



**SILVER PREDATOR CORP.**

**(An Exploration Stage Enterprise)**

**Management's Discussion & Analysis**

**For the Year Ended December 31, 2015  
and the Seven Months Ended December 31, 2014**

## Silver Predator Corp.

Management's Discussion and Analysis

For the year ended December 31, 2015 and the seven months ended December 31, 2014

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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 months and year ended December 31, 2015. The discussion below should be read in conjunction with the Company's December 31, 2015 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 ("IASB"); and with the December 31, 2014 audited consolidated financial statements and related notes which were prepared in accordance with IFRS. All dollar figures included in the following Management's Discussion and Analysis are quoted in Canadian dollars unless otherwise indicated. This Management's Discussion and Analysis is prepared as of March 31, 2016.*

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

*Additional information related to the Company, including its Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval ("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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## BACKGROUND AND CORE BUSINESS

Silver Predator was incorporated under the laws of the Province of British Columbia on May 16, 2006.

Silver Predator, through its wholly owned subsidiary, Springer Mining Company ("SMC"), owns the Springer Tungsten Mine and Mill Complex ("Springer") in Nevada, USA. The Company also controls the Taylor silver-gold project in Nevada. The Taylor project ("Taylor") hosts a current resource estimate, is open to expansion, and is located in a district that has identified the potential for discovery of additional silver and gold deposits.

In 2014, the Company changed its fiscal year end date from May 31 to December 31. Therefore, the financial statement information contained in these disclosures is for the year ended December 31, 2015 compared to the seven months ended December 31, 2014.

## CORPORATE DEVELOPMENTS, SIGNIFICANT TRANSACTIONS AND FACTORS AFFECTING RESULTS OF OPERATIONS

### *Loan from Resource Re Ltd.*

On August 31, 2015, the Company announced it had arranged for a US\$275,000 loan from Resource Re Ltd. ("RRL") to fund its working capital requirements. RRL is a wholly owned subsidiary of Till Capital Ltd. (TSXV:TIL) ("Till Capital") who owns 71.62% of the Company's outstanding common shares. The loan is a related party transaction within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions (MI 61-101). The Company is relying on the exemption from the formal valuation requirement in section 5.5(b) of MI 61-101 (as a result of its shares being listed on the TSX Venture Exchange) and the exemption from the minority approval requirement in section 5.7(a) of MI 61-101 (as a result of the transaction value being less than 25% of the Company's market capitalization). The loan was secured by the assets of the Company, bore interest at 12% per annum, and was due on December 31, 2015. On December 31, 2015, the loan agreement was amended to increase the maximum loan amount to US\$400,000, increase the interest rate to 14% per annum, and extend the due date to April 30, 2016. The Company may prepay the principal, in whole or in part, at any time without penalty prior to maturity. As of December 31, 2015, the outstanding principal balance of the loan is \$381,425 (US\$275,000).

### *Asset realization plan*

In the second quarter of 2015, the Company announced its intention to realize value from assets by initiating a process to sell all, or part, of the tangible and intangible assets at some of its properties in Nevada, USA. The Company's Board and management committed to a plan to sell SMC and the Taylor mill. During 2015, active negotiations have been held related to the sale of these assets. The Company currently considers it highly probable the sales of the Springer mining and mineral assets and the Taylor mill assets will be completed within one year. Thus pursuant to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS 5"), those assets are classified as Assets Held for Sale and are measured at the lower of carrying amount and fair value less cost to sell at December 31, 2015.

### *Mining lease agreement*

On January 17, 2015, the Company executed a renegotiated Mining Lease and Option to Purchase Agreement (the "Agreement") with Geological Services Inc. and Robert W. Schafer (the "Vendors") on nine unpatented lode claims at Springer. The Agreement provided for advanced royalty payments to the Vendors totaling US\$500,000 during the first seven years of the lease and annual payments of US\$100,000 commencing on January 17, 2023, as well as share payments totaling 300,000 shares over the first four years and a sliding scale royalty Net Smelter Royalty ("NSR") of 2.0% - 4.0% on tungsten. On November 13, 2015, the Company notified Geological Services Inc. and Robert W. Schafer that SMC is terminating the Agreement. The Agreement is non-material to the Company.

### *Note payable*

In conjunction with the acquisition of Springer and Nevada Royalty Corp from Till Capital (the "Acquisition") in April 2014, the Company issued a US\$4,500,000 Promissory Note ("Promissory Note") that bears interest at 4.00% per annum payable in tranches of US\$1,000,000, US\$1,500,000, and US\$2,000,000, plus accrued interest, on the first, second, and third anniversaries of the Acquisition, respectively. On April 17th, 2015, the Company made its first payment on the Promissory Note payable to Till Capital. The payment was made by the issuance of Company shares. A total of 29,028,000 shares were issued at \$0.05 per share as per the Promissory Note agreement for a total payment of \$1,451,400. The Payment was satisfied by issuing shares with a market value in the amount of \$870,840. In the third quarter of 2015, the Promissory Note was amended and the share settlement option was removed.

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### *Michael Maslowski appointed Interim Chief Executive Officer*

On June 25, 2015, the Company appointed Michael Maslowski as Interim Chief Executive Officer. Mr. Maslowski is a Geological Engineer with a career spanning more than 35 years of varied experience in resource exploration and mining operations in diverse parts of the world. He has directed grassroots exploration programs, developed properties from exploration to production and managed mining operations. He was the team leader for the discovery of the Diamond Hill Mine for Pegasus Gold in the 1990s and advanced the mine into production. He worked for Coeur d'Alene Mines for 10 years in positions that included Director of Exploration and Assistant General Manager for the Palmarejo Mine in Chihuahua, Mexico. More recently he was VP Exploration and Chief Operating Officer for Golden Predator Canada. Mr. Maslowski holds a B.Sc. in Geological Engineering from Colorado School of Mines, is a Certified Professional Geologist (CPG) with the American Institute of Professional Geologists (AIPG), a Qualified Person (QP) as defined by National Instrument 43-101, and a member of the Society for Mining, Metallurgy, and Exploration (SME).

### *Weiyang ("Mary") Zhu appointed Chief Financial Officer*

On January 22, 2016, the Company appointed Weiyang ("Mary") Zhu as Chief Financial Officer. Ms. Zhu is a Certified Public Accountant ("CPA") and Certified Treasury Professional ("CTP") with over 20 years of experience in accounting and finance, of which 18 years is in the mining industry. Ms. Zhu presently serves as Corporate Controller of Till Capital. Prior to joining Till Capital, she served in various accounting and finance positions at Hecla Mining Company (1996 – 2015), a U.S. silver producer with operating mines in Alaska, Idaho, and Mexico, and a growing gold producer with an operating mine in Quebec, Canada. Ms. Zhu holds a master degree in accounting and a bachelor's degree in International Finance.

### *Other changes to the Company's Management and Board of Directors*

The Company announced that Clifford D. Nelson Jr. resigned his position as Chief Executive Officer and Director effective June 22, 2015. Dean Schiller and Blair Shiletto resigned their position as Director on June 16, 2015 and August 3, 2015, respectively. Effective August 21, 2015, William A. Lupien and Michael Maslowski were elected to the Board of Directors. Timothy P. Leybold resigned his position as Chief Financial Officer effective January 22, 2016.

## **DEVELOPMENT AND OPERATIONS REVIEW**

### *Taylor property, Nevada*

The Taylor property is located in White Pine County, Nevada, 17 miles south of the town of Ely. The property hosts a silver mineral resource reported in accordance with Canadian National Instrument 43-101 and has a 1970s vintage 1200 ton per day mill. The Company acquired a 100% interest in the Taylor property by exercising the options granted by America's Bullion Royalty Corp. ("AMB") which subsequently became Till Capital as a result of a reorganization. AMB retained a 2% Net Smelter Royalty ("NSR") on all precious metals and 1% NSR on all other metals, except for metals extracted from claims subject to pre-existing royalties on which AMB will receive a 1% NSR on precious metals and 0.5% NSR on all other metals.

During the year ended May 31, 2014, the Company acquired a 100% interest in the Taylor mill as part of the Acquisition (see Note 4 of the December 31, 2015 audited consolidated financial statements for more detail). As part of the Acquisition, the Company granted an additional 1% net profits royalty on the property to AMB. During the year ended December 31, 2015, the Company wrote down the property by an amount of \$5,614,211. The impairment was based on the analysis of the existing resources, exploration potential, and current market conditions.

No new on the ground activity has occurred at Taylor since last reported in the May 31, 2014 MD&A due to poor market conditions and lack of exploration dollars available. While no on the ground activity has occurred, follow up desk top reviews of the encouraging drill results from the 2014 program, as previously reported, have been on going as time permits. The reviews indicate, three holes encountered thick gold bearing zones in 2014 at the Antimony prospect area and these holes are on the eastern side of a larger gold zone which was originally identified in the 1980's by other companies. Plans are being developed for a follow up and step out drilling program in the Antimony area to further test the potential for a large Carlin style gold deposit once exploration funding is available.

### *Other properties*

The Company continues to hold patented or unpatented claims at Treasury Hill, Cordero, Cornucopia, and Copper King, Idaho.

## **OUTLOOK**

Management estimates that it currently does not have adequate working capital to fund all of its expenses and planned activities for the next fiscal year. The Company's continued operations are dependent on its ability to monetize assets and sell its assets held for sale at fair value or raise additional funding from loans or equity financings or through other arrangements. There is no assurance that the sale of assets or future financing initiatives will be successful. These conditions give rise to a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern and, therefore, its ability to realize its assets and discharge its liabilities in the normal course of business. The 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 Company be unable to continue as a going concern. Such adjustments could be material.

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**FINANCIAL HIGHLIGHTS**

	2015				2014*		Fiscal year ended May 31, 2014	
	Oct - Dec 2015	Jul - Sept 2015	Apr - Jun 2015	Jan - Mar 2015	Oct - Dec 2014	Jun - Sept 2014	Mar - May 2014	Dec 2013 - Feb 2014
Operating expenses	\$ (94,287)	\$ (120,046)	\$ (114,638)	\$ (204,506)	\$ (117,973)	\$ (367,544)	\$ (184,926)	\$ (219,440)
Interest expense, net	(133,675)	(130,826)	(120,746)	(148,637)	(250,860)	(71,004)	(65,514)	—
Gain (loss) on derivative asset	(3,437,110)	(178,042)	1,173,661	254,047	2,143,518	—	488,490	—
Gain (loss) on investments	56,609	(6,978)	(51,219)	—	—	—	(25,000)	—
Write off of assets	(1,319,528)	(4,373,443)	(357,491)	(101,504)	—	—	(8,338,209)	(852,961)
Foreign exchange gain (loss)	(147,509)	(329,971)	125,307	(413,325)	(303,861)	47,668	52,413	(6,146)
Loss from Discontinued Operation	—	(89,685)	—	—	—	—	—	—
Net income (loss)	\$(5,075,500)	\$(5,228,991)	\$ 654,874	\$ (613,925)	\$ 1,470,824	\$ (390,880)	\$(8,072,746)	\$(1,078,547)
Cumulative translation adjustment	302,482	853,315	(1,050,162)	1,828,109	553,649	312,009	495,019	(274,245)
Unrealized gain (loss) on investments	(56,609)	6,848	(47,464)	75,000	25,000	—	—	25,000
Comprehensive income (loss)	\$(4,829,627)	\$(4,368,828)	\$ (442,752)	\$ 1,289,184	\$ 2,049,473	\$ (78,871)	\$(7,577,727)	\$(1,327,792)
Basic and diluted net income (loss) per share	\$ (0.04)	\$ (0.04)	\$ 0.01	\$ (0.01)	\$ 0.01	\$ (0.00)	\$ (0.15)	\$ (0.01)
Total assets	\$ 9,150,357	\$13,612,083	\$17,206,977	\$18,213,136	\$16,402,241	\$13,879,238	\$12,574,174	\$15,728,715
Total non-current financial liabilities	\$ 2,191,888	\$ 2,119,195	\$ 1,952,634	\$ 3,875,820	\$ 3,475,895	\$ 4,220,497	\$ 4,153,113	\$ —

\*In 2014, the Company changed its year end from May 31 to December 31. As a result, the Company's 2014 reporting period consists of seven months beginning June 1, 2014 and ending December 31, 2014.

In the third quarter of the fiscal year ended May 31, 2014, the Company incurred operating expenses of approximately \$0.2 million and asset write-offs primarily attributable to the Magistral property of approximately \$0.9 million resulting in net loss of approximately \$1.1 million for the quarter.

In the fourth quarter of the fiscal year ended May 31, 2014, the Company incurred operating expenses of approximately \$0.2 million, asset write-offs mostly related to Canadian, Mexican, and US properties of approximately \$8.4 million, and a gain on the derivative asset of approximately \$0.5 million, resulting in net loss of approximately \$8.1 million for the quarter.

In the first quarter of the fiscal year ended December 31, 2014, the Company incurred operating expenses of approximately \$0.4 million, resulting in net loss of approximately \$0.4 million for the quarter.

In the second quarter of the fiscal year ended December 31, 2014, the Company incurred operating expenses of approximately \$0.7 million, and a gain on the derivative asset resulting from the first payment of the Promissory Note of approximately \$2.2 million, resulting in net income of approximately \$1.5 million for the quarter.

In the first quarter of the fiscal year ended December 31, 2015, the Company incurred operating expenses of approximately \$0.8 million, asset write-offs of fixed assets at Springer of approximately \$0.1 million, and a gain on the derivative asset of approximately \$0.3 million, resulting in net loss of approximately \$0.6 million for the quarter.

In the second quarter of the fiscal year ended December 31, 2015, the Company incurred operating expenses of approximately \$0.1 million, asset write-offs of approximately \$0.4 million, and a gain on the derivative asset of approximately \$1.2 million due to the decline in the price of the Company's shares, resulting in net income of approximately \$0.7 million for the quarter.

In the third quarter of the fiscal year ended December 31, 2015, the Company incurred operating expenses of approximately \$0.7 million, asset write-offs mostly related to the Taylor property of approximately \$4.4 million, and a loss on the derivative asset of approximately \$0.2 million due to the increase in the price of the Company's shares, resulting in net loss of approximately \$5.2 million for the quarter.

In the fourth quarter of the fiscal year ended December 31, 2015, the Company incurred operating expenses of approximately \$0.3 million, asset write-offs mostly related to the Taylor property of approximately \$1.3 million, and a loss on the derivative asset of approximately \$3.4 million, resulting in net loss of approximately \$5.0 million for the quarter.

Operating expenses have been declining over the past several quarters as management continues to reduce costs. Quarterly net income or loss has fluctuated primarily due to the gain or loss on the derivative asset, which is almost completely tied to the Company's stock price, the write-off of assets which occurs only when there is evidence of impairment and foreign exchange gain or loss. Quarterly comprehensive income or loss has also fluctuated quarter to quarter due to the cumulative translation adjustment which results primarily from changes in the foreign exchange rates applied to the Company's US subsidiaries.

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#### Results of operations for the three months ended December 31, 2015

The net loss for the three months ended December 31, 2015 is \$5,075,500 (three months ended December 31, 2014 - income of \$1,470,824). Individual items contributing to the change of \$6,546,324 are as follows:

- Lower loss on operating activities of \$23,686 primarily due to no stock-based compensation expensed during the three months ended December 31, 2015 compared to \$24,234 during the three months ended December 31, 2014.
- Loss on derivative asset of \$3,437,110 (three months ended December 31, 2014 - gain of \$2,143,518) as a result of the amendment of the Promissory Note to remove the share settlement option. As of December 31, 2015, there is no derivative asset related to the Promissory Note.
- Exploration asset write-down of \$1,319,528 related to the Taylor property (three months ended December 31, 2014 - \$nil).
- Lower foreign exchange loss of \$156,352 due to a lower Promissory Note balance as of December 31, 2015 compared to December 31, 2014 as a result of the first payment made in April 2015. The Promissory Note is denominated in US dollar.
- Lower interest expense of \$117,185 primarily due to the lower Promissory Note balance during the three months ended December 31, 2015 as compared to the three months ended December 31, 2014.

#### Results of operations for the year ended December 31, 2015

The net loss for the year ended December 31, 2015 is \$10,263,542 (seven months ended December 31, 2014 - income of \$1,079,944). Individual items contributing to the change of \$11,343,486 are as follows:

- Higher loss on operating activities of \$135,637 due primarily to twelve months of administration activity during the year ended December 31, 2015 compared to the seven months ended December 31, 2014.
- Loss on derivative asset of \$2,187,444 (seven months ended December 31, 2014 - gain of \$2,143,518) primarily due to the amendment of the Promissory Note to remove the share settlement option, partly offset by a realized gain from the first payment being made by the issuance of the Company's shares at the agreed upon price of \$0.05. As of December 31, 2015 there is no derivative asset related to the Promissory Note.
- Higher exploration asset writeoffs of \$6,153,974 during the year ended December 31, 2015 compared to the seven months ended December 31, 2014. During the year ended December 31, 2015, the Company wrote off the Illinois Creek property in the amount of \$370,670, and wrote down the Taylor property in the amount of \$5,614,211. There were no writeoffs of resource properties during the seven months ended December 31, 2014.
- Foreign exchange loss increased by \$509,305 due to greater weakening of the Canadian dollar compared to the US dollar during the year ended December 31, 2015 compared to the seven months ended December 31, 2014.
- Interest expense increased by \$212,020 due primarily to twelve months of interest during the year ended December 31, 2015 on the Promissory Note issued to Till Capital compared to only seven months of interest in the seven months ended December 31, 2014, partially offset by the lower Promissory Note balance for most of 2015.

#### Cash flows for the year ended December 31, 2015

Cash outflows from operating activities decreased by \$8,171 to \$550,631 (seven months ended December 31, 2014 - \$558,802) due primarily to changes in working capital (payables by \$116,790, prepaid expenses and deposits by \$90,003), partly offset by the higher operating loss adjusted for non-cash items of \$182,767.

Cash outflows from investing activities decreased by \$209,764 to \$356,068 (seven months ended December 31, 2014 - \$565,832) due to less exploration costs capitalized (\$191,927), and proceeds from the sale of marketable securities of \$17,837.

Cash inflows from financing activities decreased by \$924,151 to \$381,425 (seven months ended December 31, 2014 - \$1,305,576) primarily due to proceeds received from a private placement of \$1,369,900 during the seven months ended December 31, 2014, compared to proceeds received from a loan (\$381,425) during the year ended December 31, 2015.

#### Financial position

The decrease in cash and equivalents of \$525,274 to \$27,401 (December 31, 2014 - \$552,675) results primarily from paying operating and exploration expenditures during the period, partly offset by proceeds received from a loan from Resource Re Ltd., a subsidiary of Till Capital.

The fair value of the derivative asset decreased by \$2,768,004 to \$nil at December 31, 2015 (December 31, 2014 - \$2,768,004) as a result of the amendment of the Promissory Note to remove the share settlement option.

At December 31, 2015, the Springer mining and mineral assets in the amount of \$6,605,440 were classified as Assets Held for Sale pursuant to IFRS 5. See Note 7 of the December 31, 2015 audited consolidated financial statements for more details.

Reclamation bonds decreased by \$22,141 to \$172,637 (December 31, 2014 - \$194,778) due to the return of reclamation bond funds on the satisfaction of the Company's reclamation responsibilities. Reclamation bonds are posted with the Bureau of Land Management ("BLM") in the

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State of Nevada and with the United States Forest Service (Nevada) as security for reclamation requirements on the Company's mineral properties. No reclamation liabilities exist as at December 31, 2015 and the Company is actively pursuing the release of the remaining bonds.

Property, plant and equipment decreased by \$4,730,378 to \$nil (December 31, 2014 - \$4,730,378) due primarily to the reclassification of the Springer assets to Assets Held for Sale in the current period.

Mineral properties decreased by \$5,726,532 to \$2,136,800 (December 31, 2014 - \$7,863,332) due to write-offs of \$6,076,594 primarily attributable to Taylor, and the reclassification of the Springer mineral properties to Assets Held for Sale (\$1,059,427), partially offset by the effect of changes in the foreign exchange rate and additional amounts capitalized for expenditures on mineral properties in the current period.

The Company made its first payment on the Promissory Note, including principal and accrued interest, on April 17, 2015 by issuing to Till Capital a total of 29,028,000 shares at \$0.05 per share as per the Promissory Note agreement for a total payment of \$1,451,400. In accordance with the terms of the Promissory Note, the payment was satisfied by issuing shares with a market value of \$870,840. As a result, the Promissory Note balance decreased to \$4,514,364 (December 31, 2014 - \$4,638,595), the interest payable increased by \$17,857 to \$130,077 (December 31, 2014 - \$147,934), and the share capital increased by \$873,240 to \$31,797,380 (December 31, 2014 - \$30,924,140). During the period the Company received proceeds of \$381,425 (US\$275,000) as a loan from Resource Re Ltd., a subsidiary of Till Capital.

## **LIQUIDITY AND CAPITAL RESOURCES**

The consolidated statements of financial position have been prepared assuming the Company will continue on a going-concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. For the year ended December 31, 2015, the Company reported net cash outflow from operating activities of \$550,631 and as at that date had a net working capital balance of \$3,855,944 and an accumulated deficit of \$34,015,952. The Company has no source of operating cash flows and as such the Company's ability to continue as a going concern is contingent on its ability to monetize assets or obtain additional financing.

In recognition of these circumstances, the Company has secured funding in the amount of approximately \$327,000 from the sale of investment (see Note 20 of the December 31, 2015 audited consolidated financial for more details) and the additional borrowing capacity on the working capital promissory note from a subsidiary of Till Capital (see Note 8 of the December 31, 2015 audited consolidated financial for more details). The Company is expecting to get additional proceeds from the sale of part of SMC assets and the equipment of the Taylor mill (see Note 7 of the December 31, 2015 audited consolidated financial for more details) to fund operations and meet payment obligations.

The Company's ability to continue as a going concern is dependent upon its ability to fund mineral properties exploration, finalizing the transaction to sell part of the SMC assets and obtain additional financing. The ability of the Company to monetize assets or obtain additional financing is uncertain, casting significant doubt upon the Company's ability to continue as a going concern. These 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 if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## **OUTSTANDING SHARE DATA**

At the date of this report, the Company has 128,049,192 issued and outstanding common shares, 200,000 outstanding warrants at a weighted average exercise price of \$0.14, and 2,988,500 stock options outstanding at a weighted average exercise price of \$0.25.

## **RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2015, the Company incurred expenses of \$10,193 (December 31, 2014 - \$218,372) to directors and officers as compensation for services received.

Amounts paid to related parties were incurred in the normal course of business. The Company is party to service agreements with a subsidiary of Till Capital whereby the Company receives accounting, corporate communications, and technical services on a cost-plus recovery basis. In the year ended December 31, 2015, the Company was charged \$308,568 (December 31, 2014 - \$37,000) for these services. As at December 31, 2015, the amounts due to related parties totaled \$94,053 (December 31, 2014 - \$88,003).

## **OFF BALANCE SHEET ARRANGEMENTS**

At December 31, 2015, the Company had no material off-balance sheet arrangements, such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments (other than the derivative instrument related to the Promissory Note which is disclosed in Note 8 of the December 31, 2015 audited consolidated financial statements), or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## **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.

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

#### *Valuation of mineral properties*

The Company follows the guidance of IFRS 6, *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"), to determine when a mineral property asset is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the results of exploration and evaluation activities to date and the Company's future plans to explore and evaluate a mineral property.

#### *Classification and valuation of Assets Held for Sale*

The Company follows the guidance of IFRS 5 for the classification of Assets Held for Sale. Non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. In assessing classification, the Company considers all currently available information including results of ongoing sales processes.

#### *Embedded derivative*

The option to settle payments of the Company's Promissory Note in common shares at \$0.05 when the prevailing share price of the Company is below \$0.05, represents an embedded derivative in the form of a put option to the Company. This derivative asset was initially recognized at fair value on the date of the Acquisition and is subsequently re-measured at fair value, using the Black-Scholes model, at each reporting date, with changes in fair value recorded in profit or loss. The Promissory Note was amended in the third quarter of 2015 to remove the share settlement option, thus as of December 31, 2015, there is no derivative asset related to the Promissory Note.

#### *Discount rate on Promissory Note*

The Promissory Note was recognized initially at fair value, and is subsequently carried at amortized cost using the effective interest rate method. The fair value of the Promissory Note was estimated using a discounted cash flow calculation, at a discount rate of 13.00% which was management's best estimate of the Company's cost of borrowing at the time of the original issuance.

### **New standards not yet adopted**

A number of new standards and amendments to standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements. The Company is currently assessing the impact of these standards and amendments on its consolidated financial statements.

#### *Financial Instruments*

IFRS 9, *Financial Instruments* ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB has previously issued versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication of IFRS 9 is the complete version of the Standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. The determination is made at initial recognition. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets are dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

Additionally, IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets, and some modifications related to hedge accounting.

This final version of IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of IFRS 9.

#### *Leases*

On January 13, 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), according to which, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRS 16 on its financial statements.

### **RISKS AND UNCERTAINTIES**

Prior to making an investment decision, investors should consider the investment risks set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The Directors of the Company consider the risks set out below to be the most significant to potential investors in the Company, but are not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Directors are currently unaware, or which they consider not to be material in relation to the Company's

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business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

#### *Sale of assets and availability of financing*

There is no assurance that the sale of assets or future financing initiatives will be successful. There is no assurance that additional funding will be available to the Company for additional exploration or for the substantial capital that is typically required in order to bring a mineral project to the production decision or to place a property into commercial production. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

#### *Title matters*

While the Company has performed due diligence with respect to title of its properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements of transfer or other adverse land claims, and title may be affected by undetected defects.

#### *Management*

The Company is dependent on a relatively small number of key personnel and management services provided by Till Capital pursuant to the intercompany service agreement. The loss of any key personnel or management services could have an adverse effect on the Company.

#### *Economics of developing mineral properties*

Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. With respect to the Company's properties, should any mineral resource exist, substantial expenditures will be required to confirm that mineral reserves which are sufficient to commercially mine exist on its current properties, and to obtain the required environmental approvals and permits required to commence commercial operations. Should any resource be defined on such properties, there can be no assurance that the mineral resources on such properties can be commercially mined or that the metallurgical processing will produce economically viable, merchantable products. The decision as to whether a property contains a commercial mineral deposit and should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and/or geologists, all of which involve significant expense. This decision will involve consideration and evaluation of several significant factors including, but not limited to: (i) costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies and construction of production facilities; (ii) availability and costs of financing; (iii) ongoing costs of production; (iv) market prices for the minerals to be produced; (v) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and (vi) political climate and/or governmental regulation and control.

The ability of the Company to sell and profit from the sale of any eventual mineral production from any of its properties will be subject to the prevailing conditions in the global minerals marketplace at the time of sale. The global minerals marketplace is subject to global economic activity and changing attitudes of consumers and other end-users' demand for mineral products. Many of these factors are beyond the control of the Company and therefore represent a market risk which could impact the long term viability of the Company and its operations.

#### *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.

#### *Foreign exchange risk*

A portion of the Company's financial assets and liabilities are denominated in US dollars. The Company may raise funds in either US or Canadian dollars while major purchases and expenditures are usually transacted in US dollars. The Company also funds certain operations and exploration and administrative expenses in US dollars. The Company monitors this exposure to foreign exchange risk, but has no hedge positions. At December 31, 2015, a 5% change in the value to the US dollar as compared to the Canadian dollar would result in an immaterial change in net loss and shareholders' equity.

#### *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 and reclamation bonds. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of cash and Guaranteed Investment Certificates (GICs), for which management believes the risk of loss to be minimal. 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.

#### *Interest rate risk*

Interest rate risk mainly arises from the Company's cash and cash equivalents, which receive interest based on market interest rates. Fluctuations in interest cash flows due to changes in market interest rates are negligible.

The Company's borrowings are at fixed rates. The fair value of the fixed-rate Promissory Note fluctuates with changes in market interest rates, but the cash flows do not.

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### Management's Discussion and Analysis

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#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they become due. The Company prepares annual exploration and administrative budgets and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs is dependent on the Company's ability to obtain additional financing through various means, including equity financing. There can be no assurance that the Company will be able to obtain adequate financing or that the terms of such financing will be favourable. At December 31, 2015, the Company had a working capital balance of \$3,855,944 inclusive of Assets Held for Sale.

#### *Stage of development*

The Company's properties are in the development and exploration stage and the Company does not have an operating history. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

#### *Profitability of operations*

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as production is achieved from one of the Company's properties, if production is, in fact, ever achieved. The Company has never realized an operating profit. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

#### *Mineral Industries competition is significant*

The international mineral industries are highly competitive. The Company will be competing against competitors that may be larger and better capitalized, have state support, have access to more efficient technology, and have access to reserves minerals that are cheaper to extract and process. As such, no assurance can be given that the Company will be able to compete successfully with its industry competitors.

#### *Fluctuations in metal prices*

The Company's future revenues, if any, are expected to be in large part derived from the future mining and sale of metals or interests related thereto. The prices of these commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control, including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the prices of metals, and therefore the economic viability of the Company's operations, cannot be accurately predicted. Depending on the price obtained for any minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

#### *The Company's operations are subject to operational risks and hazards inherent in the mining industry*

The Company's business is subject to a number of inherent risks and hazards, including environmental pollution: accidents: industrial and transportation accidents, which may involve hazardous materials: labour disputes: power disruptions: catastrophic accidents: failure of plant and equipment to function correctly: the inability to obtain suitable or adequate equipment: fires: blockades or other acts of social activism: changes in the regulatory environment: impact of non-compliance with laws and regulations: natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, ground movements, tailings, pipeline and dam failures and cave-ins; and encountering unusual or unexpected geological conditions and technical failure of mining methods.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's mineral properties, personal injury or death, environmental damage, delays in the Company's exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

#### *Government regulation*

The Company's mineral exploration and planned development activities are subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company believes its exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Many of the mineral rights and interests of the Company are subject to government approvals, licenses and permits. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of applicable governments or governmental officials. No assurance can be given that the Company will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering

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loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations or applicable laws or regulations.

Amendments to current laws and regulation governing operations or more stringent implementation thereof could have a substantial impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

#### *Future sales of common shares by existing shareholders*

Sales of a large number of common shares in the public markets, or the potential for such sales, could decrease the trading price of the common shares and could impair the Company's ability to raise capital through future sales of common shares. Substantially all of the common shares can be resold without material restriction in Canada.

#### *The Company 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 Company is classified as a PFIC, whether or not the Company distributes any amounts to its shareholders. U.S. investors should consult with their tax advisor for advice as to the U.S. tax consequences of an investment in the common shares.

## **INFORMATION REGARDING FORWARD LOOKING STATEMENTS**

This Management's 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 the Company and its projects, the future price of silver, the future price of gold, 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 the Company 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; future prices of gold; 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 the Company 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's Discussion and Analysis of Financial Condition and Results of Operations based on the opinions and estimates of management, and the Company 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.

## **SUBSEQUENT EVENTS**

On January 22, 2016, Timothy Leybold resigned as Chief Financial Officer of Silver Predator Corp. and each of its subsidiaries, and the Company appointed Weiyang ("Mary") Zhu as its Chief Financial Officer.

In February 2016, Silver Predator sold in the open market the 4,445,000 shares of West Red Lake Gold (formerly Hy Lake Gold Inc.) for \$156,362.