyry copper-gold mineralization.

The Company is currently evaluating existing data with a view to formulating an exploration program for the property.

#### **Dispositions**

The Company terminated its options on the Quarterback, Blue Heaven, Ranch, and Silver Bow properties. As a result of this, a write down of approximately \$2 million was recorded.

## **4. DEVELOPMENT AND OPERATIONS REVIEW**

During the period, the Company initiated its 2012 drilling program on the Taylor Project and reported the results of its drill programs on its Taylor, Plata and Rusty Projects, conducted preliminary field work on certain of its other mineral properties, acquired the Illinois Creek property, continued to evaluate additional properties for potential acquisition.

#### **Taylor Property, Nevada**

##### *Property Overview*

The 100%-owned Taylor Project is located in White Pine County, Nevada, 24 km (15 miles) south of the town of Ely and 6.5 km (4 miles) east of US highway 93/50. The property consists of 281 unpatented claims and four patented lode claims totalling approximately 1,692 hectares (4,180 acres). The claims are located in White Pine County within the Humboldt Toiyabe National Forest. Of the 281 claims, 50 are subject to a reserved 1% NSR. The resource described below is not located on the claims with the NSR.

The Taylor Project is the subject of a NI 43-101 compliant technical report and mineral resource estimate dated December 14, 2010, and titled, "Taylor Silver Project White Pine County, Nevada, USA" by Michael G. Hester, FAusIMM of Independent Mining Consultants, Inc. The resource consists of 1,123,000 tonnes grading 85.71 g/t silver as a measured mineral resource and 4,713,000 tonnes at 77.83 g/t silver classified as indicated, for a combined total of 14.9 million ounces of silver. In addition, the resource includes another 1.9 million ounces in the inferred category based on 687,000 tonnes grading 87.1 g/t silver. This resource estimate uses a 41.1 g/t silver cutoff grade. The Company's Taylor Project includes rights to a 1,320 ton per day mill with flotation and cyanide leach plants, water rights and approximately 3,900 acres of mining claims located near Ely, Nevada.

#### *Historical Exploration*

Silver (along with lead and copper) was first discovered by prospectors B. Taylor and J. Platt in 1872. Historical records indicate that approximately 1.2 million ounces of silver were produced from 1875 until 1892 at grades reportedly of 20 ounces per ton silver (Havenstrite 1984, S.E.G. Field Trip Guide). Over the next 87 years attempts were made to reopen the mine and sporadic production was attempted with the bulk of the effort occurring between 1934 and 1942. All ore was produced from high grade sub-vertical structures.

In 1960, K. Stoker acquired the Taylor Mine area and in 1961 formed Silver King Mines Inc. In 1962 Silver King began exploration of the area and succeeded in defining a small high grade resource along a sub-vertical structure. In 1966, mine development to 400 feet was completed and the mine produced approximately 120,000 ounces of silver from 4,000 tons (30 oz/ton Ag) of rock (Havenstrite 1984, S.E.G. Field Trip Guide). Underground exploration continued through to the mid -1970's but no significant new resources were discovered and the mine was forced to close.

Silver King and Phillips Petroleum formed a joint venture in 1966 and explored the district until the early 1970s. A total of approximately 440 holes were drilled in the district of which 22 were diamond drill holes and the remainder was percussion drill holes. The results of the drilling outlined a zone of low grade silver mineralization.

A decision to build an open pit mine and mill complex was made in 1979. A 1,200 ton-per-day counter current decantation cyanide leach plant was completed and production at the mine began in 1981. The mine produced from April 1981 until March 1984 when the price of silver dropped below the breakeven price to sustain mining and milling and the mine closed in 1984.

In March 2006, Fury Explorations Ltd. ("Fury") entered into an agreement with the sole shareholder of Anglo Nevada Metals Corporation ("Anglo Nevada") to purchase all of the issued and outstanding shares of Anglo Nevada. Also during March 2006, Anglo Nevada entered into an exclusive option agreement with the First National Bank of Ely whereby Anglo Nevada could earn a 100% interest in the property by making payments totalling US\$2,500,000 over a period of 21 months. Fury completed the option agreement for the claims during 2007 to acquire 100% of the Taylor Project from the bank with no underlying royalties.

On August 15, 2008, Fury and Golden Predator Mines Inc. ("GPMI") completed a plan of agreement whereby GPMI issued 1/3 of a GPMI share and 1/2 of a share purchase warrant for every one Fury share held. Each whole share purchase warrant entitled the holder to one GPMI share at a price of \$3.35 for three years. Upon the transactions completion, Fury became a wholly-owned subsidiary of GPMI.

During March 2009, GPMI received shareholder approval and approval of the government of British Columbia to transfer the Taylor Property assets into a new company, Golden Predator Corp. ("GPD") in exchange for 1,000 Class 1 Common Shares of the new company. During 2009, GPD drilled 11 additional holes amounting to 4,595 feet of drilling at Taylor to test various areas of the deposit for potential higher grade structures.

Pursuant to a Letter of Intent dated February 4, 2010, as amended July 28, 2010, Silver Predator agreed to acquire an option to earn 100% interest in the Taylor Property. The option was structured as sales by GPD of the 100% of the shares of Fury Explorations Ltd. ("Fury Canada"), which in turn owned all the shares of Anglo Nevada. Anglo Nevada owned the Taylor Property. The agreement was reached on March 11th, 2011 and SPD now owns 100% interest at Taylor.

In 2011, the Company drilled 35 reverse circulation ("RC") holes on the Taylor property totalling 11,710 feet. In 2012, SPD drilled an additional 25 RC holes on the Taylor property totalling 6,535 feet.

#### *Mineralization and Geology*

The Taylor Silver Deposit is a sediment-hosted, epithermal, high-silica, low-sulfide replacement deposit in Devonian carbonate rocks. The deposit occurs as argentiferous jasperoid replacement bodies and mineralized limestone in the upper Guilmette Formation. The jasperoid bodies and mineralized limestone are localized by a combination of steep structural conduits associated with rhyolitic intrusions, and the damming effects of overlying shale units. The mineralizing fluids traveled upward along the near vertical north-northwest, north-south, and northeast fracture zones. Here, the fluids brecciated and replaced limestones with silica, barite, sulfides and other minerals including argentiferous sulfosalts. A broad north-northwest structural corridor ("Taylor Trend"), bounded on the east by the Chadwick Fault and on the west by the Hinge Fault, is centered on the Bishop Pit. The structural controls resulted in the jasperoid forming large, relatively flat, tabular bodies. Elsewhere on the property, mineralization occurs in the silicified portions of the shales of Chainman and Pilot Formations and along previously mentioned north-northwest trending structures as well as in jasperoids and silicified structures cropping out in the underlying and overlying Joanna limestone. The highest silver assays within the surface mined areas are near apparent structures (feeders). Silver assays above one ounce per ton form a blanket at the top of the Guilmette Limestone that averages about 15 m (50 ft) thick over the breadth of the "Taylor Trend" and covers an area of approximately 16 hectares (40 acres).

*Current Work*

In 2012, Silver Predator initiated an RC drill program completing 25 holes for a total of 6,535 feet of drilling on the Taylor project. The program was designed to both infill and expand the existing open pit resource, and also test extensions of higher grade veins typical of the historic underground production at Taylor. Assays for the final 11 holes of the program's first phase will be released upon receipt of results of final QA/QC approval.

Detailed surface geologic mapping of the Taylor mine area and the greater Taylor claim block is continuing with very significant and encouraging results.

Re-logging of historical core and RC drill cuttings continues and should add significant continuity to the geologic model when combined with ongoing detailed surface mapping.

*Summary of Results*

Highlights and details of the 2012 Taylor drill results include the following:

- SPT12-37 with 9.1 m of 222.5 g/t silver (30 ft of 6.32 oz/t) from a depth of 45.7 m;
- SPT12-40 with 45.7 m of 108.7 g/t silver (150 ft of 3.17 oz/t) from surface; and
- SPT12-48 with 4.6 m of 767.7 g/t silver (15 ft of 22.39 oz/t) from a depth of 102.1 m.

<b>TAYLOR PROJECT, NEVADA</b>				
<b>Initial 2012 Drill Results</b>				
<b>Significant Intercepts</b>				
<b>Drill Hole</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>Silver (g/t)</b>
SPD12-036	60.96	62.48	1.52	42.0
<b>SPD12-037</b>	<b>45.72</b>	<b>54.86</b>	<b>9.14</b>	<b>222.5</b>
<b>Bishop Pit</b>				
<b>SPD12-040</b>	<b>0.00</b>	<b>45.72</b>	<b>45.72</b>	<b>108.7</b>
SPD12-041	0.00	35.05	35.05	38.7
<i>including</i>	13.72	27.43	13.72	57.3
SPD12-042	0.00	15.24	15.24	95.7
SPD12-043	18.29	38.10	19.81	54.3
<i>including</i>	24.38	30.48	12.19	80.8
SPD12-044	0.0	7.62	7.62	45.0
SPD12-045	9.14	12.19	3.05	37.5
SPD12-046	9.14	19.81	9.14	67.4
<i>including</i>	9.14	18.29	9.14	73.7
<b>Argus Zone</b>				
SPD12-047	38.10	41.15	3.05	38.0
<b>SPD12-048</b>	<b>99.06</b>	<b>106.68</b>	<b>7.62</b>	<b>476.2</b>
<i>including</i>	<b>102.11</b>	<b>106.68</b>	<b>4.57</b>	<b>767.0</b>
SPD12-049	50.29	53.34	3.05	45.0

Mr. Mark J. Abrams, CPG, a Qualified Person as defined by National Instrument 43-101 and an employee of the Company, has reviewed and verified the technical information provided on the Company's Taylor Project.

Please see the Company's news releases dated July 5, 2011, August 17, 2011, April 10, 2012, and June 19, 2012 for additional information.

## **Cornucopia Property**

### *Property Overview*

The Cornucopia property is accessible by a combination of paved, all-weather gravel and unimproved two-track roads. Cornucopia is located approximately 79 miles northwest of Elko, the largest city in northeastern Nevada. Elko is the seat of Elko County and serves as a hub for some of the largest mining operations in northeastern Nevada. The city of Elko has a population approaching 20,000. The Cornucopia property is accessed by driving north from Elko on paved highways SR225N (Mountain City Highway) then SR226W and SR226N to Deep Creek. At Deep Creek an all-weather gravel road (SSR-11) trends west to the Deep Creek crossing. At the Deep Creek crossing, an unimproved two-track road, approximately 7 miles long, tracks west southwest to the Cornucopia Mining District.

The property consists of 49 unpatented lode claims and one patented lode claim that cover approximately 950 acres and the majority of the Cornucopia Mining District. The claims are controlled by Silver Predator. Six of the unpatented claims and the one patent are controlled by Silver Predator via a lease agreement with Argus Mining LLC. The additional 42 unpatented lode claims are 100% owned by Silver Predator. All unpatented claims are administered by the United States Bureau of Land Management (BLM) and exploration permits are issued through the BLM.

### *Historical Exploration*

High-grade silver veins were first discovered in the Cornucopia district in 1873 (Whitehill, 1873). The Leopard vein was one of the first prospects staked and became by far the most productive ore deposit in the district. The district organized in August 1873. By December 1873 the population of the Cornucopia townsite reached 1,000. A mill opened on Deep Creek in December 1874. Buchanan (1981) reported a total of 762,000 ounces of silver and 13,400 ounces of gold were produced from 31,000 tons of ore (24.6 opt Ag and 0.43 opt Au).

The Cornucopia district ultimately came under the control of El Plata Mining Co. (Fallon, Nevada) and Standard Silver Corporation (Salt Lake City, Utah). In 1973, Spartan Exploration Ltd., leased the property and initiated an exploration program in the district, culminating with exploratory drilling in the summer of 1974 on a target area located south and east of the Cornucopia (Leopard) mine. In 1976, Homestake Mining Company leased the claim group and initiated soil and rock chip sampling, geochemical and geophysical mapping and drilling. Homestake dropped the property in 1978 due to failing silver prices.

Western States Minerals leased the property from 1979-1981 completing 58 rotary holes in grid pattern over and adjacent to the Leopard vein, attempting to delineate a bulk tonnage open-pit deposit. In late 1999-2000 Bonanza Silver Corporation also leased the property, completing 14 RC drill holes on both vein and lower plate targets. The work by Bonanza was the last known drilling on the property.

### *Mineralization and Geology*

Paleozoic sedimentary rocks form the basement upon which Cenozoic volcanic, intrusive and sedimentary rocks were deposited in the Cornucopia area. Epithermal quartz veins of variable attitudes contain intermediate sulfidation silver-gold mineralization in a general northwest trending corridor at Cornucopia. Structure is important at Cornucopia; major quartz veins are localized along northwest and east-west trending structures. The majority of historical silver-gold production in the Cornucopia district was at the Leopard mine at the intersection of these two structural trends. The primary host rock for the veins and silver-gold mineralization is porphyritic andesite.

High-grade Ag-Au quartz veins of the Leopard mine display crustiform and colliform banding, drusy open-space textures, and multiple periods of vein and wall rock brecciation. Emmons (1910) reported the quartz veins contained pyrite, acanthite, ruby silver, horn silver, grey copper, and pyromorphite. Lawrence (1963) reported pyrargyrite, cerargyrite, pyromorphite, and yellow antimony oxides. Buchanan (1981) identified barite, tetrahedrite, chalcocopyrite, bornite, stephanite, galena, and sphalerite. In fourteen polished sections, Markos (1985) identified pyrite, acanthite, miargyrite, sphalerite, chalcocopyrite within sphalerite, stephanite within acanthite, electrum, and iron oxides.

Alteration at Cornucopia is described by Markos (1985) as dominated by quartz, sericite, kaolinite, illite and montmorillonite. Alteration is divided into two types: (1) an outer propylitic zone; and (2) an inner argillic zone (outer illite dominated sub zone and inner kaolinite dominated sub zone). Argillized andesite is host to high-grade Ag-Au quartz veins in the Cornucopia district.

### *Current Work*

An extensive data compilation for the project is ongoing and will integrate geologic mapping that was completed in November 2011. This data includes historic and recent mapping, rock and dump sampling, surveying, and the construction of a drill hole database composed of 90 rotary, reverse circulation and core holes drilled on the property to date. Much of this data has been used to construct a drill hole exploration program that will target both high grade vein-style precious metal mineralization and lower grade, bulk-mineable oxide mineralization that might be amenable to heap leach processing.

On September 22, 2010, the Company submitted a "Notice of Intent" (NOI) to conduct exploration drilling activities on the Cornucopia property to the Elko District Office of the BLM. The BLM approved the NOI pending the required completion of an archaeological survey of the main access road and proposed drill sites. The archaeological survey field work, conducted by consultant, Summit EnviroSolutions Inc., and the final report are complete.

A drill plan and budget have been completed for a potential 2012 drilling program. Initially, reverse circulation drilling methods will be utilized to target near surface silver mineralization. Additional drilling, that may require core, is also being considered that would target deeper gold-silver mineralization. To satisfy an agreement with the underlying owner (Argus Mining LLC) covering the core group of claims at

Cornucopia (1 patent and 6 unpatented claims), the Company has been granted an extension on a contractual drill commitment to the end of 2012.

*Mr. Mark J. Abrams, CPG, a Qualified Person as defined by National Instrument 43-101 and an employee of the Company, has reviewed and verified the technical information provided on the Company's Cornucopia Property.*

### **Copper King Property**

#### *Property Overview*

Copper King is a 100%-owned Silver Predator property at the eastern end of the Coeur d'Alene District near Wallace, Idaho. The property lies approximately three miles north of the town of Mullan in Shoshone County, northern Idaho. Access to the Copper King property is excellent via a maintained paved two-lane road northeast from the historic mining town of Wallace, Idaho, six miles to the town of Burke, Idaho, another historic mining center. From Burke a county maintained two-lane improved gravel road accesses the north end of the claim block two miles east of Burke. The south end of the claim block can be accessed from the town of Mullan, Idaho via seven miles of unmaintained light duty USFS road #6532.

#### *Historical Exploration*

The historic Mammoth, Champion, Military Gulch and Sonora Gulch copper-silver prospects lie within the property limits. The historic Copper King # 1 and #2 mines are located near the south boundary of the property on adjacent patented claims, and the productive Lucky Friday Silver Mine operated by Hecla is situated less than 2 miles south of the property and is one of the largest producers in the Coeur d'Alene District, a +billion ounce District (Hobbs, et. al, 1965). The Military Gulch area was sampled, mapped and drilled (2 holes) for stratabound copper-silver in 1980 and 1981 by U.S. Borax. Their work proved the presence of subeconomic bedded copper-silver immediately down dip from mineralization exposed in Military Gulch (Chadwick, 1982). No other modern exploration has been completed on the rest of the property, where superposed formations cover the favorable Revett Formation.

#### *Mineralization and Geology*

The project is situated within the Coeur d'Alene Mining District, at the south end of the Revett Copper Sulfide Belt (RCSB). The RCSB hosts disseminated stratabound copper sulfide deposits rich in silver within the Proterozoic Revett Formation in a north-south belt nearly 100 kilometres long that extends from Troy, Montana on the north, along the Montana-Idaho border, and terminates near Mullan, Idaho on the south (Boleneus et. al., 2005). Several mines and large resources have been developed within the Belt. The project area has the potential to host similar economic copper and silver deposits.

The bedded copper-silver mineralization drilled by U.S. Borax in 1980-81 has never been tested below unfavorable superposed formations to the west and north of the U.S. Borax holes, beneath Copper King claims. In addition, vein-type silvercopper occurrences at the historic Mammoth, Champion and Copper King workings are believed to indicate that classic Coeur d' Alene vein targets might exist on the property as possible leakage from the deeper bedded mineralization noted above.

#### *Current Work*

The Company plans to finish permitting a small core program in time to initiate late 2012 drilling. This program will most likely be designed to test the deeper bedded silver-copper horizons projected to occur at 2,000 to 2,500 feet below the surface, although the much shallower bedded and vein silver-copper mineralization known to occur in the immediate area is also being considered. Permitting was re-initiated earlier this year and is currently underway with the US Forest Service. Drilling will depend on the date of the completed permitting and funding. All claim maintenance payments are current on this 50-claim parcel that covers approximately 610 acres.

*Mr. Mark J. Abrams, CPG, a Qualified Person as defined by National Instrument 43-101 and employee of the Company, has reviewed and verified the technical information provided on the Company's Copper King Property.*

### **Illinois Creek Property**

#### *Property Overview*

The Illinois Creek Property is a past-producing gold/silver mine comprised of 125 claims and covering 20,000 acres located in west central Alaska, about 30 km east of the Yukon River and 90 km south of the town of Galena.

The Illinois Creek mine produced approximately 144,000 oz. of gold and 755,000 oz. of silver between 1996 and 1998 (Swainbank and others, 2000) at a seasonal, run-of-mine heap leach operation constructed by USMX/Dakota Mining. Un-mined historical resources, defined by over 500 drill holes, provide key exploration targets for future development. Existing infrastructure includes a 60-man camp, and an airstrip capable of accommodating a 4,200 foot C130 Hercules-sized aircraft.

In 2011, Silver Predator signed an option to acquire a 100% interest in the property. The property is subject to a 2.0% NSR royalty on precious metals and a 1.0% NSR royalty on base metals.

#### *Historical Exploration*

The Illinois Creek Property was originally discovered by Anaconda Minerals in 1980. Anaconda explored the property between 1981 and 1984 as a joint venture with Cook Inlet Region Inc. (CIRI). Exploration consisted of 23 core and 18 rotary drill holes, 27 trenches, ground

and air geophysics, soil geochemistry, mapping, petrology and metallurgical work. During that time the property was supported by the construction of the camp and the airstrip.

In 1985, Anaconda withdrew from the joint venture and in 1988 CIRI leased the property to the Goldmor Group Inc. Goldmor explored the property with 87 shallow RC holes and metallurgical tests until 1990 when CIRI purchased Goldmor's interest and formed North Pacific Mining Corporation (NPMC).

Between 1991 and 1992, NPMC completed over 3,000 m of drilling and an extensive trenching program. In 1993, NPMC entered into a joint venture with Echo Bay Exploration. Together they drilled 166 RC holes along with a trenching and ground geophysical program.

Combined exploration drilling on the property between 1980 and 1993 consisted of 336 drill holes for 103,564 feet, 61 trenches for 15,348 feet and a total spending of about \$17.5 million. NPMC used the results of this exploration to produce the first resource estimate for the Illinois Creek Property in 1994. In 1994, USMX Inc. acquired the property and completed a mine feasibility study by 1996. Construction of the mine began that year, with limited production in the fall. In 1997, USMX became a wholly-owned subsidiary of Dakota Mining Corp. Between 1996 and 1998, a total of 5,136,794 tons was mined. In 1998, USMX declared bankruptcy, and in 1999, the State of Alaska along with Viceroy Resources drilled 23 holes as part of a due diligence program. Subsequently, the State called in USMX's reclamation bond of \$1.6 million and took control of the mine. In 2000, American Reclamation Group LLC, entered into a deal with the State to mine the site in order to pay for the property's reclamation. The company was able to close and reclaim the mine site by 2005.

#### *Mineralization and Geology*

The Illinois Creek Property is an epigenetic, quartzite and shear zone-hosted, replacement-style Au-Ag deposit. The property lies within a large, upward folded, southwest-trending, metamorphic suite of rocks known as the Ruby Geanticline. The rocks of this geanticline range in age from the late Proterozoic to the lower middle Paleozoic and include greenschist facies metapelites and quartzites with secondary dolomites, carbonites and metavolcanics. The metamorphic rocks of the geanticline have been intruded by the Khotol granodiorite (110 Ma) and the Round Top porphyry (73 Ma).

The oldest unit on the Illinois Creek Property is a quartz-mica schist of unknown thickness. This is overlain by carbonaceous-to-graphitic metapelites, greenstones and chlorite schists which are at least 200 feet thick. These are overlain by thin-bedded, tightly-folded and carbonate-rich quartzites which host the main Illinois Creek mineralization.

The Illinois Creek deposit is part of a widespread polymetallic hydrothermal district that covers more than 400 square miles, and is hosted in a thick sequence of dolomitic to calcareous quartzites with minor chlorite schists, greenstones and phyllites that strike east-northeast and dip 40-70° southeast.

Most of the known precious and base metal mineralization on the property is hosted within an extensive oxidized shear zone with a known strike length of at least 6,000 feet and with enough iron oxide locally to be considered a gossan. Original mineralization within these gossanous zones contained arsenopyrite, pyrite, base metal sulphides and sulfosalts in a siliceous matrix. Oxidation resulted in the formation of hematite, goethite, jarosite, psilomelane and manganite. The hydrothermal silica is found as quartz veining and/or chert lenses which correlate with higher gold grades. Supergene enrichment of gold and silver is apparent in near-surface locations. Gold is associated with amorphous iron limonites and occurs mainly in its native form and to a lesser degree as electrum. Silver is associated with manganese oxides and occurs mainly as argentojarosite with its native form being less common.

The old mine area of the property consists of the overturned south limb of an asymmetrical syncline. It is thought that geochemical zoning and the changes in gossan zone thickness are the result of local faulting. Drilling has indicated that the gossan exists over a known strike length of 14,500 feet and to a depth of over 2,000 feet.

#### *Current Work*

Silver Predator is currently compiling all historical data and planning future exploration on the Illinois Creek Property.

*Mr. Mark J. Abrams, CPG, a Qualified Person as defined by National Instrument 43-101 and an employee of the Company, has reviewed and verified the technical information provided on the Company's Illinois Creek Property.*

## **Plata**

#### *Property Overview*

The Plata Property is located in east-central Yukon Territory at latitude 63°37' north and longitude 132°00' west on National Topographic System map sheets 105N/9 and 105O/12. The property consists of 856 contiguous mineral claims that cover a total area of 175.91 km<sup>2</sup>. The Plata property is located 190 km east of the village of Mayo and 165 km north of the community of Ross River. Both Mayo and Ross River are accessible by the Yukon highway system and have government-maintained gravel airstrips. The city of Whitehorse, the capital of Yukon Territory lies 407 km by road south of Mayo and 360 km by road southwest of Ross River. The property can be reached by helicopter from seasonal bases in Mayo and Ross River. A gravel airstrip suitable for all types of bush aircraft is located on the property, approximately 11 km south from the camp and main showings. A road suitable for 4x4 vehicles connects the camp to the airstrip. An extensive system of 4x4 roads and bulldozer trails connects the camp to various work areas on the property (Turner 2010). A 110 km long winter road used in the past for mobilizing heavy equipment to the property extends from the airstrip to the North Canol Road.

In March 2011, Silver Predator entered into an option agreement with Rockhaven Resources Ltd. whereby Silver Predator can earn a 100% interest in the property subject to a 2% NSR on precious metals and a 1% NSR on all other metals., over a 3-year period.

*Historical Exploration*

High grade silver-lead showings in the Plata area were discovered in 1969 by Atlas Exploration Limited. Initial work following discovery in 1969 included prospecting, geochemical sampling and hand-trenching. By 1972, Dynasty had identified more than thirty showings through property-wide prospecting and grid-based geological mapping and soil sampling. Dynasty also carried out bulldozer trenching over the main showings and completed 401 metres of diamond drilling in 6 holes at the P4 vein. In 1973, the airstrip was constructed and a winter road was pushed through from the North Canol Highway. More geological mapping, grid soil sampling and bulldozer trenching were conducted in 1973 and 1974.

In 1976, A. Harmon and F. Lavoie leased the property and shipped about 81.6 tonnes of hand sorted ore, averaging approximately .8571 g/t silver and 70% lead, from three different showings on the Plata claims). From 1983 to 1985, Dawson Eldorado shipped another 1,960 tonnes averaging 4,697 g/t silver from four veins on the Plata property. This production was hand sorted, bagged, flown by helicopter to the airstrip, then flown by fixed-wing aircraft to Ross River and finally trucked to the smelter. The table below summarizes historical production from veins on the Plata claims, which was shipped to smelters.

**Historical Production - Plata Vein System (Turner 2009)**

Vein	Year	Tonnes Shipped	Grade g/t (oz/ton) Silver	Silver Produced (oz)
P-1	1976	32	10285 (300)	10,500
P-1	1984	9	6857 (200)	2,000
P-2	1976,-83,-84	1636	2571-6857 (75-200)	237,500
P-5	1976,-83,-84	91	3428-5143 (100-150)	15,000
P-6	1976,-83,-84	273	2400 (70)	25,000

The most productive vein was the P2 vein located at an elevation of 1,735 m on the Plata property. In late 1984, Dawson Eldorado drove an adit 110 m below the surface trace of the P2 vein for a total of 400 metres of drifting and crosscutting. The structure was encountered but not the ore shoot. In 1985 they drilled 6 holes from surface and 7 holes from underground into the P2 structure. In 1987, Pacific Trans-Ocean completed 670 m of diamond drilling in 15 holes and mined 65.5 tonnes from the P6 vein and 37 tonnes from the P4 vein. Much of this material is still sitting at the airstrip. In addition, a total of 65.5 tonnes were mined from the P6 vein in 1987, which reportedly averaged 5142 g/t silver and 5.76 g/t gold. Production that year from the P4 vein totaled 37 tonnes grading .3531 g/t silver and 5.73 g/t gold.

In 1996, Dawson Eldorado carried out additional sampling and completed 975 m of diamond drilling in seven holes at the P4 and P3 veins.

Complete results are not available for the 1973, 1985 or 1996 drill programs. The 1987 holes are drilled in the same area as the 1973 holes. Core recovery for the 1973 holes is poor. Where mineralized core was recovered, results are comparable to those obtained in 1987. No assessment report was filed for the 1984/1985 work. The 1996 drilling tested the P3 vein and the deeper down dip extension of the P4 vein. No drill logs or core from the 1996 program have been located.

In 1998, Alliance Pacific conducted trench sampling and drilled 16 reverse circulation holes at the P4 vein.

In 2007, Strategic Metals conducted an orientation survey on the property, locating existing road systems and resampling some of the known showings. It also contracted Geotech to fly VTEM and magnetic surveys across the Plata and Inca claims and arranged for J. Gibson Environmental Consulting to initiate baseline water quality studies.

Rockhaven Resources conducted drilling, trenching and soil sampling programs in 2008 and 2009. In 2008, Rockhaven drilled 4,113 m of core in 51 holes and 346.55 m of core in 2 holes in 2009. Rockhaven also used a small excavator for a total of 170 metres in length of trenching at the P4, P2 and P6 veins.

*Mineralization and Geology*

The Plata Project is geologically situated in the Selwyn Basin, a sedimentary basin comprised of deep-water clastic and pelitic sediments, chert and carbonate deposited on the North American continental margin from the Late Proterozoic through the Paleozoic eras. The basin is bounded by carbonate platforms to the northeast and truncated by the Tintina Fault on its southwest margin. Basin sedimentation ended in the middle Jurassic when an island arc collided with the western boundary of the basin, initiating a period of deformation and uplift. This was followed by widespread emplacement of middle to late Cretaceous granitic intrusives of the Tombstone Suite. Although narrow dykes or sills occur in the immediate vicinity of the Property, the closest known stock lies 17 km to the east.

Mineralization on the Plata Project is found as silver-rich galena, freibergite and Fe-rich sphalerite within quartz-siderite veining along pre-existing structures. The mineralization has been intersected as deep as 580 m down dip from the surface showings at the P4 vein. Thicker ore shoots appear to occur where there is some type of competency contrast at contacts between quartzite and shale, or when two structures intersect. Fault/vein trends on the Property vary from east-west trending low angle reverse or thrust faults to steeply dipping northeast trending normal and strike slip faults.

There are four types of mineralization identified on the Plata Project:

1. high grade silver bearing veins;
2. medium to high-grade gold bearing veins;

3. medium-to low-grade silver-gold bearing vein and stockwork zones; and
4. stratiform and nodular barite horizons

*Current Work and Summary of Results*

In 2011, 17 diamond drill holes for a total of 2,565 metres were drilled in four separate zones on the property. The 2011 holes were collared along the road and trail network that was built during previous exploration. Drilling was targeted to test the continuation of structure and grade in three known zones, the Aho, Etzel and P2 while a fourth untested zone, the Ladue (P12) received a single hole.

Five holes, for a total of 1,034 metres, were drilled into the area of the Aho zone on the west side of Oso Gulch, approximately 250 to 650 metres west along strike from the P4 vein which is hosted along the same structure, the Plata Thrust. The best mineralized intercepts occur in two of the five holes drilled and are 39g/t Ag, 0.74 g/t Au, 0.86% Pb, 0.70% Zn over 1.96m in drill hole PL11-56 and 38 g/t Ag, 0.89 g/t Au, 1.13 % Pb, 1.61 % Zn over 0.75m in drill hole PL11-58.

Seven holes totalling 739 metres were drilled into the Etzel zone in 2011. The 2011 drilling characterizes the mineralization at the Etzel as fault associated breccia rehealed by hydrothermal fluids bearing sphalerite, galena & pyrite in black shale with siderite-quartz gangue. Four holes for a total of 506 metres were drilled into the P2 zone in 2011. Mineralization can be traced on the surface for 105 metres and consists of bands and large pods of massive galena, sphalerite and tetrahedrite within a massive siderite gangue. The results for the Etzel and P2 zones are tabulated in the following table.

<b>PLATA PROJECT, YUKON</b>					
<b>2011 Diamond Drill Results from Etzel and P2 targets</b>					
<b>Significant Intercepts</b>					
<b>Drill Hole</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>Silver (g/t)</b>	<b>Zinc (%)</b>
<b>Etzel Zone</b>					
<b>PL11-59</b>	31.39	44.00	<b>12.61</b>	<b>150.99</b>	1.42
<i>includes</i>	<i>34.14</i>	<i>41.00</i>	<b>6.86</b>	<b>267.35</b>	2.37
<i>includes</i>	<i>36.40</i>	<i>37.40</i>	<b>1.00</b>	<b>1,655.00</b>	1.09
<b>PL11-60</b>	23.41	42.55	<b>19.14</b>	<b>74.77</b>	1.33
<i>includes</i>	<i>34.07</i>	<i>40.70</i>	6.63	164.52	2.34
<b>PL11-61</b>	35.05	45.12	<b>10.07</b>	<b>73.07</b>	2.20
<i>includes</i>	<i>39.50</i>	<i>42.45</i>	<b>2.95</b>	<b>212.46</b>	<b>6.82</b>
<b>PL11-62</b>	49.91	69.05	<b>19.14</b>	<b>86.55</b>	1.38
<i>includes</i>	<i>51.40</i>	<i>52.70</i>	<b>1.30</b>	<b>846.50</b>	<b>6.52</b>
<i>also includes</i>	<i>56.39</i>	<i>56.95</i>	<b>0.56</b>	<b>234.00</b>	<b>5.70</b>
PL11-63	27.43	33.53	6.10	19.85	0.02
<b>PL11-63</b>	41.15	46.62	<b>5.47</b>	<b>215.20</b>	0.94
<i>includes</i>	<i>42.67</i>	<i>44.20</i>	<b>1.53</b>	<b>699.00</b>	3.15
PL11-64	131.65	163.75	32.10	15.86	0.30
PL11-65	19.81	33.15	13.34	12.37	0.24
PL11-65	129.92	150.80	20.88	24.89	0.31
<i>includes</i>	<i>142.30</i>	<i>143.94</i>	1.64	107.00	0.24
<b>P2 Zone</b>					
<b>PL11-66</b>	19.40	19.93	<b>0.53</b>	8.00	<b>12.10</b>
<b>PL11-66</b>	36.45	46.22	<b>9.77</b>	<b>22.70</b>	<b>17.15</b>

PLATA PROJECT, YUKON 2011 Diamond Drill Results from Etzel and P2 targets Significant Intercepts					
Drill Hole	From (m)	To (m)	Interval (m)	Silver (g/t)	Zinc (%)
<b>PL11-66</b>	53.54	55.89	<b>2.35</b>	<b>453.04</b>	<b>17.46</b>
<i>includes</i>	53.54	54.41	<b>0.87</b>	<b>1060.00</b>	<b>3.86</b>
<i>includes</i>	54.41	55.34	<b>0.93</b>	<b>110.00</b>	<b>39.77</b>
PL11-67	51.05	56.39	5.34	19.30	6.59
PL11-67	79.66	86.19	6.53	5.18	8.92
PL11-67	102.02	104.62	2.60	17.21	7.93
<b>PL11-68</b>	29.35	61.21	<b>31.86</b>	<b>31.39</b>	<b>10.25</b>
<i>includes</i>	45.48	46.75	<b>1.27</b>	<b>546.00</b>	1.04
<i>includes</i>	48.47	55.63	<b>7.16</b>	<b>10.55</b>	<b>32.76</b>

One hole for 286 metres was drilled into the Ladue zone in 2011. Based on mapped fault traces the zone has potential for the occurrence of multiple intersecting structures. The best mineralized intercept was in the upper part of the hole and returned 28.3 g/t Ag, 0.37% Pb, 0.42% Zn over 3m. Other intercepts further down the hole returned 24 g/t Ag over 1.91 metres and 31 g/t Ag over 0.49 metres in drill hole P11-70.

*Gilles Dessureau, PGeo, a Qualified Person as defined by National Instrument 43-101, has reviewed and verified the information provided on the Company's Plata Project. Mr. Dessureau is a Senior Geologist employed by Silver Predator Corp.*

Please see the Company's news release dated January 19, 2012 for additional information.

## **Rusty**

### *Property Overview*

The Rusty Mountain property is located in the central Yukon Territory within the Mayo Mining District approximately 130 kilometres northeast of the village of Mayo. Access to the property is by helicopter from Mayo or by fixed wing to the Rackla airstrip located approximately 45 kilometres west of the property. The property consists of 417 quartz claims totalling 82.6 square kilometres and are located within NTS map sheets 106C/04 and 106C/05. There is no camp on the project however several kilometres of old cat trails constructed in the late 1970s early 1980s exist on the property. Silver Predator Corp. has an option with Strategic Metals Ltd and Atac Resources Ltd., to earn a 100% interest in the property subject to a 2% NSR.

### *Historical Exploration*

The property was staked as Val claims in 1978 by Prism Joint Venture, which carried out geological mapping, prospecting, geochemical (silt and soil) surveying, geophysical surveying, hand trenching and diamond drilling of 10 holes (456 m) later in the year. In 1979 the joint venture diamond-drilled 39 drill holes (3 157 m); 1980 drilling of 9 holes (1,304 m); drilling of 16 holes (630 m) in 1981 on the Siltstone showing and trenching and prospecting in 1982.

In 1985, Prism Exploration Ltd carried out trenching of a number of previously defined geochemical anomalies and diamond drilling of 16 holes (1,479 m) on the Big Red Zone. In 1988, International Prism carried out diamond drilling of 5 holes (732 m) and carried out environmental studies along the proposed road route. International Prism purchased a 100% working interest in these and the adjoining Vera claims (Minfile Occurrence #106C 083), 5 km to the northwest, in 1989. In 1997, Manson Creek Resources Ltd. staked Kla claims at the south end of the Val claim group. Later in 1997, that company staked Rusty claims surrounding the Vera claims and forming one contiguous block of claims. Manson Creek carried out geological mapping, prospecting, geochemical (rock, soil and stream sediment) sampling and IP geophysical test surveying in 1998 and IP geophysical surveying, limited geochemical surveying and diamond drilling of 7 holes (986.8 m) in 1999 (5 holes (767.5 m) on the Val claims). A regional airborne geophysical survey was conducted over the area in 2001 and included coverage of the Rusty-Kla claim block. The claims were allowed to lapse and the Rusty and T claims represent new staking of the ground by Strategic Metals in 2010 who subsequently performed prospecting and soil sampling.

### *Mineralization and Geology*

Regionally the Rusty Mountain area is underlain by northwest-trending carbonate and clastic sedimentary of Proterozoic to Triassic age. Thin units of conformable intermediate volcanic rocks also occur in this sequence. This package is also intruded by diorite sills of the mid Proterozoic Hart River intrusives. The Paleozoic clastic rocks in the south are separated from Pre-Cambrian rocks to the north by a zone of southerly dipping thrust faults termed the Dawson Thrust Zone.

The southern part of the Rusty property is regionally correlated with Upper Proterozoic Hyland Group and Upper Cambrian to Lower Devonian Bouvette Formation. Collectively, this succession comprises mostly dolostone, quartzite and shale. The northern part of the Rusty property is regionally correlated with rocks of the Penguicula, Gillespie Lake and Hart River groups, which are Lower to Middle Proterozoic in age.

Lead-zinc-silver veins and replacements occur mainly in various units on the property. Mineralization consists mainly of fine grained galena, sphalerite and tetrahedrite. A total of sixteen mineralized zones have been identified on the property, the majority of which were discovered by previous operators. A few new showings were noted by Strategic during the 2010 field season.

Mineralization is frequently found at or near contacts between shale and diorite intrusions, often in north striking vein/fault structures within either unit. Mineralization has also been found at two locations within shale where no nearby intrusion is known.

Showings are divided into two groups: the Rusty North showings, which are located north of a major northwest-southeast striking fault and are hosted within the Hart River, Penguicula or Gillespie Lake groups; and the Rusty South showings which lie fall to south of the major fault and occur within Hyland Group.

*Current Work and Results*

In 2011, 1,335 metres of diamond drilling were conducted in 9 holes on the Siltstone Zone in the southern portion of the Rusty Property. Drilling confirmed the earlier drilling which suggested a strike length of at least 200 metres. Other showings to the southeast of the Siltstone Zone have similar orientation and could indicate an extension to the zone. Significant results are tabulated in the following table:

<b>2011 Diamond Drill Results from Rusty Project, Yukon</b>						
<b>Significant Intercepts</b>						
<b>Hole</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>Silver (g/t)</b>	<b>Zinc (%)</b>	<b>Lead (%)</b>
<b>Siltstone Zone</b>						
RM11-001	42.50	46.50	4.0	18.13	0.18	0.14
RM11-002	85.00	96.00	11.0	9.86	0.56	0.13
<b>RM11-003</b>	<b>18.50</b>	<b>19.24</b>	<b>0.74</b>	<b>1,055.00</b>	<b>5.27</b>	<b>2.95</b>
and	26.50	28.00	1.50	66.00	1.94	1.40
and	38.50	43.00	4.50	34.87	2.45	0.21
<b>including</b>	<b>41.50</b>	<b>43.00</b>	<b>1.50</b>	<b>84.00</b>	<b>6.27</b>	<b>0.53</b>
RM11-006	78.50	86.00	7.50	12.52	2.62	0.06
<b>RM11-007</b>	<b>50.00</b>	<b>55.40</b>	<b>5.40</b>	<b>1,008.01</b>	<b>3.88</b>	<b>22.27</b>
<b>including</b>	<b>53.81</b>	<b>55.40</b>	<b>1.59</b>	<b>3,099.00</b>	<b>3.32</b>	<b>71.27</b>
RM11-008	50.00	54.50	4.50	28.53	0.35	0.41
and	63.80	65.60	1.80	119.67	4.45	3.29
<b>including</b>	<b>65.10</b>	<b>65.60</b>	<b>0.50</b>	<b>332.00</b>	<b>9.48</b>	<b>6.29</b>
RM11-009	100.00	103.45	3.45	78.61	3.08	1.69
<b>including</b>	<b>102.79</b>	<b>103.45</b>	<b>0.66</b>	<b>386.00</b>	<b>10.17</b>	<b>7.80</b>

- (1) Grams per tonne (g/t) to troy ounces per short ton: g/t divided by 34.2857 or multiplied by .0292. Metres to feet: 1 m equals 3.28084 ft.
- (2) True width is estimated to be 88% of reported width.

*Gilles Dessureau, PGeo, a Qualified Person as defined by National Instrument 43-101, has reviewed and verified the information provided on the Company's Plata Project. Mr. Dessureau is a Senior Geologist Employed with Silver Predator Corp.*

Please see the Company's news release dated February 27, 2012 for additional information.

## **Treasure Hill Property**

### *Property Overview*

Silver Predator holds a 100% interest in the Treasure Hill property that consists of 190 unpatented claims and 106 patented claims located approximately 45 miles west of Ely in White Pine County, Nevada. The Treasure Hill property is accessible by improved Forest Service roads from NV Highway 50. The property is subject to a 3% NSR royalty.

### *Historical Exploration*

The rich silver deposits of the Treasure Hill (White Pine) district were discovered in 1869, and the main town of Hamilton grew to over 10,000 in a few months. Over 17.5 million ounces of silver was produced in the first ten years from the district. Subsequent development of the base metal rich silver deposits after the turn of the century added an additional 4 million ounces of silver plus significant lead and zinc production. A renewed interest in the district during the 1970s-80's concentrated upon exploration of the tungsten-molybdenum-copper and gold potential of the western part of the district. These programs included field work and drilling by Phillips Petroleum, Union Carbide, Shell Minerals, Queenstake Resources, Westmont, Silver King Mines and Umont Mining. A small amount of silver was produced by Silver King Mines from the Treasure Hill area in the mid-1980's from old mine dump heap leach operations. Production data is lacking. The core claim group of the Treasure Hill property was assembled at this time by F.W. Lewis of Reno. The Mt. Hamilton gold-porphyry skarn was placed into production in 1994 and produced approximately 85,000 ounces of gold and additional silver before closing in 1998 due to low gold prices. Historic production for the White Pine Mining District, including Treasure Hill and Mt. Hamilton, is approximately 22 million ounces of silver and +100,000 ounces of gold.

### *Mineralization and Geology*

The Treasure Hill property is a polymetallic silver-gold-base metal district associated with a deep granitic porphyry center intruded into Paleozoic and Mesozoic sediments. Several styles of mineralization are recognized at Treasure Hill, including structurally controlled high angle veins, low angle, bedding plane and karst hosted replacement mineralization, skarn and retrograde skarn hosted by calcareous units and intrusive hosted vein stockworks. The district exhibits a classic metallic zonation indicative of a deep porphyry mineralizing system, with gold, tungsten, copper and molybdenum concentrated around the shallow intrusive cupolas exposed on the western side of the district, with copper, silver and base metal vein and replacement deposits on the eastern side of the district. Silver is the predominant precious metal in the Treasure Hill property, with lead, zinc and copper in significant amounts depending on the morphology of the mineralization.

### *Current Work*

Silver Predator is reviewing the data on the Treasure Hill property with the goal of planning future work programs. Surface and underground geologic mapping is planned for late 2012 to define targets for future drill programs.

*Mr. Mark J. Abrams, CPG, a Qualified Person as defined by National Instrument 43-101 and an employee of the Company, has reviewed and verified the technical information provided on the Company's Taylor Project.*

## **Silverbow Property**

### *Property Overview*

Silverbow, located in Nye County, Nevada, was acquired in February 2003 by Golden Predator through a mining lease. Silver Predator acquired the property from Golden Predator through a purchase agreement. The Project is accessible by paved road east of Tonopah on SR 6 and southeast on the access road to the Nevada Test Site boundary, then approximately 20 miles of single track road. The property is comprised of 73 unpatented lode mining claims, covering 1,460 acres, in the Silverbow mining district.

### *Historical Exploration*

Gold and silver were first identified at Silverbow in the fall of 1904 with the first shipments of ore in 1906; however by the fall of the same year the area was abandoned. The district became active again in 1913 and 1920 when small stamp mills were built and again in 1964 when the Tickabo Mining and Milling Co. reactivated several small mines.

Since the early 1960s there have been at least four programs of exploratory drilling carried out within and adjacent to the property. A total of 17 diamond core and rotary drill holes were completed by the Browne Group in the gulch west of the Silverbow town site in the 1960s. Amoco Minerals Co. completed 6 rotary drill holes north of the town site and near the Hillside Mine in 1983-1984. Later in the 1980s, several rotary holes were drilled by NERCO. In late 1993 and early 1994, the Phelps Dodge Mining Co. carried out a program of reverse circulation rotary drilling in the ridge west of the Silverbow town site. In 1997, Placer Dome Inc. completed the latest round of drilling but did not follow up on this work.

### *Current Work*

In 2012 a decision was made by Silver Predator management to relinquish the Silverbow property. The reasons for the decision to terminate the lease agreement with the underlying claim owners include:

- The property was too expensive to hold in light of the unidentified targets.
- Low potential for expanding a small, non NI 43-101 compliant, Phelps Dodge in-house estimated resource.

- +20 miles of very difficult, poorly maintained access adjacent to Nellis AFB with restricted air space/access.
- Historic and pre-historic artifacts in the district with complex permitting implications.
- Golden Predator's initial evaluation of targets produced only moderate results.

*Mr. Mark J. Abrams, CPG, a Qualified Person as defined by National Instrument 43-101 and an employee of the Company, has reviewed and verified the technical information provided on the Company's Taylor Project.*

## 5. OUTLOOK

The Company has a portfolio of advanced stage silver assets and intends to rapidly advance these properties, subject to raising sufficient capital to fund its exploration programs. There are no assurances the Company will be able to raise these funds.

The Company has incurred the exploration expenditures required in order to meet its flow through renunciation obligations.

## 6. SELECTED FINANCIAL INFORMATION

	May 31, 2012 \$	May 31, 2011 \$	May 31, 2010 \$
Net sales	Nil	Nil	Nil
Net loss	4,740,820	1,642,675	221,404
Loss per share – basic and diluted	(0.14)	(0.11)	(0.05)
Total assets	20,079,410	17,931,475	914,095
Total long-term liabilities	Nil	Nil	Nil
Cash dividends declared per-share	Nil	Nil	Nil

### 6.1 Results of operations for the year ended May 31, 2012

The net loss for the year was \$4,740,820 compared to a net loss in prior year of \$1,642,675. Individual items contributing to the increase in net loss of \$3,098,145 are as follows:

- Consulting and management fees decreased by \$98,926 to \$101,763 (2011 - \$200,689) primarily due the Company incurring these costs as salaries rather than consulting fees in the current year.
- General and administrative expenses increased by \$188,038 to \$309,425 (2011 - \$121,387) due to increased administrative activity by the Company in the current year.
- Filing costs decreased by \$1,679 to \$107,043 (2011 - \$108,722) reflecting similar filing activities compared to the prior year.
- Insurance costs increased by \$9,619 to \$23,197 (2011 - \$13,578) as a result of increased coverage during the exploration activities engaged during the year.
- Professional fees increased by \$62,674 to \$160,672 (2011 - \$97,998) as a result of an increase in legal costs related to general corporate activity as compared to the prior year.
- Salaries and wages increased by \$202,104 to \$382,735 (2011 - \$180,631) and were paid for various administrative employees, including a corporate secretary and accounting staff under a cost sharing agreement in terms of which, the Company is provided with the use of office space, office and administrative resources, and technical services, on a cost recovery basis.
- Stock-based compensation of \$751,244 (2011 – \$728,861) reflects the recognition of stock option expense.
- Travel increased by \$157,579 to \$221,112 (2011 - \$63,533) due to increased investor relations activity as well as increased efforts to promote the Company and raise financing.
- The realized gain on the sale of subsidiary was \$Nil (2011 - \$299,908) as a result of the Company selling its subsidiary, 1794298 Ontario Inc. in 2011.
- Legal fees – acquisition of resource properties \$Nil (2011 – \$347,015) related to the acquisition of a basket of silver properties in the prior year, and the costs of listing on the TSX as required by the agreement executed in 2011.
- Write off of resource properties of \$2,030,216 (2011 - \$Nil). During the year, the Company wrote-off the Quarterback, Blue Heaven, Ranch and Silver Bow properties.
- Write off of equipment of \$Nil (2011 - \$9,711) results from the Company writing off equipment and leaseholds in 2011 which were no longer used.

- Foreign exchange gain of \$5,283 (2011 – loss of \$16,451) results mainly from the conversion of US monetary item balances to CAD for reporting purposes.
- Fair value adjustment – warrants of \$Nil (2011 - \$152,200) results from the mark-to-market of the Company's investment in Hy Lake Warrants. These warrants expired unexercised.
- Interest income of \$69,499 (2011 - \$4,443) results from the Company having higher average cash balance in the current year than in the prior year.
- Future income tax expense of \$708,620 (2011 – expense of \$93,750) relates mainly to the estimated future tax from the renunciation of flow through expenses.

The comprehensive loss for the period includes an unrealized loss on available for sale marketable securities of \$514,376 compared to a gain of \$656,250 in the previous year. This has arisen on the mark to market of marketable securities at the year-end. Comprehensive loss also includes the cumulative translation adjustment of one of the subsidiaries belonging to Silver Predator Corp.

## **6.2 Cash Flows for the year ended May 31, 2012**

Cash outflows from operating activities decreased by \$255,873 to \$1,668,483 (2011 – \$1,412,610) primarily due a minimal decrease in working capital requirements.

Cash outflows from investing activities increased by \$4,563,813 to \$4,915,010 (2011 - \$351,197) due primarily to the increase in acquisition and exploration expenditures for the mineral properties as compared with the prior year.

Cash inflows from financing activities decreased by \$7,492,795 to \$789,945 (2011 - \$8,282,740) due to minimal financings during the current fiscal year.

## **6.3 Results of operations for the three months ended May 31, 2012**

The net loss for the quarter was \$2,433,419 compared to \$1,159,693 in the prior year. Individual items contributing to the increase in net loss of \$1,273,726 are as follows:

- Consulting and management fees increased by \$6,573 to \$24,680 (2011 - \$18,107) primarily due the Company engaging consultants for management and exploration services during the quarter.
- General and administrative expenses increased by \$32,165 to \$77,336 (2011 - \$45,171) due to higher activity by the Company in the current quarter.
- Filing costs decreased by \$25,358 to \$36,839 (2011 - \$62,197) due to the reduced number of shares issued during the quarter compared to prior year.
- Insurance costs decreased by \$6,500 to \$613 (2011 - \$7,113) as a result of a reallocation processed in the quarter.
- Professional fees decreased by \$68,382 to \$4,982 (2011 - \$73,364) as a result of lower legal fees related to general corporate activities in the quarter.
- Salaries and wages decreased by \$40,599 to \$66,954 (2011 - \$107,553). This was in respect of adjustment to actual for amounts charged to the Company for use of various administrative employees, including a corporate secretary and accounting staff required during the quarter.
- Stock-based compensation of \$29,991 (2011 – \$366,840) reflects the recognition of stock option expense.
- Travel increased by \$11,215 to \$31,926 (2011 - \$20,711) results from increased investor relations activity as well as increased efforts to promote the Company and raise financing.
- Legal Fees - acquisition of resource properties \$Nil (2011 – \$150,194) related to the 2011 acquisition of a basket of silver properties and the costs of listing on the TSX.
- Write off of resource properties of \$2,030,216 (2011 - \$177). During the current quarter, the Company wrote-off the Quarterback, Blue Heaven, Ranch and Silver Bow properties.
- Foreign exchange loss of \$134,498 (2011 – \$16,836) results mainly from the conversion of US monetary item balances to CAD for reporting purposes.

- Fair value adjustment – warrants \$Nil (2011 - \$152,200) results from the mark-to-market of the Company's investment in Hy Lake Warrants. These are currently expired.
- Interest income of \$3,238 (2011 - \$4,166) results from the Company having lower average cash balance in the current quarter than in the same quarter in the prior year.
- Future income tax recovery of \$1,379 (2011 – expense of \$143,750) relates to and adjustment to the estimated future tax from the renunciation of flow through expenditures.

The comprehensive loss for the quarter includes an unrealized loss on available for sale marketable securities of \$196,875 compared to a loss of \$1,243,750 in the previous year. This has arisen on the mark to market of marketable securities at the quarter-end. It also includes the cumulative translation adjustment of one of the subsidiaries belonging to Silver Predator Corp.

#### 6.4 Summary of quarterly results

	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	-	-	-	-	-	-	-	-
Net income (loss)	(2,433,419)	(620,157)	(778,665)	(908,579)	(1,159,693)	(230,699)	(39,682)	(212,601)
Basic and diluted Net Income (Loss) per share	(0.13)	(0.02)	(0.03)	(0.03)	(0.08)	(0.01)	(0.01)	(0.05)

The increase in operating loss in Q4 of 2012 results from the impairment of mineral properties. The loss in Q4 of 2011 includes transaction costs related to the acquisition of properties and catch up adjustments in the period.

#### 6.5 Financial Position

The decrease in cash of \$5,793,548 to \$790,661 (2011 - \$6,584,209) results primarily from expenditures on mineral properties of approximately \$5.0 million as well as operating cash flows of \$1.7 million offset by \$0.8 million raised by the exercise of warrants.

Prepaid expenses and deposits decreased by \$11,367 to \$40,029 (2011 - \$51,396) due to decreased activity during the year by the Company.

Receivables increased by \$464,964 to \$552,310 (2011 - \$87,346). This was mainly the result of an increase to Harmonized Sales Tax ("HST") receivable.

Investments decreased by \$600,000 to \$750,000 (2011 - \$1,350,000) as a result a decrease in fair market value of the Hy Lake Gold Inc. common shares.

Short-term promissory note of \$100,000 (2011 - \$200,000) resulted from the Company selling its subsidiary, 1794298 Ontario Inc. for the sum of \$300,000, of which \$200,000 was received in cash and \$100,000 is receivable May 31, 2012 (received subsequent to year-end).

Reclamation bonds increased by \$22,206 to \$22,206 (2011 - \$Nil) as a result of the Nevgold acquisition.

Resource properties increased by \$8,165,680 to \$17,824,204 (2011 - \$9,658,524) primarily due to the acquisition and exploration activities performed throughout the year.

Accounts payable and accrued liabilities increased by \$39,003 to \$207,320 (2011 – \$168,317) due to the Company conserving cash towards the end of the year.

Due to related parties of \$142,530 (2011 – \$51,400) mainly relates to a payable for reimbursement shared office costs.

Deferred tax liability of \$622,996 results from the renunciation of flow through expenditure during the year.

Share capital increased by \$5,824,850 to \$26,518,193 (2011 – \$20,693,343) primarily due to the exercise of warrants at the beginning of the year and the acquisition of mineral properties from issuing common shares.

Reserves increased by \$542,427 to \$1,954,638 (2011 – \$1,412,211) primarily due the fair value of stock options issued to directors and employees.

Accumulated other comprehensive gain of \$339,611 results from an increase in the market value of marketable securities, as compared to the cost, designated as available-for-sale, net of tax as well as the inclusion of the cumulative translation amount of one of the Company's subsidiaries.

**7. LIQUIDITY, CAPITAL RESOURCES, AND GOING CONCERN**

While the consolidated financial statements for the year ended May 31, 2012 have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events cast significant doubt on the validity of this assumption. For the year ended May 31, 2012, the Company reported a loss of \$4,740,820 and as at that date had a net working capital balance of \$1,883,150 and an accumulated deficit of \$9,705,878. Management estimates that it presently does not have adequate working capital to fund all of its planned activities for the next fiscal year. The Company's continued operations are dependent on its ability to raise additional funding from loans or equity financings or through other arrangements. Management's plan in this regard is to raise equity financing as required. The success of such initiatives cannot be assured.

The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

Refer to note 17 in the consolidated financial statements.

**8. OUTSTANDING SHARE DATA**

At the date of this report the Company has 41,791,468 issued and outstanding common shares, 2,633,250 outstanding stock options currently outstanding, vested at a weighted average exercise price of \$0.87, and 652,500 outstanding warrants at a weighted average exercise price of \$0.77.

**9. OFF BALANCE SHEET ARRANGEMENTS**

At May 31, 2012, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

**10. RELATED PARTY TRANSACTIONS**

Amounts paid to related parties were incurred in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to non-related parties.

The Company expensed management and consulting fees of \$72,000 for the nine months ended March 31, 2012 (2011 - \$172,578) due to directors of the Company.

The Company has entered into a cost sharing arrangement with a company having common directors. Under the agreement, the Company is provided with the use of office space, office and administrative resources, as well as technical services in support of exploration activities, all on a cost recovery basis. The amounts due to related parties under the cost sharing arrangement, and in respect of staking and drilling costs invoiced directly to the related party totaled \$142,530 (2011 - \$51,400), are non-interest bearing, due on demand, and were paid subsequent to the period end.

On closing of the Nevgold acquisition the Company assumed liability for a US\$70,000 loan owing to the former CEO of Nevgold, a current director of Silver Predator, in respect of funds advanced to Nevgold for working capital purposes that was immediately repaid.

Amounts due to related parties are non-interest bearing and due on demand.

**Key management personnel compensation**

Key management personnel comprise the Chief Executive Officer, President, Chief Financial Officer, and Vice President, Exploration. Compensation of the Company's key management personnel is comprised of the following:

	May 31, 2012	May 31, 2011
Executive salaries and management fees	\$232,082	\$103,238
Share based payments	252,547	252,547
<b>Total</b>	<b>\$484,629</b>	<b>\$355,785</b>

## **11. CRITICAL ACCOUNTING ESTIMATES**

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from the amounts included in the financial statements.

Areas of estimation and judgment that have the most significant effect on the amounts recognized in the financial statements include:

Valuation of mineral properties - The Company, from time to time, acquires exploration and development properties. When a number of properties are acquired in a portfolio, the Company must make a determination of the fair value attributable to each of the properties within the total portfolio. When the Company conducts further exploration on acquired properties, it may determine that certain of the properties do not support the fair values applied at the time of acquisition. If such a determination is made, the property is written down, which could have a material effect on the balance sheet and statement of loss.

## **12. MANAGEMENT OF FINANCIAL RISK**

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

### **Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, receivables, loan receivable, and reclamation bonds. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of banker's acceptances issued by major banks and corporations, for which management believes the risk of loss to be minimal. Receivables mainly consist of interest receivable from the banker's acceptances, loan receivables, and goods and services tax refunds due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to receivables is minimal. Reclamation bonds consist of term deposits and guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be minimal.

### **Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed share capital financings or proceeds from property sales or options.

At May 31, 2012, the Company had a working capital balance of \$1,883,150. Additional information regarding liquidity risk is disclosed in note 1.

### **Market risk**

Market risk is the risk of loss that may arise from changes in market fluctuations such as those listed below. The fluctuations may be significant.

### **Interest rate risk**

Management believes the interest rate risk is low given the current low global interest rate environment.

### **Foreign currency risk**

The Company's raises funds in Canadian dollars and major purchases and expenditures are transacted in US dollars. The Company also funds certain operations and exploration and administrative expenses in US dollars. Management believes the foreign exchange risk derived from currency conversions and relative exchange rate between Canadian dollars and US dollars is negligible and therefore does not hedge its foreign exchange risk.

### **Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

### **Sensitivity analysis**

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by interest rate risk, foreign currency risk and price risk within the next three

months. In particular, interest rate risk is remote as the interest rates on the Company's short-term investments are fixed with an interest rate range between 0.35% and 1.35% with maturity dates shorter than three months. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. In addition, price risk is remote since the Company is not a producing entity.

### 13. IFRS CHANGEOVER

The Company has prepared its May 31, 2012 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), including IFRS 1, *First-time adoption of international financial reporting standards*, and IAS 34, *interim financial reporting*.

The Company's IFRS accounting policies are disclosed in Note 3 of the annual consolidated financial statements. Reconciliation between the Company's financial statements as previously reported under Canadian GAAP ("CGAAP") and current reporting under IFRS is detailed in Note 18 of the annual consolidated financial statements.

The following is an overview of the impact to the Company's financial results due to the transition to IFRS.

#### Deferred tax on mineral properties

Under CGAAP, the Company recognized future income taxes on temporary differences arising on the initial recognition of the acquisition of Fury Mexico (where the fair value of the asset acquired exceeded its tax basis) in a transaction which was not a business combination and affected neither accounting profit (loss) nor taxable profit (loss). IAS 12, *Income Taxes* ("IAS 12"), does not permit the recognition of deferred taxes on such transactions.

As of May 31, 2011, the Company derecognized the impact of all deferred taxes which had previously been recognized on the initial acquisition of mineral properties through transactions not considered business combinations and affecting neither accounting profit (loss) nor taxable profit (loss).

#### Functional Currency

Under CGAAP, the Company determined whether a subsidiary was an integrated operation or a self-sustaining entity which determined the method of translation into the presentation currency. IFRS requires that an entity determine the functional currency of each subsidiary individually, prior to consolidation into the Company's presentation currency.

The Company determined that some of its subsidiaries, which had been classified as being integrated operations under CGAAP, had a functional currency other than the Canadian Dollar. Financial statements were translated under CGAAP using the temporal method (whereby monetary assets and liabilities are translated at the current rate and non-monetary assets and liabilities at historic exchange rates with gains or losses being charged to income). The functional currency of some of its subsidiaries is the local currency. Under IFRS, financial statements of the subsidiaries denominated in their respective functional currencies are translated into Canadian dollars using the current rate method (whereby all assets and liabilities are translated using the reporting date exchange rates with any gains or losses being recorded in equity).

Year ended May 31, 2011	CGAAP	Flow- through shares	Functional Currency	IFRS
Net Income (Loss)	\$ (1,670,820)	-	\$ 28,145	\$ (1,642,675)
Shareholder's Equity	\$ 17,683,612	-	\$ 28,145	\$ 17,711,758
Total Assets	\$ 18,281,720	\$ (350,245)	-	\$ 17,931,475

### 14. DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL PROCEDURES OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, of the Company have evaluated or caused to be evaluated for effectiveness the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") which have been designed or caused to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Company took into consideration the following two characteristics common to companies of a similar size:

- The limited number of personnel in smaller companies, which constrains the Company's ability to fully segregate conflicting duties;
- The Company relies on an active board of directors, and management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures.

In addition, management has relied upon certain informal procedures and communication, and upon "hands-on" knowledge of senior management to maintain the effectiveness of disclosure controls and procedures.

As a result of the evaluation, the Company has concluded that the DC&P and ICFR are effective as required by its current size, and in compliance with the recommendations of National Instrument 52-109. However, there can be no assurance that the risk of a material misstatement in the financial statements can be reduced to less than a remote likelihood.

There have been no changes in the Company's internal control over financial reporting during the year ended May 31, 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## 15. RISK FACTORS

An investment in securities of Silver Predator is speculative and involves significant risks and uncertainties which should be carefully considered by prospective investors before purchasing such securities. The occurrence of any one or more of these risks and uncertainties could have a material adverse effect on the value of any investment in Silver Predator and on the business, prospects, financial position or operating results of Silver Predator. The risks noted below do not necessarily comprise all those faced by Silver Predator.

*Silver Predator or Silver Predator Canada Corp. ("SPCC") may not be able to exercise the Options granted by Golden Predator, Rockhaven, Strategic, and ATAC.*

The Company does not own the Plata, Taylor, Hy, Flip, or the Rusty Properties, but does hold, directly or indirectly, rights to acquire such properties. Silver Predator or SPCC may, in the future be unable to exercise any or all of the options to be granted by Golden Predator, Rockhaven, Strategic, and ATAC, and, as a result, will not acquire any or all of the Plata, Taylor, Hy, Flip or the Rusty Properties.

If the Company fails to exercise any of the options, it will lose all of its interest in the respective properties and will not be entitled to retract the Common Shares issued as payment.

*Silver Predator faces liquidity issues that threaten its ability to continue as a going concern.*

Silver Predator has no current source of operating revenue. Should there be a funding shortfall, there can be no assurance that financing would be available on terms acceptable to Silver Predator. There can be no assurance that management will be able to adequately reduce costs or secure additional financing if required. If funding is not obtained in a timely manner, Silver Predator may not be able to continue as a going concern.

*Fluctuations in market price of silver will affect the profitability of Silver Predator's operations and its financial condition.*

Silver Predator's current revenues, if any, are expected to be in large part derived from the extraction and sale of silver and other metals or interests related thereto. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond Silver Predator's control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of silver, and therefore the economic viability of any of Silver Predator's current exploration projects and exploration projects cannot accurately be predicted.

*Silver Predator's potential profitability is partly dependent upon factors beyond Silver Predator's control.*

As with other enterprises in the mining industry, Silver Predator's mineral exploration and development related activities are subject to conditions beyond Silver Predator's control that may impact upon the potential profitability of its mineral projects. For instance, world prices of and markets for minerals are unpredictable, highly volatile, potentially subject to governmental interference, currency pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery of minerals from mined ore may vary from the rates experienced in tests and a reduction in the recovery rates will adversely affect profitability and, possibly, the economic viability of its projects.

Profitability will also depend on the costs of operations, including costs of labour, equipment, electricity, environmental compliance, diesel prices and other production inputs, the discovery and/or acquisition of additional mineral reserves and mineral resources, the successful conclusion of feasibility and other mining studies, access to adequate capital for project development and sustaining capital, design and construction of efficient mining and processing facilities within capital expenditure budgets; securing and maintaining title to concessions and other mining rights, obtaining permits, consents and approvals necessary for the conduct of exploration, development, construction and production, the ability to procure major equipment items and key consumables in a timely and cost-effective manner. Such costs will fluctuate in ways Silver Predator cannot predict and are beyond Silver Predator's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide political and economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to predict. These changes and events may materially affect Silver Predator's financial performance.

*Mining operations involve a high degree of operational risk.*

Silver Predator's operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of silver and other precious metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit wall failures, cave ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other facilities, damage to life or property, environmental damage and legal liability. Milling operations are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

*Silver Predator's capital and operating cost estimates may not be accurate.*

Capital and operating cost estimates made in respect of Silver Predator's projects may not prove accurate. Capital and operating costs are estimates based on the interpretation of geological data, feasibility studies, anticipated economic conditions and other factors. In recent years the mining industry has experienced significant capital and operating cost escalations due to a range of factors, most notably high worldwide commodity prices and a tight market in the mining industry. There can be no assurance that Silver Predator will not experience further capital and operating cost escalations on its projects.

*Silver Predator is subject to a number of inherent exploration, development and operating risks.*

Silver Predator is a development stage company engaged in mineral exploration and development. Mineral exploration and development is highly speculative in nature and involves many risks and is frequently not economically successful. Increasing mineral resources or mineral reserves depends on a number of factors including, among others, the quality of a company's management, their geological and technical expertise and the quality of land available for exploration.

Once mineralization is discovered it may take several years of additional exploration and development until production is possible during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves, to determine the optimal metallurgical process and to finance and construct mining and processing facilities. At each stage of exploration, development, construction and mine operation various permits and authorizations are required. Applications for many permits require significant amounts of management time and the expenditure of substantial amounts for engineering, legal, environmental, social and other activities. At each stage of a project's life delays may be encountered because of permitting difficulties. Such delays add to the overall cost of a project and may reduce its economic viability. As a result of these uncertainties, there can be no assurance that a mineral exploration and development company's programs will result in profitable commercial production.

Companies engaged in mining activities are subject to all of the hazards and risks inherent in exploring for and developing natural resource projects. These risks and uncertainties include, but are not limited to, environmental hazards, industrial accidents, labour disputes, increases in the cost of labour, social unrest, fires, changes in the regulatory environment, impact of non-compliance with laws and regulations, encountering unusual or unexpected geological formations or other geological or grade problems, unanticipated metallurgical characteristics or less than expected mineral recovery, encountering unanticipated ground or water conditions, cave ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, seismicity, natural disasters and other acts of God or unfavourable operating conditions and losses. Should any of these risks or hazards affect a company's exploration, development or mining activities it may: cause the cost of development or production to increase to a point where it would no longer be economic to produce metal from the company's mineral resources or expected reserves; result in a write down or write-off of the carrying value of one or more mineral projects; cause delays or stoppage of mining or processing; result in the destruction of mineral properties, processing facilities or third party facilities necessary to the company's operations; cause personal injury or death and related legal liability; or result in the loss of insurance coverage — any or all of which could have a material adverse effect on the financial condition, results of operations or cash flows of Silver Predator.

*Silver Predator has limited operating history and Silver Predator is expected to continue to incur losses.*

Silver Predator has a limited operating history in the mineral exploration and development business and there can be no assurance that Silver Predator will ever be profitable.

*Silver Predator has limited experience with development stage mining operations and there is no assurance that the necessary expertise will be available if and when Silver Predator places its mineral properties into production.*

Silver Predator has limited experience in placing mineral properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with major mining companies that can provide such expertise. There can be no assurance that Silver Predator will have available to it the necessary expertise when and if it places its mineral properties into production.

*Silver Predator's resource and reserve estimates are based on interpretations and assumptions and may yield less mineral production under actual conditions than is currently estimated.*

Mineral resource and reserve estimates for the Taylor Property are, to a large extent, based on interpretations of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive costs based on anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates of metal from the ore, estimated operating costs, estimated capital costs, estimated site remediation costs and asset retirement costs, anticipated climatic conditions and other factors. There is significant uncertainty in any mineral resource estimate and the actual deposits encountered

and the economic viability of a mineral deposit may differ materially from Silver Predator's estimates. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

Estimated mineral resources are periodically recalculated based on changes in prices of mineral products, changes in expected operating and capital costs and asset retirement obligations, further exploration or development activity or actual production experience. Such recalculations could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors which influence mineral resource or mineral reserve estimates. Market price fluctuations for mineral products, increased production costs or reduced recovery rates or other factors might render proven and probable mineral reserves uneconomic or unprofitable to develop; such factors could result in the reclassification of mineralized material into the resource category from proven or probable mineral reserves that would result in write-downs of the carrying value of the affected property or might accelerate the timing of payment of reclamation costs and asset retirement obligations.

The inclusion of mineral resource estimates should not be regarded as representation that these amounts can be economically exploited and no assurance can be given that such resource estimates will be converted into mineral reserves.

*Silver Predator's profitability subject to currency fluctuations.*

Fluctuations in currency exchange rates (principally the Cdn\$/US\$) may significantly impact Silver Predator's earnings and cash flows.

*Competition in the mining industry could adversely affect Silver Predator's ability to acquire mineral claims, leases and other mineral interests.*

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. Silver Predator will be competing with other mining companies, many of which have greater financial resources than it does, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. There can be no assurance that the necessary funds can be raised or that any projected work will be completed.

*Silver Predator is subject to environmental risk and environmental regulations which may negatively affect exploration and development activities.*

Mining operations have inherent risks and liabilities associated with the pollution of the environment and the disposal of waste produced as a result of mineral exploration and production. Open pit mining and silver ore processing are subject to risks and hazards, including discharge of toxic chemicals, breach of tailings dams, fire, flooding, rock falls and subsidence. The occurrence of these hazards can increase operational costs and result in liability to Silver Predator. Such incidents may also result in a breach of the conditions of a mining lease or other consent or permit of a relevant regulatory regime, with consequent exposure to enforcement procedures, including the possible revocation of such leases, consents and permits. Environmental hazards may exist on the properties on which Silver Predator holds interest, which are unknown to Silver Predator at present and which have been caused by previous or existing owners or operators of the properties.

Silver Predator's current or future operations, including exploration, development and production activities, are subject to environmental regulations which may negatively affect their economic viability or prohibit them altogether. Silver Predator is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products which could occur as a result of mineral exploration, development and production.

To the extent that Silver Predator is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce the funds otherwise available to it and could have a material adverse effect on the financial condition, results of operations or cash flow results of Silver Predator. If Silver Predator is unable to fully remedy an environmental problem, it may be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the financial condition, results of operations or cash flows of Silver Predator. Silver Predator has not purchased insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) as it is not generally available at a reasonable price.

*Silver Predator is subject to regulatory risks that may delay or adversely affect silver production.*

Exploration and development activities and mining operations are subject to laws and regulations governing health and worker safety, employment standards, environmental matters, mine development, prospecting, project development, mineral production, permitting and maintenance of title, exports, taxes, labour standards, reclamation obligations, heritage and historic matters and other matters. It is possible that future changes in applicable laws, regulations and agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits and agreements applicable to Silver Predator or its properties which could have a material adverse impact on Silver Predator's current exploration programs and future development projects. Where required, obtaining necessary permits and licences can be a complex, time consuming process and there can be no assurance that required permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict Silver Predator from proceeding with the development of an exploration project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or fines, penalties or other liabilities.

*Silver Predator is subject to litigation risks and judgments obtained in Canadian courts may not be enforceable in foreign jurisdictions.*

Silver Predator may be subject to legal claims, with and without merit and the cost to defend and settle such legal claims can be substantial, regardless of the merit of the claim. One of Silver Predator's material properties, namely the Taylor Property, is located outside of Canada. It may be difficult or impossible to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of the various Canadian provinces against Silver Predator's assets located outside of Canada.

*There is no assurance that Silver Predator's title to its mineral properties will not be challenged.*

The acquisition of title to mineral properties is a very detailed and time consuming process. Title to and the area of mineral properties may be disputed. While Silver Predator has diligently investigated title to the minerals claims it has acquired, Silver Predator's mineral properties may be subject to prior unregistered agreements or transfers or aboriginal land claims and title may be affected by undetected defects. Silver Predator has not surveyed the boundaries of all of its mineral properties and consequently the boundaries of the properties may be disputed.

*Silver Predator's insurance coverage may not cover all losses and liabilities and certain risks are uninsured or uninsurable.*

The mining industry is subject to significant risks, including unexpected or unusual geological formations or operating conditions, rock bursts, cave ins, fires, floods, earthquakes and other environmental occurrences, and political and social instability, which could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Accordingly, Silver Predator may become subject to losses, liabilities, delays or damages against which it cannot insure or against which it may elect not to insure because insurance costs are too expensive relative to the perceived risk.

Of the risks which Silver Predator may elect to insure, the liability could exceed the policy limits or otherwise determined to be excluded by the coverage. The impact of the potential cost associated with any liabilities in excess of Silver Predator's insurance coverage or of any uninsured liabilities may have a material adverse effect on the financial condition, results of operations or cash flows of Silver Predator. Silver Predator has not purchased insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) as it is not generally available at a reasonable price.

*Silver Predator is reliant upon management and other key personnel and employees.*

Silver Predator is heavily reliant on the personal efforts, experience and expertise of its directors and senior officers. If any of these individuals should cease to be available to manage the affairs of Silver Predator, its activities and operations could be adversely affected. Recruiting and retaining qualified personnel is critical to Silver Predator's success. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Silver Predator's business activity grows, Silver Predator will require additional key financial, administrative and mining personnel as well as additional operations staff. Although Silver Predator believes that it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If Silver Predator is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on Silver Predator's future cash flows, earnings, results of operations and financial condition.

*Silver Predator may not be able to raise additional financing if required to advance exploration properties.*

If Silver Predator's exploration efforts on the Plata Property and Taylor Property are successful, additional funds may be required to continue exploration and to develop an economic ore body and place it into commercial production. Exploration and future development of these mineral properties may depend on Silver Predator's ability to obtain adequate financing through the joint venturing of projects, debt financing, equity financing or by other means. There can be no assurance that Silver Predator will be successful in obtaining the required financing. Failure to obtain such financing would result in delay or indefinite postponement of exploration and future development work on these properties.

Silver Predator, as a borrower or potential borrower of money, may be exposed to adverse interest rate movements that may increase the financial risk inherent in its business and could have a material adverse impact on profitability and cash flow. Project financing may expose Silver Predator to adverse interest rate movements and also potentially silver price movements that may significantly increase the financial risk inherent in its business and could have an adverse impact on profitability and cash flow.

*Current global financial condition.*

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy protection or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by sub-prime mortgages, the liquidity crisis affecting the asset-backed commercial paper market, and bank exposure to unmanageable government debt load. These factors may impact the ability of Silver Predator to obtain equity or debt financing in the future and, if obtained, on terms favourable to Silver Predator.

*The Common Shares may experience price volatility and the market price of the Common Shares cannot be assured.*

There can be no assurance that an active market for the Common Shares will be sustained. Securities of mining companies have experienced substantial volatility in recent years, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of Silver Predator is also likely to be significantly affected by short-term changes in commodity prices, other precious metal prices or other mineral prices, currency exchange fluctuation, or in its financial condition or results of operations as reflected in its quarterly earnings reports.

Other factors unrelated to the performance of Silver Predator that may have an effect on the price of the securities of Silver Predator include the following: the extent of analyst coverage available to investors concerning the business of Silver Predator may be limited if investment banks with research capabilities do not follow Silver Predator's securities; lessening in trading volume and general market interest in Silver Predator's securities may affect an investor's ability to trade significant numbers of securities of Silver Predator; the size of Silver Predator's public float may limit the ability of some institutions to invest in Silver Predator's securities; and a substantial decline in the price of the securities of Silver Predator that persists for a significant period of time could cause Silver Predator's securities to be delisted from an exchange, further reducing market liquidity. If an active market for the securities of Silver Predator does not continue, the liquidity of an investor's investment may be limited and the price of the securities of Silver Predator may decline and investors may lose their entire investment in the Common Shares.

As a result of any of these factors, the market price of the securities of Silver Predator at any given point in time may not accurately reflect the long-term value of Silver Predator. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. Silver Predator may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

*Conflicts of interest may arise between Silver Predator's directors and officers.*

Certain of the directors and officers of Silver Predator also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict.

*Any future acquisitions by Silver Predator may not be successful or acceptable.*

Silver Predator's business strategy includes continuing to seek new property and corporate acquisition, merger and joint venture opportunities. In pursuit of such opportunities, Silver Predator may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into Silver Predator. Silver Predator cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit Silver Predator's business.

*Silver Predator does not have a dividend history or policy.*

No dividends on the Common Shares have been paid by Silver Predator to date. Silver Predator anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of Silver Predator's board of directors after taking into account many factors, including Silver Predator's operating results, financial condition and current and anticipated cash needs.

Further Silver Predator intends to conduct its operations with respect to the Taylor Property and Plata Property through its subsidiaries. Silver Predator's ability to obtain dividends or other distributions from its subsidiaries may be subject to restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and credit facilities. There can be no assurance that there will be no future restrictions on repatriation, the payment of dividends or other distributions from the subsidiary which are necessary to enable Silver Predator to pay dividends in the future.

#### *Operating in Mexico*

The Company, through Fury Mexico, will have mineral properties in Mexico, which is a developing country, and it may be difficult for the Company to obtain the necessary financing for its planned exploration or development activities in Mexico. The Company may find it difficult to find or hire qualified people in the mining industry suitable for the Company who are situated in Mexico, or to obtain all of the necessary services or expertise in Mexico, on a timely basis. If qualified people and services or expertise cannot be obtained in Mexico, the Company may need to seek and obtain those services from people located outside of Mexico which will require work permits and compliance with applicable laws.

In the past, Mexico has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. Mexican regulators have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards. The Company's mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company's activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

Under Mexican law, a company that has foreign shareholders and receives investment capital from foreign sources is required to register such investments with the National Registry of Foreign Investments (the "NRFI"). Fury Mexico was timely registered and remains registered with the NRFI.

#### *United States Securities Exemptions*

In order to maintain the Company's current status as a "foreign private issuer", as such term is defined in Rule 3b-4 under the U.S. Securities Exchange Act of 1934, as amended, for U.S. securities law purposes, the Company must not meet the following conditions as of the last business day of its most recently completed second fiscal quarter (as assessed in accordance with SEC requirements): (i) more than 50% of the Company's outstanding voting securities are directly or indirectly held of record by residents of the U.S.; and (ii) any of the following: (a) a majority of its executive officers or directors are U.S. citizens or residents, (b) more than 50% of its assets are located in the U.S., or (c) the business of the Company is principally administered in the U.S. The Company may in the future lose its foreign private issuer status if it fails to meet any of the aforementioned criteria.

The regulatory and compliance costs to the Company under U.S. securities laws as a U.S. domestic issuer may be significantly more than the costs the Company incurs as a Canadian foreign private issuer eligible to use the Multi-Jurisdictional Disclosure System ("MJDS"). If the Company is not a foreign private issuer, it would not be eligible to use MJDS or other foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. If the Company engages in capital raising activities after losing its foreign private issuer status, there is a higher likelihood that investors may require the Company to file resale registration statements with the SEC as a condition to any such financing.

#### *United States Comprehensive Environmental Response, Compensation and Liability Act*

The Company or its subsidiaries is the operator of the Cornucopia, Cardero, Copper King, Illinois Creek, Taylor and the Treasure Hill properties, which are all located in the United States. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") in the United States imposes strict, joint and several liability on parties associated with releases or threats of releases of hazardous substances. Liable parties include, among others, the current owners and operators of facilities at which hazardous substances were disposed or released into the environment and past owners and operators of properties who owned such properties at the time of such disposal or release. This liability could include response costs for removing or remediating the release and damages to natural resources.

*Silver Predator Corp. could be deemed a passive foreign investment company which could have negative consequences for U.S. investors.*

Depending upon the composition of the Company's gross income or its assets, the Company could be classified as a passive foreign investment company ("PFIC") under the United States tax code. If the Company is declared a PFIC, then owners of the Common shares who are U.S. taxpayers generally will be required to treat any "excess distribution" received on their Common shares, or any gain realized upon a disposition of Common shares, as ordinary income and to pay an interest charge on a portion of such distribution or gain, unless the taxpayer makes a qualified electing fund ("QEF") election or a mark-to-market election with respect to the Common shares. A U.S. taxpayer who makes a QEF election generally must report on a current basis its share of the Company's net capital gain and ordinary earnings for any year in which the Issuer is classified as a PFIC, whether or not the Issuer distributes any amounts to its shareholders. U.S. investors should consult with their tax advisors for advice as to the U.S. tax consequences of an investment in the Common shares.

## **16. INFORMATION REGARDING FORWARD LOOKING STATEMENTS**

This Management Discussion and Analysis of Financial Condition and Results of Operations contains "forward-looking information" which include, but is not limited to, information about the transactions, statements with respect to the future financial or operating performances of Silver Predator and its projects, the future price of silver, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production revenues, margins, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, cost and timing of plant and equipment, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation and rehabilitation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking information statements can be identified by the use of words such as "proposes", "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Silver Predator and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities and feasibility studies; assumptions in economic evaluations that may prove inaccurate; fluctuations in the value of the Canadian or US dollar; future prices of silver; possible variations of ore grade or recovery rates; failure of plant or equipment or failure to operate as anticipated; accidents; labour disputes or slowdowns or other risks of the mining industry; climatic conditions; political instability; or arbitrary decisions by government authorities.

Although Silver Predator has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this Management Discussion and Analysis of Financial Condition and Results of Operations based on the opinions and estimates of management, and Silver Predator disclaims any obligation to update any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.