



SILVER PREDATOR CORP.

(An Exploration Stage Enterprise)

Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Silver Predator Corp. ("SPD") were prepared by management in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). Where necessary, management has made informed judgments and estimates in accounting for transactions that were not complete at the balance sheet date.

Management has established processes, which are in place, to provide them with sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance, and cash flows of SPD, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of SPD and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling that responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of SPD. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of SPD for issuance to the shareholders.

Management recognizes its responsibility for conducting SPD's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

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"

John T. Rickard
Chief Executive Officer

"Weiyang Zhu"

Weiyang Zhu
Chief Financial Officer

Vancouver, BC

March 27, 2020



Independent auditor's report

To the Shareholders of Silver Predator Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Silver Predator Corp. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Graziano DeLucchi.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 27, 2020

Silver Predator Corp.
Consolidated Statements of Financial Position

	December 31, 2019	December 31, 2018
ASSETS		
Current		
Cash	\$ 268,010	\$ 523,152
Receivables, prepaid expenses, and deposits	12,441	13,221
Investments (Note 4)	—	11,200
	<u>280,451</u>	<u>547,573</u>
Reclamation bonds (Note 5)	82,040	86,171
Mineral properties (Note 6)	<u>1,483,155</u>	<u>1,492,009</u>
	<u>\$ 1,845,646</u>	<u>\$ 2,125,753</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liability (Note 7)	\$ 291,524	\$ 168,476
	<u>291,524</u>	<u>168,476</u>
Shareholders' equity (Note 9)		
Share capital	32,529,936	32,529,936
Reserves	2,808,641	2,750,223
Accumulated other comprehensive income	2,963,151	3,047,606
Deficit	<u>(36,747,606)</u>	<u>(36,370,488)</u>
	<u>1,554,122</u>	<u>1,957,277</u>
	<u>\$ 1,845,646</u>	<u>\$ 2,125,753</u>

Nature of operations and going concern (Note 1)

The consolidated financial statements were approved by the Board of Directors on March 27, 2020 and signed on their behalf by:

"Patricia M. Tilton"

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

Silver Predator Corp.**Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

	Years Ended	
	December 31, 2019	December 31, 2018
Expenses		
Exploration recovery (Note 6)	\$ —	\$ (313,680)
Professional and consulting fees	152,285	152,277
General and administrative	71,214	58,652
Stock-based compensation (Note 9)	58,418	—
	<u>(281,917)</u>	<u>102,751</u>
Net income (loss) from operating activities		
Other income (expense)		
Write-down of exploration assets (Note 6)	—	(41,065)
Foreign exchange gain (loss)	(6,542)	19,467
Interest and other income (expenses)	341	(139)
	<u>(6,201)</u>	<u>(21,737)</u>
Total other expense		
Net income (loss) before income tax	\$ (288,118)	\$ 81,014
Income tax expense (Note 10)	<u>(89,000)</u>	<u>(9,000)</u>
Net income (loss) after income tax	\$ (377,118)	\$ 72,014
Other comprehensive income (loss)		
Change in the fair value of equity investment at fair value through other comprehensive income ("FVOCI"), net of income tax	(9,290)	(86,201)
Item that may be reclassified subsequently to net income (loss):		
Change in cumulative translation adjustment	<u>(75,165)</u>	<u>126,064</u>
Other comprehensive income (loss)	\$ (84,455)	\$ 39,863
Total comprehensive income (loss)	\$ (461,573)	\$ 111,877
Basic and diluted income (loss) per common share	\$ (0.01)	\$ 0.00
Weighted average number of common shares outstanding (Note 9)	28,609,838	28,609,838

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

Silver Predator Corp.
Consolidated Statements of Cash Flows

	Years Ended	
	December 31, 2019	December 31, 2018
OPERATING ACTIVITIES		
Net income (loss)	\$ (377,118)	\$ 72,014
Items not affecting cash:		
Stock-based compensation	58,418	—
Write-down of exploration assets	—	41,065
Income tax expense (Note 10)	89,000	9,000
Foreign exchange (gain) loss	4,415	(18,018)
Exploration recovery	—	(313,680)
	(225,285)	(209,619)
Changes in non-cash working capital items:		
(Increase) decrease in receivables, prepaid expenses, and deposits	780	(1,433)
Increase in amounts due to related parties	47,324	227,730
Decrease in accounts payable and accrued liability	(10,415)	(205,588)
	(187,596)	(188,910)
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities (Note 4 and 6)	1,910	103,599
Proceeds from property option payments	—	252,660
Exploration and evaluation costs capitalized (Note 6)	(64,029)	(27,471)
	(62,119)	328,788
Effect of exchange rate change on cash and cash equivalents	(5,427)	19,345
Change in cash	(255,142)	159,223
Cash, beginning of year	523,152	363,929
Cash, end of year	\$ 268,010	\$ 523,152

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

Silver Predator Corp.
Consolidated Statements of Changes in Equity

	<u>Share capital</u>			Accumulated other comprehensive income	Deficit	Total
	Number	Amount	Reserves			
Balance, January 1, 2018	28,609,838	\$ 32,529,936	\$ 2,750,223	\$ 3,007,743	\$ (36,442,502)	\$ 1,845,400
Cumulative translation adjustment	—	—	—	126,064	—	126,064
Change in the fair value of equity investment at FVOCI, net of tax	—	—	—	(86,201)	—	(86,201)
Net income for the year	—	—	—	—	72,014	72,014
Balance, December 31, 2018	28,609,838	\$ 32,529,936	\$ 2,750,223	\$ 3,047,606	\$ (36,370,488)	\$ 1,957,277
Stock-based compensation	—	—	58,418	—	—	58,418
Cumulative translation adjustment	—	—	—	(75,165)	—	(75,165)
Change in the fair value of equity investment at FVOCI, net of tax	—	—	—	(9,290)	—	(9,290)
Net loss for the year	—	—	—	—	(377,118)	(377,118)
Balance, December 31, 2019	28,609,838	\$ 32,529,936	\$ 2,808,641	\$ 2,963,151	\$ (36,747,606)	\$ 1,554,122

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

Silver Predator Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

SPD was incorporated under the laws of the Province of British Columbia on May 16, 2006. SPD owns the Copper King copper-silver project ("Copper King") in the Coeur d'Alene Silver District of northern Idaho, U.S., the Taylor silver-gold project ("Taylor") in Nevada, U.S., and other early stage exploration properties in the U.S. As of December 31, 2019, SPD is 64.11% owned by Till Capital Corp. ("Till Capital"). SPD's head office is located at 13403 N. Government Way, Suite 212, Hayden, ID 83835, U.S.

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 at least the next twelve months 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, 2019, SPD reported a net loss of \$377,118 and cash used in operating activities of \$187,596. As of December 31, 2019, SPD had a negative working capital balance of \$11,073 and an accumulated deficit of \$36,747,606. 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 materially uncertain, casting significant doubt upon SPD's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used 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 IFRS.

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 27, 2020.

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. Control 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.

Where necessary, adjustments are made to the results of the subsidiaries 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.

Silver Predator Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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 that approximates 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 financial institutions.

Financial assets and investments

SPD classifies financial assets and investments in the following categories:

- at fair value through profit and loss ("FVPL"),
- at fair value through other comprehensive income ("FVOCI"), or
- at amortized cost.

SPD determines the classification of financial assets and investments at initial recognition. The classification of debt instruments is driven by SPD's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVPL, for other equity instruments, on the day of acquisition SPD can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI.

SPD's accounting policy for each of the categories is as follows:

Financial assets at FVPL

Financial assets carried at FVPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVPL are included in the consolidated statement of income (loss) in the period in which they arise.

Financial assets at FVOCI

Investments in equity instruments at FVOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets at amortized cost

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost

SPD recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, SPD measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, SPD measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Reclamation bonds

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

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. Proceeds received from the sale or option of an interest in a property will be credited against the carrying value of the property. Option payments received in excess of the carrying value of a property are recorded as an exploration expense recovery in the consolidated statement of income (loss) and comprehensive income (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 mineral properties

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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (loss) in the period it is determined.

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-Merton option pricing model. That 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.

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.

Income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income (loss) per share is computed similar to basic income (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options 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:

Impairment indicator assessment of mineral properties

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.

New standard

IFRS 16 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 does not have any operating leases, and, as such, the adoption of IFRS 16 had no impact on its financial position.

Silver Predator Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

4. INVESTMENTS

As of December 31, 2019, SPD owns 248,000 common shares of Montego Resources Inc. ("Montego"). Those shares have a cost basis of \$55,040 and, at December 31, 2019, fair value of \$nil. The trading of Montego shares has been halted since April 2019. SPD sold 32,000 common shares of Montego for \$1,910 during 2019.

5. RECLAMATION BONDS

SPD has posted non-interest bearing bonds totaling \$82,040 (December 31, 2018 - \$86,171) with the Bureau of Land Management in the State of Nevada and with the United States Forest Service (Nevada) as security for reclamation requirements.

6. MINERAL PROPERTIES

The following table presents a list of SPD's mineral properties as of December 31, 2019 and December 31, 2018:

	Treasure Hill	Taylor	Cordero	Copper King	Cornucopia	Total
Balance, December 31, 2017	\$ 223,742	\$ 28,778	\$ 82,790	\$ 1,017,401	\$ 59,264	\$ 1,411,975
Option payment	—	(342,660)	—	—	—	(342,660)
Additions / Exploration costs (net)	—	—	11,264	10,135	6,072	27,471
Exploration expense recovery	—	313,680	—	—	—	313,680
Write-down	(41,065)	—	—	—	—	(41,065)
Currency translation adjustment	19,564	202	7,835	89,504	5,503	122,608
Balance, December 31, 2018	\$ 202,241	\$ —	\$ 101,889	\$ 1,117,040	\$ 70,839	\$ 1,492,009
Additions / Exploration costs (net)	—	34,171	12,226	11,043	6,589	64,029
Currency translation adjustment	(9,695)	(724)	(5,143)	(53,785)	(3,536)	(72,883)
Balance, December 31, 2019	\$ 192,546	\$ 33,447	\$ 108,972	\$ 1,074,298	\$ 73,892	\$ 1,483,155

Treasure Hill

The Treasure Hill property is located west of Ely in White Pine County, Nevada, U.S. and consists of certain patented and unpatented claims. Treasure Hill is subject to existing net smelter royalties ("NSR") of between 2% and 3% and a 1.5% net profits interest. An expense of \$41,065 was recorded at December 31, 2018 to write-down to \$nil the capitalized costs related to the unpatented claims not renewed in 2018.

Taylor

The Taylor property is located in White Pine County, Nevada, U.S. 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, U.S., commonly referred to as the Taylor Silver Property (the "Property").

Under the terms of the Agreement, Montego could 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 would 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 that would be retained by SPD.

The payments, share issuances, and expenditures were to be completed in accordance with the following schedule based on the closing date set forth in the Agreement:

- 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

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The closing occurred on April 20, 2017 on which date SPD received \$265,770 (US\$200,000) cash and 500,000 common shares of Montego initially valued at \$207,500. SPD sold those 500,000 common shares in November 2017 on the open market for \$149,000. On October 19, 2017, SPD received the second installment due from Montego, i.e., \$124,850 (US \$100,000) cash and 300,000 common shares of Montego, initially valued at \$57,000. On April 19, 2018, SPD received the third installment due from Montego, i.e., \$252,660 (US\$200,000) cash and 400,000 common shares of Montego, initially valued at \$90,000. As of April 19, 2018, Montego has also completed the required US\$100,000 expenditures. SPD sold 425,000 common shares of Montego in the third quarter 2018 on the open market for \$103,599 and sold 32,000 common shares of Montego during the year ended December 31, 2019 on the open market for \$1,910.

Option payments are credited against the carrying value of the Property. Option payments received in excess of the carrying value of the Property are recorded as an exploration expense recovery. SPD recorded \$313,680 of exploration expense recovery in 2018.

Montego did not make the fourth installment due on April 20, 2019. SPD delivered a letter to the board of directors of Montego, dated April 30, 2019, noting that the payment due on April 20, 2019 pursuant to the Agreement had not been made, and the expenditures required to have been incurred by that date had not been met.

On December 4, 2019, after formally notifying Montego of their default of the Agreement and receiving no remedy, SPD terminated the Agreement with Montego in accordance with the terms of the Agreement.

Copper King, Idaho

Copper King is located in the Silver Valley of Northern Idaho, U.S. and 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.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITY

Accounts payable and accrued liability comprise the following:

	December 31, 2019	December 31, 2018
Accounts payables	\$ 234,701	\$ 108,792
Accrued liability	56,823	59,684
	<u>\$ 291,524</u>	<u>\$ 168,476</u>

8. RELATED PARTY TRANSACTIONS

Key management compensation

During the year ended December 31, 2019, SPD incurred expenses of \$68,563 (year ended December 31, 2018 - \$15,548) to directors and officers as compensation for services received, which amounts include \$52,640 in stock-based compensation (year ended December 31, 2018 - \$nil).

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, 2019, SPD was charged \$79,614 (year ended December 31, 2018 - \$46,645) for those services. At December 31, 2019, the amounts due to related parties totaled \$49,707 (December 31, 2018 - \$2,383) and are included in trade payables.

9. SHARE CAPITAL AND RESERVES

Authorized and issued share capital

An unlimited number of common shares without par value are authorized. At December 31, 2019 and December 31, 2018, SPD had 28,609,838 shares issued and outstanding.

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Stock options

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.

On May 15, 2019, SPD granted 2,275,000 incentive stock options to directors, officers, and consultants to purchase up to 2,275,000 common shares of SPD. Those incentive stock options, which vested on the grant date, have an exercise price of \$0.10 per share and expire three years from the date of grant.

During the year ended December 31, 2019, SPD recognized stock-based compensation expense of \$58,418 (year ended December 31, 2018 - \$nil).

At December 31, 2019, SPD had 2,275,000 stock options outstanding with a weighted average exercise price of \$0.10.

	Stock Options	
	Number	Weighted average exercise price
Outstanding, December 31, 2018	250,000	\$ 0.34
Issued	2,275,000	0.10
Expired	(250,000)	0.34
Outstanding, December 31, 2019	<u>2,275,000</u>	\$ 0.10
Exercisable	2,275,000	\$ 0.10

At December 31, 2019, incentive stock options were outstanding as follows:

Number	Exercise price	Expiry date
2,275,000	\$ 0.10	May 15, 2022

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:

	2019	2018
Risk-free interest rate	2.39%	n/a
Expected life	3 years	n/a
Volatility	68%	n/a
Dividend rate	n/a	n/a

10. INCOME TAXES

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

	December 31, 2019	December 31, 2018
Income (loss) for the year before income tax	\$ (288,118)	\$ 81,014
Expected income tax expense (recovery)	\$ (78,000)	\$ 22,000
Impact of different foreign statutory tax rates on earnings of subsidiaries	1,000	(16,000)
Permanent difference	17,000	3,000
Impact of future tax rate changes	(616,000)	148,000
Change in unrecognized deductible temporary differences and other	<u>765,000</u>	<u>(148,000)</u>
Total income tax expense	\$ 89,000	\$ 9,000

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	December 31, 2019	December 31, 2018
Consisting of:		
Current income tax expense	\$ 89,000	\$ —
Deferred income tax expense	—	9,000
Total income tax expense	\$ 89,000	\$ 9,000

Current income tax expense of \$89,000 in 2019 is from the recognition of US taxable income resulting from payments from Montego for the Taylor property in 2017 and 2018. The termination of the Agreement in 2019 caused those payments to become taxable income.

Deferred income tax expense of \$9,000 in 2018 reverses the deferred tax asset recognized in 2017 to apply against deferred tax liability on marketable securities arising in 2018.

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

	December 31, 2019	December 31, 2018
Deferred tax assets (liabilities):		
Non-capital losses available for future period	\$ 8,315,000	\$ 10,485,000
Exploration and evaluation assets	5,891,000	6,872,000
Other	77,000	37,000
	\$ 14,283,000	\$ 17,394,000
Unrecognized deferred tax assets	(14,283,000)	(17,394,000)
Net deferred tax assets	\$ —	\$ —

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

	December 31, 2019	Expiry Date Range	December 31, 2018	Expiry Date Range
Temporary differences:				
Non-capital losses available for future period	\$ 36,304,000	2026 to 2039	\$ 38,177,000	2026 to 2038
Exploration and evaluation assets	23,655,000	No expiry date	27,854,000	No expiry date
Other	334,000	No expiry date	164,000	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. SEGMENT INFORMATION

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

12. 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, 2019, 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.

The fair value of investments as at December 31, 2018 was determined using Level 1 inputs.

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13. 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, 2019, 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 is exposed to credit risk from cash deposits and reclamation bonds with financial institutions. Cash and cash equivalents consist of cash held in bank or brokerage 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, 2019 is the carrying value of its cash and cash equivalents 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, 2019, SPD has no borrowings.

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, 2019, SPD had a negative working capital balance of \$11,073. For additional information on liquidity, refer to Note 1.

Emerging risk

The recent outbreak of the coronavirus (COVID-19) may affect our business and operations. In December 2019, a novel strain of the coronavirus emerged, the virus has spread to Canada and the U.S. The extent to which the coronavirus impacts the Company's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time. In particular, the continued spread of the coronavirus could materially and adversely impact the SPD's operations and business, including without limitation, employee health and productivity, restrictions or delays to its planned exploration activities, ability to raise financing, and other factors, including those related to market demand for precious and/or base metals, which are beyond SPD's control. Those factors may have a material and adverse effect on SPD's its business, financial condition, and results of operations.

14. MANAGEMENT OF CAPITAL RISK

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.