SILVER PREDATOR CORP.

(An Exploration Stage Enterprise)

Consolidated Financial Statements

For the Year Ended December 31, 2017 and 2016

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Silver Predator Corp. ("SPD") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that the consolidated financial statements are presented fairly in all material respects.

The Audit Committee of the Board of Directors has met with SPD's independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

SPD's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

"John T. Rickard"	*"Weiying Zhu"*
John T. Rickard Chief Executive Officer	Weiying Zhu Chief Financial Officer

Vancouver, BC

March 12, 2018

March 12, 2018

Independent Auditor's Report

To the Shareholders of Silver Predator Corp.

We have audited the accompanying consolidated financial statements of Silver Predator Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
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Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Silver Predator Corp. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Silver Predator Corp.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Silver Predator Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2017	December 31, 2016
ASSETS		
Current		
Cash	$ 363,929	$ 364,139
Receivables, prepaid expenses, and deposits (Note 10)	245,774	43,623
Investments (Note 4)	120,000	—
Assets held for sale (Note 5)	—	5,264,957
	729,703	5,672,719
Reclamation bonds (Note 7)	79,242	123,617
Mineral properties (Note 8)	1,411,975	2,142,670
	$ 2,220,920	$ 7,939,006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 9, 10)	$ 375,520	$ 602,334
Liabilities held for sale (Note 5)	—	24,982
Current portion of promissory notes (Note 6)	—	5,025,884
	375,520	5,653,200
Shareholders' equity		
Share capital (Note 11)	32,529,936	32,529,936
Reserves	2,750,223	2,723,832
Accumulated other comprehensive income	3,007,743	3,224,894
Deficit	(36,442,502)	(36,192,856)
	1,845,400	2,285,806
	$ 2,220,920	$ 7,939,006

Nature of operations and going concern (Note 1)

Approved on behalf of the Audit Committee:

"Patricia M. Tilton"

The accompanying notes are an integral part of these consolidated financial statements.

Silver Predator Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		Twelve Months Ended December 31, 2017		Twelve Months Ended December 31, 2016
Expenses				
Professional and consulting fees	$	171,799	$	353,369
General and administrative		83,501		215,555
Reclamation expense (Note 7)		113,628		—
Stock-based compensation (Note 11)		26,391		21,780
Net loss on operating activities		(395,319)		(590,704)
Other income (expense)				
Write-down of assets held for sale (Note 5)		—		(1,315,087)
Gain on sale of assets and investments (Note 12)		130,872		360,520
Foreign exchange gain		149,149		111,510
Interest expense		(85,462)		(785,228)
Other income (expense)		(57,886)		42,085
Total other income (expense)		136,673		(1,586,200)
Loss for the year before income tax	$	(258,646)	$	(2,176,904)
Income tax recovery (Note 13)		9,000		—
Loss for the year after income tax	$	(249,646)	$	(2,176,904)
Items that may be reclassified to profit and loss				
Unrealized gain (loss) on available-for-sale investments, net of income tax of $9,000		3,029		(20,000)
Reclassification to profit and loss		50,971		22,225
Change in cumulative translation adjustment		(271,151)		(267,344)
Total comprehensive loss for the year	$	(466,797)	$	(2,442,023)
Basic and diluted loss per common share	$	(0.01)	$	(0.08)
Weighted average number of common shares outstanding (Note 11)		28,609,838		26,781,970

The accompanying notes are an integral part of these consolidated financial statements.

Silver Predator Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016
OPERATING ACTIVITIES		
Loss for the year	$ (249,646)	$ (2,176,904)
Items not affecting cash:		
Foreign exchange gain	(124,854)	(115,548)
Income tax recovery	(9,000)	—
Interest expense	85,462	785,228
Write-down of assets held for sale (Note 5)	—	1,315,087
Gain on sale of assets and investments (Note 12)	(130,872)	(360,520)
Stock-based compensation	26,391	21,780
Other non-cash items, net	—	(3,900)
	(402,519)	(534,777)
Changes in non-cash working capital items:		
(Increase) decrease in receivables	2,473	(2,228)
(Increase) decrease in prepaid expenses and deposits	61,074	(8,367)
Increase (decrease) in amounts due to related parties	(219,530)	(99,870)
Increase (decrease) in accounts payable and accrued liabilities	307,959	16,271
	(250,543)	(628,971)
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	149,000	156,362
Proceeds from sale of equipment and mineral property	105,393	359,733
Proceeds from property option payments	390,620	—
Exploration and evaluation costs capitalized	(42,420)	(182,240)
	602,593	333,855
FINANCING ACTIVITIES		
Proceeds received from loan	—	208,119
Repayment of loan (Note 6)	(259,540)	(308,821)
Repayment of interest (Note 6)	(92,720)	—
Private Placement (Note 11)	—	732,556
	(352,260)	631,854
Change in cash during the year	(210)	336,738
Cash, beginning of year	364,139	27,401
Cash, end of year	$ 363,929	$ 364,139

Non-cash transaction:

On April 20, 2017 and October 20, 2017, SPD received 500,000 and 300,000 common shares of Montego Resources, Inc., respectively. (Note 8)

The accompanying notes are an integral part of these consolidated financial statements.

Silver Predator Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital					
	Number	**Amount**	**Reserves**	**Accumulated other comprehensive income**	**Deficit**	**Total**
Balance, December 31, 2015	**25,609,838**	**$ 31,797,380**	**$ 2,702,052**	**$ 3,490,013**	**$ (34,015,952)**	**$ 3,973,493**
Private placement	3,000,000	732,556	—	—	—	732,556
Stock-based compensation	—	—	21,780	—	—	21,780
Change in value of investments	—	—	—	2,225	—	2,225
Cumulative translation adjustment	—	—	—	(267,344)	—	(267,344)
Net loss for the year	—	—	—	—	(2,176,904)	(2,176,904)
Balance, December 31, 2016	**28,609,838**	**$ 32,529,936**	**$ 2,723,832**	**$ 3,224,894**	**$ (36,192,856)**	**$ 2,285,806**
Stock-based compensation	—	—	26,391	—	—	26,391
Change in value of investments, net of income tax of $9,000	—	—	—	54,000	—	54,000
Cumulative translation adjustment	—	—	—	(271,151)	—	(271,151)
Net loss for the year	—	—	—	—	(249,646)	(249,646)
Balance, December 31, 2017	**28,609,838**	**$ 32,529,936**	**$ 2,750,223**	**$ 3,007,743**	**$ (36,442,502)**	**$ 1,845,400**

The number of shares outstanding at December 31, 2016 and 2015 have been restated for the 5:1 reverse split in 2017. (See Note 11)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

SPD was incorporated under the laws of the Province of British Columbia on May 16, 2006. SPD controls the Copper King copper-silver project in the Coeur d'Alene Silver District of northern Idaho and the Taylor silver-gold project ("Taylor") in Nevada as well as additional early stage exploration properties. As of December 31, 2017, SPD is 64.11% owned by Till Capital Ltd.'s ("Till Capital") wholly owned subsidiary Resource Re Ltd. ("Resource Re"). SPD's head office is located at 13403 N. Government Way, Suite 212, Hayden, ID 83835.

These consolidated financial statements have been prepared assuming SPD will continue on a going-concern basis, which assumes that SPD 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, 2017, SPD reported a net loss of $249,646, and as of that date had a net working capital balance of $354,183 and an accumulated deficit of $36,442,502. SPD has no source of operating cash flows and as such SPD's ability to continue as a going concern is contingent on its ability to monetize assets or obtain additional financing.

The ability of SPD to monetize assets or obtain additional financing is uncertain, casting significant doubt upon SPD's ability to continue as a going concern. These 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 if SPD 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.

2. BASIS OF PRESENTATION AND MEASUREMENT

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and stock-based awards, which have been measured at fair value. SPD's presentation currency is Canadian dollars. Reference herein to $ is to Canadian dollars. Reference herein to US$ is to United States dollars.

These consolidated financial statements were approved by the Board of Directors for issue on March 12, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in these consolidated financial statements are as follows:

Basis of consolidation

These consolidated financial statements include the accounts of SPD and its subsidiaries.

Subsidiaries are entities that SPD controls, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when SPD has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. That control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All intra-group balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated in full.

Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by SPD.

SPD's significant subsidiaries are as follows:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Silver Predator US Holding Corp. ("SPUS")	Nevada, USA	100%	U.S. Holding Company
Nevada Royalty Corp. ("NRC")	Nevada, USA	100%	Mineral exploration

Translation of foreign currencies

The functional currency of the parent company is the Canadian dollar. The functional currency of SPD's United States subsidiaries is the United States dollar. SPD's presentation currency is the Canadian dollar.

Transactions denominated in currencies other than the functional currency are recorded using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit and loss in the period in which they arise.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of SPD's foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period where these approximate the rates on the dates of transactions, and where exchange differences arise, they are recognized as a separate component of equity.

Cash

Cash comprises cash on deposit with banks.

Investments

Purchases of investments in available-for-sale investments are initially recorded at the purchase price on the trade date and are subsequently carried at fair value. Sales of investments are recorded at the sales price on the trade date. Realized gains and losses are included in income or loss in the period in which they occur. Unrealized gains and losses from changes in fair value of available-for-sale investments are included in accumulated other comprehensive income (loss) in shareholders' equity. On disposal or sale of an available-for-sale investment, previously recorded unrealized gains and losses are removed from accumulated other comprehensive income (loss) in shareholders' equity and included in current period income or loss.

Quarterly, SPD performs an assessment of its investments to determine if any are impaired. An investment is impaired when the fair value of the investment declines to an amount less than the cost of that investment. As part of the assessment process, SPD determines whether the impairment is temporary or "other-than-temporary". SPD bases its assessment on both quantitative criteria and qualitative information, considering a number of factors, including, but not limited to, how long the security has been impaired, the amount of the impairment, and whether SPD intends to hold, and has the ability to hold, the security for a period sufficient for SPD to recover its cost basis.

If SPD were to determine that an investment has incurred an "other-than-temporary" impairment, SPD would permanently reduce the cost of that investment to fair value and recognize an impairment charge in its consolidated statements of comprehensive income (loss).

Assets held for sale

Assets held for sale are assets that are available for immediate sale in their present condition subject only to terms that are usual and customary for sale of such assets, its sale is highly probable, and the sale is expected to be completed within one year. Non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. At each reporting date, SPD assesses whether there is objective evidence that an available-for-sale financial asset is impaired.

Reclamation bonds

Reclamation bonds include bonds that have been pledged for reclamation and closure activities and that are not available for immediate disbursement.

Property, plant, and equipment

Property, plant, and equipment are carried at cost less accumulated depreciation and any accumulated impairment charges. Depreciation of assets not used for production is recorded on a straight-line basis over the estimated useful life of the asset. Depreciation of assets used for production is recorded on a units-of-production basis. Residual values and useful lives are reviewed annually. Impairment losses and gains and losses on disposals of property, plant, and equipment are included in the consolidated statement of loss and comprehensive loss.

Mineral properties

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units-of-production method on commencement of production.

If it is determined that capitalized acquisition, exploration, and evaluation costs are not recoverable, or the property is abandoned or management has determined that there is an impairment in value, the property is written down to its recoverable amount. Mineral properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

From time to time, SPD acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After all costs relating to a property have been recovered, further payments received are recorded as a gain on option or disposition of mineral property.

Sale or option of a property interest

Proceeds received from the sale or option of an interest in a property will be credited against the carrying value of the property, with any difference recorded as a gain or loss on sale. Option payments received in excess of the carrying value of a property are recorded as an exploration recovery in the consolidated statement of loss and comprehensive loss.

Provision for environmental reclamation

SPD recognizes liabilities for legal or constructive obligations associated with the restoration of mineral properties and retirement of equipment. The net present value of future reclamation costs is capitalized to the related asset along with a corresponding increase in the reclamation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

SPD's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of the future expenditures. Those changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The increase in the provision due to the passage of time is recognized as interest expense.

Impairment of tangible and long lived assets

At each reporting period, SPD assesses whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, SPD estimates the recoverable amount of the asset and compares it to the asset's carrying amount. The recoverable amount is the higher of the fair value less cost to sell and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of loss and comprehensive loss during the period.

Reversals of impairment arise from subsequent reviews of the impaired assets where the conditions that gave rise to the original impairments are deemed to no longer to apply. The carrying value of the asset is increased to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as a gain in the consolidated statement of loss and comprehensive loss in the period it is determined.

Financial Instruments

Recognition

Financial instrument assets are recognized on the date on which SPD becomes a party to the contractual provisions of the financial instrument. Financial instrument assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and SPD has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled, or expired.

All financial instrument assets are required to be classified and measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument asset.

At initial recognition, SPD classifies its financial instrument assets in the following categories:

Loans and receivables

Loans and receivables include cash and cash equivalents, reclamation bonds, and other current receivables and loans that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

Derivative instruments at fair value through profit or loss

Derivative instruments at fair value through profit and loss are recorded at fair value through profit or loss and, accordingly, are recorded on the balance sheet at fair value. Unrealized gains and losses on derivatives are recorded in profit or loss in the period in which they arise. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the balance sheet date or settlement date of the derivative.

Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade payables, due to related parties, and promissory notes payable. Promissory notes are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Share-based compensation

SPD grants share based awards in the form of share options in exchange for services from certain employees, officers, and directors. The share options are equity-settled awards. SPD determines the fair value of the awards on the date of grant using the Black-Scholes model. This fair value is charged to loss using a graded vesting attribution method over the vesting period of the options, with a corresponding credit to contributed surplus. When the share options are exercised, the applicable amounts of contributed surplus are transferred to share capital. At the end of the reporting period, SPD updates its estimate of the number of awards that are expected to vest and adjusts the total expense to be recognized over the vesting period.

SPD accounts for share purchase warrants using the fair value method. Under this method, the fair value of share purchase warrants is determined using the Black-Scholes valuation model. Upon exercise of a share purchase warrant, consideration paid together with the amount previously recognized in reserves is recorded as an increase to share capital.

Income taxes

Income tax expense or recovery represents the sum of the tax currently payable and deferred tax. Current tax payable, if any, is based on taxable earnings for the year.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable earnings nor accounting earnings. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and investments, and interests in joint ventures, except where SPD is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to earnings, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recorded within equity.

Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In periods of loss, basic and diluted earnings per share are the same as the effect of issuance of additional shares is anti-dilutive.

Critical accounting estimates and judgments

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 SPD's accounting policies. Those 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 consolidated financial statements.

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

<u>Valuation of mineral properties</u>

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

<u>Classification and valuation of assets held for sale</u>

SPD 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 the classification of assets held for sale, SPD considers all currently available information including results of ongoing sales processes.

New standards not yet adopted

A number of new standards and amendments to standards, and interpretations related thereto, are not yet effective and have not been applied in preparing these consolidated financial statements. SPD has assessed, or is currently assessing, the impact of those standards and amendments on its consolidated financial statements.

<u>Financial instruments</u>

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 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 approach 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.

The final version of IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. SPD has assessed the impact of IFRS 9 on its consolidated financial statements. SPD will adopt IFRS 9 effective January 1, 2018, no material impact is expected from that adoption.

Leases

On January 13, 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16") according to which, requires all leases to be recorded on the balance sheet of lessees, except for those leases that meet the limited exception criteria. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. SPD is assessing the impact of IFRS 16 on its consolidated financial statements, as SPD currently does not have operating lease, SPD does not expect there to be a material impact at adoption.

4. INVESTMENTS

Investments at December 31, 2017 consisted of 300,000 shares of Montego Resources, Inc. ("Montego"). Those shares have a cost basis of $57,000 and unrealized gain of $63,000 and were restricted from being sold until February 21, 2018.

5. ASSETS AND LIABILITIES HELD FOR SALE

In the second quarter of 2015, SPD announced its intention to realize value from assets by initiating a process to sell all, or part, of the tangible and mineral property assets at some of its properties in Nevada. SPD's Board and management committed to a plan to sell Springer Mining Company ("SMC") and the Taylor mill.

During the fourth quarter of 2016, SPD received $297,954 from the sale of multiple pieces of equipment at the Taylor mill. The Taylor Mill assets have a carrying value of $nil at December 31, 2017.

On January 17, 2017 SPD signed an agreement with Till Capital and its wholly owned subsidiary Resource Re to exchange the remaining balance of US$3.97 million in principal and interest due to Resource Re on an original promissory note of US $4.5 million for 100% of the shares of SMC. As a result, the assets and liabilities held for sale on December 31, 2017 were $nil.

Assets and Liabilities Held For Sale

	December 31, 2017	December 31, 2016
Cash, accounts receivable, and prepaid expenses - Springer	$ —	$ 31,419
Mineral properties - Springer	—	906,538
Property, plant, and equipment - Springer	—	4,283,494
Reclamation bonds - Springer	—	43,506
Total assets held for sale	$ —	$ 5,264,957
Accounts payable - Springer	$ —	$ 24,982
Total liabilities held for sale	$ —	$ 24,982

6. PROMISSORY NOTE

Acquisition promissory note

On April 17, 2014, in conjunction with the acquisition of SMC and NRC (the "Acquisition"), SPD issued a US$4,500,000 promissory note (the "Promissory Note"). The Promissory Note bore interest at 4.00% per annum and was 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. At SPD's option, the principal and interest payments could be made in cash or common shares, with the number of shares determined by reference to SPD's share price immediately prior to the respective payment date. If the prevailing share price of SPD were below $0.25 at the time of a payment that was to be settled in common shares of SPD, SPD could satisfy the payment based on a share price of $0.25. SPD could prepay the Promissory Note at any time through payment of the then outstanding principal and accrued interest. The Promissory Note was secured by the shares of SMC and NRC. In the event of non-payment by SPD, Resource Re, as holder of the Promissory Note, could receive the SMC and NRC shares and retain any cash or common share payments to date.

In the third quarter of 2015, the Promissory Note was amended and the share settlement option was removed. On April 27, 2016, the Promissory Note was amended to extend the due date of the second principal payment plus accrued interest to July 18, 2016 and to increase the interest rate from 4% to 10% beginning April 16, 2016. On June 15, 2016, the Promissory Note was further amended to extend the due date of the second principal payment plus accrued interest to January 17, 2017 and to increase the interest rate from 10% to 14% beginning July 18, 2016. On January 17, 2017, SPD announced that it reached an agreement with Till Capital and its wholly owned subsidiary Resource Re to exchange the remaining balance of US$3.97 million ($5.2 million) in principal and interest due to Resource Re for 100% of the shares of SMC, resulting in a gain of US$57,000 ($76,450).

The Promissory Note was recognized initially at fair value, and was subsequently carried at amortized cost using the effective interest rate method.

Working capital promissory note

On August 31, 2015, SPD announced that it had arranged for a US$275,000 loan from Resource Re to fund its working capital requirements. The loan was secured by the assets of SPD, bore interest at 12% per annum, and was due December 31, 2015. On December 31, 2015, the loan agreement was amended to increase the maximum loan amount to US$400,000, to increase the interest rate to 14% per annum, and to extend the due date to April 30, 2016. On April 27, 2016, the loan agreement was amended to extend the due date to June 15, 2016. On June 15, 2016, the loan agreement was further amended to extend the due date to January 17, 2017 and to increase the interest rate from 14% to 15% beginning June 16, 2016. On April 21, 2017, SPD repaid the balance of the working capital promissory note and accrued interest.

Promissory notes summary

	December 31, 2017	December 31, 2016
Current portion of acquisition Promissory Note	$ —	$ 4,673,465
Working capital promissory note	—	352,419
Total current portion of promissory notes	—	5,025,884
Non-current portion of acquisition Promissory Note	—	—
Total carrying value of promissory notes	$ —	$ 5,025,884

7. RECLAMATION BONDS

SPD has posted non-interest bearing bonds totaling $79,242 with the Bureau of Land Management in the State of Nevada and with the United States Forest Service (Nevada) as security for reclamation requirements. Reclamation expenses of $113,628 were incurred in the year ended December 31, 2017 (year ended December 31, 2016 - $nil). The reclamation work associated with that expense will help secure the return of a portion of the reclamation bonds.

8. MINERAL PROPERTIES

The following table is a list of mineral properties as of December 31, 2017 and 2016:

	Treasure Hill	Taylor	Cordero	Copper King	Cornucopia	Total
Balance, January 1, 2016	$ 220,030	$ 693,500	$ 67,434	$ 1,103,295	$ 52,541	$ 2,136,800
Additions / Exploration Costs (net)	13,054	32,053	11,506	10,292	6,198	73,103
Dispositions / Other Adjustments*	(6,846)	(21,705)	(1,994)	(35,096)	(1,592)	(67,233)
Balance, December 31, 2016	$ 226,238	$ 703,848	$ 76,946	$ 1,078,491	$ 57,147	$ 2,142,670
Option payment	—	(655,120)	—	—	—	(655,120)
Additions / Exploration Costs (net)	12,800	909	11,282	10,097	6,077	41,165
Currency translation adjustment	(15,296)	(20,859)	(5,438)	(71,187)	(3,960)	(116,740)
Balance, December 31, 2017	$ 223,742	$ 28,778	$ 82,790	$ 1,017,401	$ 59,264	$ 1,411,975

**Includes the effect of foreign exchange differences*

Treasure Hill

The Treasure Hill property is located west of Ely in White Pine County, Nevada and consists of unpatented and a large number of patented claims. The Treasure Hill property is subject to existing net smelter royalties ("NSR") of between 2% and 3%. That property is also subject to a 1.5% net profits interest.

Taylor

The Taylor property is located in White Pine County, Nevada, south of Ely. That property hosts a silver mineral resource reported in accordance with Canadian National Instrument 43-101.

On April 3, 2017, SPD entered into an option agreement (the "Agreement") with Montego. pursuant to which Montego has the right to acquire from SPD certain mining claims located in White Pine County in the State of Nevada commonly referred to as the Taylor Silver Property (the "Property").

Under the terms of the Agreement, Montego can acquire the Property in consideration for the completion of a series of cash payments totaling US$1,200,000, issuing 2,500,000 common shares of Montego to SPD, and incurring expenditures of at least US$700,000 on the Property. Upon completion of the payments, share issuances, and expenditures, Montego will hold a one-hundred percent interest in the Property, subject to a two-percent net smelter returns royalty and a one-percent net profit royalty which will be retained by SPD.

The payments, share issuances, and expenditures must be completed in accordance with the following schedule based on the closing date set forth in the Agreement (the "Closing"):

– At Closing: US$200,000 cash and 500,000 common shares
– 6 months from Closing: US$100,000 cash and 300,000 common shares
– 12 months from Closing: US$200,000 cash, 400,000 common shares and expenditures of US$100,000
– 24 months from Closing: US$300,000 cash, 500,000 common shares and expenditures of US$250,000
– 36 months from Closing: US$400,000 cash, 800,000 common shares and expenditures of US$350,000

The closing occurred on April 20, 2017 on which date SPD had received $265,770 (US$200,000) cash and 500,000 common shares of Montego initially valued at $207,500. On October 19, 2017 SPD received $124,850 (US$100,000) cash and 300,000 common shares of Montego initially valued at $57,000 for the second installment from Montego on the Agreement related to the Property.

Copper King, Idaho

The Copper King property is located in the Silver Valley of Northern Idaho. The Copper King property consists of certain unpatented mining claims that are subject to an existing 1% NSR to Golden Predator US Holding Corp., a wholly-owned subsidiary of Till Capital.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

	December 31, 2017	December 31, 2016
Trade payables	$ 320,636	$ 34,280
Interest payable	—	568,054
Accrued liability	54,884	—
	$ 375,520	$ 602,334

10. RELATED PARTY TRANSACTIONS

Key management compensation

During the year ended December 31, 2017, SPD incurred expenses of $65,747 (December 31, 2016 - $174,967) to directors and officers as compensation for services received.

Withholding tax

Included in receivables is $233,421 due from Resource Re for withholding taxes due on interest payments made to a non-Canadian related party. That amount is from the interest payments SPD made to Resource Re on the Promissory Notes (Note 6) and is included in trade payables.

Other

Amounts paid to related parties were incurred in the normal course of business. SPD is party to service agreements with a subsidiary of Till Capital whereby SPD receives accounting and corporate communications services on a cost-plus recovery basis. During the year ended December 31, 2017, SPD was charged $46,595 (December 31, 2016 - $47,803) for those services. At December 31, 2017, amounts due from related parties totaled $233,986 (December 31, 2016 - $5,817) and are included in receivables. At December 31, 2017, the amounts due to related parties totaled $8,639 (December 31, 2016 - $nil) and are included in trade payables.

11. SHARE CAPITAL AND RESERVES

Authorized and issued share capital

Unlimited number of common shares without par value.

On November 20, 2017, SPD through a 5:1 reverse stock split ("consolidation") consolidated its common shares on the basis of five (5) pre-consolidation common shares for one (1) post-consolidation common share. All common share, option, and warrant numbers in these consolidated financial statements and notes are post-consolidation common share, option, and warrant numbers. The common shares as of December 31, 2016 and 2015 have been restated based on that 2017 consolidation having occurred as of December 31, 2016 and 2015.

On August 10, 2016, SPD completed a private placement whereby SPD sold 3,000,000 shares of its common shares at $0.25 per share for total net proceeds of $732,556, excluding the $17,444 in share issuance costs.

At December 31, 2017, SPD had 28,609,838 shares issued and outstanding (December 31, 2016 - 28,609,838).

Stock options and warrants

SPD has a Stock Option Plan to provide a performance incentive to directors, officers, employees, and consultants. The maximum number of shares issuable under the Stock Option Plan may not exceed 10% of the shares outstanding. The exercise period of the options may not exceed five years from the date of grant. The vesting period and the exercise price of options granted is determined by SPD's Board of Directors, and the exercise price cannot be less than the market price of SPD's shares on the date of grant.

During the year ended December 31, 2017, SPD recognized stock-based compensation expense of $26,391 (December 31, 2016 - $21,780).

In March 2017, SPD granted 100,000 incentive stock options to an officer of SPD to purchase up to 100,000 common shares of SPD. Those incentive stock options, which vested immediately on the grant date, have an exercise price of $0.30 per share and expire two years from the date of grant.

In June 2017, SPD granted 20,000 incentive stock options to a director of SPD to purchase up to 20,000 common shares of SPD. Those incentive stock options, which vested on the grant date, have an exercise price of $0.25 per share and expire two years from the date of grant.

In September 2017, SPD granted 20,000 incentive stock options to a director of SPD to purchase up to 20,000 common shares of SPD. Those incentive stock options, which vested on the grant date, have an exercise price of $0.25 per share and expire two years from the date of grant.

	Warrants		Stock Options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, December 31, 2016	40,000	$ 0.70	720,000	$ 0.45
Issued / Granted	—	—	140,000	0.29
Forfeited	—	—	(60,000)	(0.35)
Expired	—	—	(210,000)	(0.90)
Outstanding, December 31, 2017	40,000	$ 0.70	590,000	$ 0.29
Exercisable	40,000	$ 0.70	590,000	$ 0.29

At December 31, 2017, incentive stock options and share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
Options	340,000	$ 0.25	April 20, 2018
	110,000	0.40	January 13, 2019
	100,000	0.30	March 1, 2019
	20,000	0.25	June 7, 2019
	20,000	0.25	September 25, 2019
	590,000		
Warrants	40,000	$ 0.70	January 28, 2018

The fair value of all compensatory options granted is estimated on grant date using the Black-Scholes-Merton option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2017	2016
Risk-free interest rate	1.05%	0.75%
Expected life	2 years	2 years
Volatility	145%	151%
Dividend rate	nil	nil

12. GAIN (LOSS) ON SALE OF ASSETS AND INVESTMENTS

	Year Ended December 31, 2017	Year Ended December 31, 2016
Gain from sale of equipment and mineral properties	$ 105,393	$ 359,733
Gain from sale of assets held for sale	76,450	—
Realized gain (loss) on available-for-sale investments	(50,971)	787
	$ 130,872	$ 360,520

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	December 31, 2017	December 31, 2016
Loss for the year before income tax	$ (258,646)	$ (2,176,904)
Expected income tax recovery	$ (67,000)	$ (566,000)
Impact of different foreign statutory tax rates on earnings of subsidiaries	(19,000)	(72,000)
Permanent difference	29,000	(82,000)
Impact of future tax rate changes	7,441,000	—
Change in unrecognized deductible temporary differences and other	(7,393,000)	720,000
Total income tax recovery	$ (9,000)	$ —

	December 31, 2017	December 31, 2016
Consisting of:		
Current income tax expense	$ —	$ —
Deferred income tax recovery	(9,000)	—
Total income tax recovery	$ (9,000)	$ —

Income tax recovery of $9,000 is equal to the estimated tax on the unrealized gain on available-for-sale investments included in other comprehensive income for the year ended December 31, 2017.

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. That change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in SPD's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

In December 2017, the United States Government proposed changes to the Federal corporate income tax rate to reduce the rate from 34% to 21% effective January 1, 2018 and onwards. That change in tax rate was substantively enacted on December 22, 2017. The relevant deferred tax balances have been remeasured to reflect the decrease in SPD's Federal income tax rate from 34% to 21% applicable to SPD US subsidiaries.

The significant components of SPD’s unrecorded deferred tax assets are as follows:

	December 31, 2017	December 31, 2016
Deferred tax assets (liabilities):		
Non-capital losses available for future period	$ 9,959,000	$ 27,039,000
Property and equipment	30,000	1,000
Canadian eligible capital	—	28,000
Exploration and evaluation assets	6,592,000	12,161,000
Marketable securities	(9,000)	—
Promissory note	—	(71,000)
	$ 16,572,000	$ 39,158,000
Unrecognized deferred tax assets	$ (16,572,000)	$ (39,158,000)
Net deferred tax assets	$ —	$ —

The significant components of SPD’s unrecognized temporary differences and tax losses are as follows:

		December 31, 2017	Expiry Date Range		December 31, 2016	Expiry Date Range
Temporary differences:						
Share issue costs	$	—	No expiry date	$	2,000	No expiry date
Non-capital losses available for future period		35,829,000	2026 to 2037		76,610,000	2026 to 2036
Property and equipment		113,000	No expiry date		5,000	No expiry date
Canadian eligible capital		—	No expiry date		107,000	No expiry date
Exploration and evaluation assets		26,564,000	No expiry date		34,994,000	No expiry date

14. SEGMENT INFORMATION

SPD operates in a single segment, which is the exploration and development of resource properties in Idaho and Nevada, USA.

15. FINANCIAL INSTRUMENTS

Financial instruments include any contract that gives rise to a financial asset to one party and a financial liability or equity instrument to another party. At December 31, 2017, SPD's carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values due to their short term to maturity.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

All investments at December 31, 2017 were Level 1 (December 31, 2016 - $nil).

16. FINANCIAL RISKS MANAGEMENT

Foreign exchange risk

A portion of SPD’s financial assets and liabilities are denominated in US dollars. SPD may raise funds in either US or Canadian dollars while major purchases and expenditures are usually transacted in US dollars. SPD also funds certain operations and exploration and administrative expenses in US dollars. SPD monitors this exposure to foreign exchange risk, but has no foreign currency hedge positions. At December 31, 2017, 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 a counterparty’s inability to fulfill its payment obligations. SPD's is exposed to credit risk from cash deposits and reclamation bonds with financial institutions and receivables, primarily from Resource Re. Cash and cash equivalents consist of cash held in bank accounts, for which management believes the risk of loss to be 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. The Company’s maximum balance sheet exposure to credit risk at December 31, 2017 is the carrying value of its cash and cash equivalents, receivables, and reclamation bonds.

Interest rate risk

Interest rate risk mainly arises from SPD’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.

At December 31, 2017, SPD has no borrowings.

Market Risk

SPD is exposed to market risk because of the fluctuating value of its publicly traded marketable security. SPD has no control over that fluctuation and does not hedge its investments. Based on the December 31, 2017 value, a 10% increase or decrease in effective market value would increase or decrease net shareholders' equity by approximately $12,000.

Liquidity risk

Liquidity risk is the risk that SPD will not be able to meet its current obligations as they become due. SPD prepares annual exploration and administrative budgets and monitors expenditures to manage short-term liquidity. Due to the nature of SPD's activities, funding for long-term liquidity needs is dependent on SPD's ability to obtain additional financing through various means, including equity financing. There can be no assurance that SPD will be able to obtain adequate financing or that the terms of such financing will be favourable. At December 31, 2017, SPD had a working capital balance of $354,183. For additional information on liquidity, refer to Note 1.

17. MANAGEMENT OF CAPITAL RISK

SPD's objective when managing capital is to safeguard SPD's ability to continue as a going concern so that it can ultimately provide returns for shareholders and benefits for other stakeholders. Refer to Note 1 for further information.

SPD considers the items included in shareholders' equity to be capital. SPD manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, SPD may issue new shares through public and/or private placements, sell assets to reduce debt, or return capital to shareholders.