



**SILVER PREDATOR CORP.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED NOVEMBER 30, 2011**

## Silver Predator Corp.

Management's Discussion and Analysis

For the three and six months ended November 30, 2011

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Set out below is a review of the activities, results of operations and financial condition of Silver Predator Corp. ("SPD", "Silver Predator", or the "Company") and its subsidiaries for the three months and six months ended November 30, 2011. The discussion below should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and six months ended November 30, 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and with the Company's consolidated annual financial statements and Management Discussion and Analysis ("MD&A") for the year ended May 31, 2011, which were prepared in accordance with historical Canadian GAAP. All dollar figures included in the following MD&A are quoted in Canadian dollars unless otherwise indicated. This MD&A is prepared as of January 13, 2012.

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

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

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

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### 1. BACKGROUND AND CORE BUSINESS

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

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

The Company was incorporated pursuant to the British Columbia Business Corporations Act on May 16, 2006 and commenced operations on June 1, 2006. The Company has four active subsidiaries, PWH Nevada Inc., (incorporated in July, 2007 to carry out U.S. Operations), Silver Predator Canada Corp.(incorporated October 2010 to hold properties acquired in Canada), Silver Predator US Holding Corp. (incorporated November 2010 to act as a holding company for acquisitions in the U.S. ), and Silver Predator Alaska Corp. (incorporated June 2011 to hold properties acquired in Alaska).

### 2. COMPANY HIGHLIGHTS

#### During the period the Company:

- Entered into definitive agreement to acquire Nevgold Resource Corp.
- Acquired Illinois Creek property in Alaska.
- Reported drilling results from its Taylor Project in Nevada.
- Completed drilling at Plata and Rusty Projects in Yukon, results pending.

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

#### Changes to Management and the Board

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

Farrell Andersen, the Company's Senior Geologist, was promoted to the position of Yukon Exploration Manager in July 2011. Mr. Andersen brings over twenty years of international and Yukon-specific mineral exploration experience to Silver Predator. In the Yukon he has worked with Loki Gold Corp. and Viceroy Gold Corporation on the Brewery Creek Project, in addition to other clients including Kennecott Canada Exploration Inc., the Yukon Geological Survey, Aurora Geoscience as well as for the Tr'ondek Hwech'in First Nation in the mineral assessment of their settlement lands. Mr. Andersen brings a wealth of firsthand knowledge of numerous Yukon properties including the Company's Blue Heaven (Rancheria District) Project. Mr. Andersen has worked in the mineral exploration business since 1989 and is one of only two prospectors to explore and hold claims in the White Gold area since 1990. Mr. Andersen holds a BSc in Geology from the University of British Columbia.

### *Corporate Acquisition*

#### **Nevgold**

In accordance with the terms of a letter agreement entered into in November 2011, in December 2011 the Company entered into a pre-arrangement agreement with Nevgold Resource Corp. ("Nevgold"), pursuant to which the Company will acquire all of the outstanding securities of Nevgold.

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

Upon the completion of the proposed transaction, Nevgold will be a wholly-owned subsidiary of Silver Predator, and the former shareholders of Nevgold will own approximately 7,059,000 shares of Silver Predator (18.8% of the issued and outstanding common shares).

The Proposed Transaction is to be completed by way of a statutory plan of arrangement and is subject to customary closing conditions, including approval of (i) 66⅔% of the votes cast by Nevgold shareholders, Nevgold optionholders and Nevgold warrant holders, voting together as one class, (ii) 66⅔% of the votes cast by Nevgold shareholders and (iii) a simple majority of the votes cast by Nevgold shareholders (other than Nevgold officers, Nathan Tewalt and Thomas Chadwick) at a special meeting of Nevgold, which is currently anticipated to take place on or about February 3, 2012. A management proxy circular of Nevgold with respect to the Proposed Transaction is expected to be mailed to Nevgold securityholders on or about January 10, 2012. The Proposed Transaction is also subject to the approval of the Toronto Stock Exchange, the TSX Venture Exchange and the British Columbia Supreme Court.

Closing of the Proposed Transaction is expected to take place shortly following the Nevgold securityholders approving the Proposed Transaction and the requisite court approval being obtained. It is anticipated that the Proposed Transaction will be completed on or about February 13, 2012.

The pre-arrangement agreement contains provisions for a Break Fee of \$100,000 in the event the Proposed Transaction is not completed. There are various circumstances that may result in the break fee not being payable, and the break fee can be paid in units of Nevgold, at the option of Nevgold.

Please see the Company's news releases dated November 15, 2011 and December 12, 2011 for additional information.

### *Mineral Property Acquisitions and Staking*

#### **Illinois Creek**

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

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

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

#### **Exploration Plans**

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

#### **Other staking**

The Company has an ongoing Yukon claim staking program focused on properties close to known productive areas.

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

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

### **Taylor Project**

The Company completed a 35-hole drilling program at the Taylor Project in August 2011. A total of 3,528 metres of angled RC holes were drilled to test for higher grade feeder veins as well as to expand the current mineral resource. Highlights from the first twenty-five holes include SPT11-004 averaging 37 g/t silver over 36.6 m, SPT11-017 assaying 35.3 g/t silver over 27.4 m, SPT11-001 averaging 57.8 g/t silver over 18.3 m, and SPT11-015 assaying 67 g/t silver over 13.7 m. Highlights from the remaining ten holes include SPT11-027 with 42.67 m of 100.25 g/t silver from a depth of 67.05 m, SPT11-031 with 7.62 m of 104.2 g/t silver from a depth of 4.57 m; and 6.1 m of 111.75 g/t silver from a depth of 44.19 m, SPT11-034 with 27.43 m of 96.5 g/t silver from surface, and SPT11-035 with 13.72 m of 134.78 g/t silver from a depth of 38.1m.

The drilling program extended stratabound silver mineralization to the northeast of the currently defined resource and extended the mineralization at depth and along strike in the Bishop and Argus pit areas. Notably, holes SPT11-026 and SPT11-027 both bottomed in mineralization. The Company plans to remodel the existing data on Taylor, to assist in future drill programs with the goal of preparing an updated resource estimate in Q2, 2012.

The next phase of drilling will concentrate on extending the stratabound northeast zone as well as testing feeder structures beneath the Argus and NE pits. In addition, the Company plans to conduct first phase drilling of the Chipps and Antimony Pit prospects, both of which feature jasperoid hosted gold-antimony mineralization lying adjacent to the existing silver resources at Taylor.

The Chipps deposit was drilled by Alta Gold and Nerco in the early 1990's and a small, non-NI 43-101 compliant resource was defined by over fifty shallow RC drill holes. The gold occurs at the contact between the Joanna Limestone and the underlying Pilot shale, the same host rocks as seen at numerous mines in east-central Nevada including Bald Mountain, Easy Junior and Pan. The favorable horizon for the jasperoid hosted silver deposits at Taylor has not been tested at the Chipps and Antimony prospects, and may host additional mineralization beneath the gold bearing stratigraphy.

The Taylor silver deposit is an epithermal, high-silica, low-sulfide replacement deposit hosted by folded and faulted Devonian carbonate rocks of the Pilot Shale, Guilamette, and Joanna formations intruded by Tertiary rhyolite dikes and sills. The Taylor property includes a NI 43-101 compliant resource estimate consisting of 1,123,000 tonnes of 85.71 g/t silver measured mineral resource, and 4,712,000 tonnes of 77.83 g/t Ag indicated mineral resource totalling 14.9 million ounces contained silver; along with an additional 1.9 million ounces silver from an inferred mineral resource of 687,000 tonnes grading 87.1 g/t silver (using a 41.1 g/t silver cut-off grade: Hester, 2009). The Company's Taylor Project includes rights to a 1,320 ton per day mill with flotation and cyanide leach plants, water rights and approximately 3,900 acres of mining claims located near Ely, Nevada.

Additional information on the historic drilling and resource estimates can be found in the NI 43-101 compliant technical report on the Taylor silver project, prepared by Michael Hester and dated December 14, 2010. The technical report is posted on SEDAR, and can also be found on the Company's website at [www.silverpredator.com](http://www.silverpredator.com).

David R. Hembree, PGeo, Nevada Exploration Manager, a Qualified Person as defined under National Instrument 43-101, has reviewed and verified the information provided on the Company's Taylor Project.

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

### **Plata Project**

In July 2011, the Company commenced drilling at its Plata Project, located in the Hess Mountains 190 km east of the village of Mayo, Yukon.

The 2,500 m oriented core drill program is intended to follow up historical exploration work by Rockhaven Resources Ltd. and other previous operators, to expand and to better define the known silver, gold, lead and zinc mineralized zones on the property.

The Company's 2011 drill program follows on the positive results of 2008 and 2009 exploration programs, which included the following highlights:

- Aho Zone – drilling intercepted 768 g/t silver, 3.6 g/t gold, 2.44% lead, and 3% zinc over 1.3 m in PL-08-02
- Etzel Zone - trenching produced 94 g/t silver, 0.51% lead, and 0.2 g/t gold over 40.54 m
- Ladue Zone (P-2 vein) - outcrop chip samples produced 812 g/t silver, 24.48% lead, and 17.02% zinc over width of 1.93 m and strike length of 85 m

Drilling was completed in August 2011 and results from this program are pending.

The property lies within the Tintina Gold Belt and displays similar features to Canada's second-largest historical silver producer, the Keno Hill Silver Camp, which is situated about 165 km west of the property. From 1976 to 1984, high-grade mineralized veins were intermittently mined from a number of shallow open pits on the Plata property, resulting in approximately 9,020 kg (290,000 oz) of silver being extracted from approximately 2,041 tonnes of hand-sorted mineralized rock. The Company's 2011 drill program targeted existing major structures in the form of thrust faults that appear to control silver-gold-lead-zinc mineralization on the property, and high grade silver-lead lenses within extensional fault zones. The program focused on exploring a new area located between two known high-grade silver mineralized zones (the Aho Zone), exploring the extension of known high-grade silver mineralized veins in the Ladue Zone, and defining the potential of lower grade, bulk tonnage mineralization at the Etzel Zone.

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The Plata property is located 190 km east of Mayo and 165 km north of Ross River. Both communities are accessible by the Yukon Highway system and have maintained gravel airstrips. There is also a 110 km winter road connecting the property to the North Canal road. The Plata property itself is located 11 km north of a gravel airstrip and has a network of unimproved roads connecting the major zones.

Farrell J. Andersen, PGeo, the Company's Yukon Exploration Manager, a Qualified Person as defined by National Instrument 43-101, has reviewed and verified the information provided on the Company's Plata Project.

### Other Projects

In September 2011, the Company commenced a helicopter supported drill program at its Rusty Project, located 110 km northeast of Mayo, Yukon and adjacent to the northern edge of ATAC Resources Ltd.'s Rackla (RAU) Gold project.

The Rusty Project consists of 420 quartz claims encompassing a total of 8,779 ha featuring Upper Proterozoic to Devonian quartzites, carbonates and siltstones of the MacKenzie Platform and the Selwyn Basin which host silver, lead, and zinc vein and carbonate replacement styles of mineralization. A total of 9 diamond drill holes totaling over 1,300 m were drilled in the Siltstone Zone, a fault controlled fracture-fill silver rich vein system within thinly bedded siltstone. Results from this program are pending.

The Company also conducted preliminary field work on certain of its other mineral properties.

## 5. OUTLOOK

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

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

## 6. SELECTED FINANCIAL INFORMATION

### 6.1 Results of operations for the six months ended November 30, 2011

The net loss for the period was \$1,687,243 compared to a net loss in prior year of \$252,283. Individual items contributing to the increase in net loss of \$1,434,960 are as follows:

- Consulting and management fees decreased by \$141,622 to \$37,987 (2010 - \$179,609) primarily due the Company incurring these costs as salaries rather than consulting fees in the current year.
- General and administrative expenses increased by \$116,266 to \$174,787 (2010 - \$58,521) due to increased activity by the Company in the current year and includes its share of an office in the Yukon.
- Filing costs increased by \$30,487 to \$61,237 (2010 - \$30,750) due to increased transfer agent fees and other filing fees as the Company is now listed on the TSX and was more active in this year compared to prior year.
- Insurance costs increased by \$8,225 to \$12,408 (2010 - \$4,183) as a result of increased coverage and a catch-up adjustment to prepaid insurance.
- Professional fees decreased by \$62,056 to \$81,082 (2010 - \$143,138) as a result of a decrease in legal cost related to general corporate activity as compared to the prior year.
- Salaries and wages increased by \$138,953 to \$196,132 (2010 - \$57,179). This includes costs paid for various administrative employees, including a corporate secretary and accounting staff under a cost sharing agreement in terms of which, the Company is provided with the use of office space, office and administrative resources, and logistical and technical services, on a cost recovery basis.
- Stock-based compensation of \$424,724 (2010 - \$47,939) reflects the recognition of stock option expense over the period to the next vesting date.
- Travel and promotion increased by 106,315 to \$127,694 (2010 - \$21,379) as a result of increased investor relations activity.
- Foreign exchange gain of \$118,967 (2010 - \$318) results mainly from the conversion of US monetary item balances to CAD for reporting purposes.
- Interest income of \$19,840 (2010 - \$77) results from the Company having higher average cash balance in the current year than in the prior year.
- Deferred income tax of \$709,999 (2010 - \$Nil) relates mainly to deferred income taxes payable for flow-through expenditures yet to be renounced.

- The prior period included various items which did not recur, being gain on sale of subsidiary of \$299,907, write-off of resource properties of \$177 and write-off of equipment of \$9,711.

The comprehensive loss for the period includes an unrealized loss on available for sale marketable securities of \$317,501 compared to a gain of \$768,750 in the previous year. This has arisen on the mark to market of marketable securities at the period-end.

## **6.2 Results of operations for the three months ended November 30, 2011**

The net loss for the period was \$778,665 compared to a net loss in prior year of \$39,682. Individual items contributing to the increase in net loss of \$738,983 are as follows:

- Consulting and management fees decreased by \$99,387 to \$5,869 (2010 - \$105,256) primarily due the Company incurring these costs as salaries rather than consulting fees in the current year.
- General and administrative expenses increased by \$63,608 to \$101,899 (2010 - \$38,291) due to increased activity by the Company in the current year and includes its share of an office in the Yukon.
- Filing costs decreased by \$6,046 to \$11,364 (2010 - \$17,410) due to decreased transfer agent fees and other filing fees as a result of reduced activity in the period.
- Insurance costs increased by \$2,485 to \$5288 (2010 - \$2,803) as a result of an increase in coverage.
- Professional fees decreased by \$28,296 to \$49,548 (2010 - \$77,844) as a result of a decrease in legal cost related to general corporate activity as compared to the prior year.
- Salaries and wages increased by \$91,713 to \$120,989 (2010 - \$29,276). This includes costs paid for various administrative employees, including a corporate secretary and accounting staff under a cost sharing agreement in terms of which, the Company is provided with the use of office space, office and administrative resources, and logistical and technical services, on a cost recovery basis.
- Stock-based compensation of \$58,456 (2010 – \$47,939) reflects the recognition of stock option expense over the period to the next vesting date.
- Travel and promotion increased by \$33,163 to \$54,542 (2010 - \$21,379) as a result of increased investor relations activity.
- Foreign exchange gain of \$144,075 (2010 - \$531) results mainly from the conversion of US monetary item balances to CAD for reporting purposes.
- Interest income of \$10,698 (2010 - \$77) results from the company having higher average cash balance in the current year than in the prior year.
- Deferred income tax of \$524,483 (2010 – \$Nil) relates mainly to deferred income taxes payable for flow-through expenditures yet to be renounced.
- The prior period included a gain on sale of subsidiary of \$299,908 which did not recur.

The comprehensive loss for the period includes an unrealized loss on available for sale marketable securities of \$65,625 compared to a gain of \$618,750 in the previous year. This has arisen on the mark to market of marketable securities at the period-end.

## **6.3 Cash Flows for the six months ended November 31, 2011**

Cash outflow from operating of \$559,434 (2010 – \$546,851) was in line with the prior year.

Cash outflows from investing activities increased by \$3,472,849 to \$3,380,616 (2010 - \$92,233) due primarily to increased exploration work on the Company's mineral properties.

Cash inflows from financing activities of \$819,600 (2010 - \$5,616,729) resulted from the exercise of warrants during the period. The prior year included proceeds from a private placement.

#### 6.4 Summary of quarterly results

	2012		2011				2010	
	Q2 (IFRS)	Q1 (IFRS)	Q4 (CGAAP)	Q3 (CGAAP)	Q2 (IFRS)	Q1 (IFRS)	Q4 (CGAAP)	Q3 (CGAAP)
Net Sales	-	-	-	-	-	-	-	-
Net income (loss)	(778,665)	(908,579)	(1,187,838)	(230,699)	(39,682)	(212,601)	(1,066,304)	(732,416)
Basic and diluted Net Income (Loss) per share	(0.03)	(0.04)	(0.08)	(0.01)	(0.01)	(0.05)	(0.25)	(0.19)

#### 6.5 Financial Position

The decrease in cash of \$3,120,450 to \$3,463,759 (May 31, 2011 - \$6,584,209) results from the Company continuing its exploration program operation.

Prepaid expenses and deposits increased by \$23,726 to \$125,122 (May 31, 2011 - \$51,396) due mainly to deposits paid in support of exploration activity..

Receivables increased by \$9,622 to \$96,968 (May 31, 2011 – \$87,346). This was mainly the result of an increase to Harmonized Sales Tax ("HST") receivable.

The convertible loan of \$50,000 (May 31, 2011 – Nil) consists of an amount advanced to Nevgold pursuant to the acquisition letter agreement.

Investments decreased by \$375,000 to \$975,000 (May 31, 2011 - \$1,350,000) as a result of a decrease in fair market value of the Hy Lake Gold Inc. common shares.

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

Long-term investment of \$900,000 (May 31, 2011 - \$900,000) relates to the Company's investment in Fury Explorations Inc.

Mineral properties increased by \$3,913,656 to \$12,672,180 (May 31, 2011 - \$8,758,524) primary due to the Company continuing exploration work on existing properties.

Accounts payable and accrued liabilities increased by \$18,189 to \$186,506 (May 31, 2011 – \$168,317) due to the Company being more active in the quarter.

Due to related parties of \$291,758 (May 31, 2011 – \$51,400) mainly relates to a payable for reimbursement of shared office costs, and exploration work carried out by Predator Mining Corp., a subsidiary of Golden Predator Corp.

Deferred income tax liability of \$652,500 (May 31, 2011 - \$Nil) results from flow-through expenditures that will be renounced later in the year.

Share capital increased by \$1,307,266 to \$20,000,609 (May 31, 2011 – \$20,693,343) primarily due to the issuance of shares for mineral properties and the exercise of warrants.

Reserves increased by \$188,558 to \$1,600,769 (May 31, 2011 – \$1,412,211) primarily due the fair value of stock options issued to directors and employees, and the fair value of warrants included in units issued during the period.

Accumulated other comprehensive income declined by \$318,074 to \$253,188 (May 31, 2011 - \$571,262) due to a decrease in the market value of marketable securities designated as available-for-sale, net of tax.

#### 7. LIQUIDITY AND CAPITAL RESOURCES

At November 30, 2011, the Company had working capital of \$4,282,585 including cash of \$3,463,759 as compared to a working capital of \$8,053,234 including cash of \$6,584,209 at May 31, 2011. Also included in working capital, at November 30, 2011, were marketable securities with a market value of \$975,000 (May 31, 2011 - \$1,350,000).

The Company's continued development is contingent upon its ability to raise sufficient financing both in the short and long-term. There are no guarantees that additional sources of funding will be available to the Company; however, management is committed to pursuing all possible sources of revenue in order to execute its business plan.

## **8. OUTSTANDING SHARE DATA**

At the date of this report the Company has 30,532,468 issued and outstanding common shares, 2,828,375 outstanding stock options currently outstanding, vested at a weighted average exercise price of \$0.87, and 150,000 outstanding warrants at a weighted average exercise price of \$1.00.

## **9. OFF BALANCE SHEET ARRANGEMENTS**

At November 30, 2011, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## **10. RELATED PARTY TRANSACTIONS**

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

The Company expensed management and consulting fees of \$36,000 for the six months ended November 30, 2011 (2010 - \$68,631) due to directors of the Company.

The Company has entered into a cost sharing arrangement with a company having common directors. Under the agreement, the Company is provided with the use of office space, office and administrative resources, as well as technical services in support of exploration activities, all on a cost recovery basis. The amounts due to related parties under the cost sharing arrangement, and in respect of staking and drilling costs invoiced directly to the related party totaled \$1,161,322 (2010 - \$Nil), are non-interest bearing, due on demand, and were paid subsequent to the period end.

Amounts due to related parties of \$291,758 (2010 - \$51,400) are non-interest bearing and due on demand.

## **11. CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting policies requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

### *Carrying value of mineral interests*

The Company has capitalized the cost of acquiring mineral interests and on-going exploration and maintenance costs. Capitalized property costs are expensed in the period in which the Company determines that the mineral interests have no future economic value. Capitalized property costs may also be written down if future cash flow, including potential sales proceeds and option payments, related to the property are estimated to be less than the carrying value of the property. The Company reviews the carrying value of its mineral properties periodically, and whenever events or changes in circumstances indicate the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent that the carrying value of the investment exceeds the property's estimated fair value. Such events or changes in circumstances involve changes in political risk, economic risk, commodity prices, exchange rates, and interest rates among others.

### *Stock-based compensation*

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions. The assumptions the Company makes will likely change from time to time. At the time the fair value is determined, the methodology the Company uses is based on historical information, as well as anticipated future events. The assumptions with the greatest impact on fair value are those for estimated stock volatility and for the expected life of the instrument.

### *Deferred income taxes*

The Company accounts for tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential

future benefit is taken and no future income tax asset is recognized. The Company has taken a valuation allowance against all such potential tax assets.

## 12. IFRS CHANGEOVER

The Company has prepared its November 30, 2011 interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), including IFRS 1, *First-time adoption of international financial reporting standards*, and IAS 34, *interim financial reporting*.

The Company's IFRS accounting policies are disclosed in Note 2 to the interim consolidated financial statements. Reconciliation between the Company's financial statements as previously reported under Canadian generally accepted accounting principles ("CGAAP") and current reporting under IFRS is detailed in Note 12 of the interim consolidated financial statements.

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

### Mineral interests

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

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

### Functional Currency

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

The Company determined that one of its subsidiaries, which had been classified as being integrated operations under CGAAP, had a US Dollar functional currency. Under IFRS, financial statements of subsidiaries denominated in their respective functional currencies are translated into Canadian dollars using the current rate method (whereby all assets and liabilities are translated using the reporting date exchange rates with any gains or losses being recorded in equity).

### Comparison between IFRS and CGAAP of Selected financial information and key financial data:

Year ended May 31, 2011	CGAAP	Deferred tax on mineral properties	Functional Currency	IFRS
Net Income (Loss)	\$ (1,670,820)	\$ 12,836	\$ 15,309	\$ (1,642,675)
Shareholders Equity	\$ 17,683,613	\$ 12,836	\$ 15,309	\$ 17,711,758
Total Assets	\$ 18,281,720	\$ (350,245)	-	\$ 17,931,475

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

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

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

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

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

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

There have been no changes in the Company's internal control over financial reporting during the three month period ended November 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **13. RISK FACTORS**

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

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

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

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

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

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

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

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

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

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

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

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

Silver Predator's operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of silver and other precious metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit wall failures, cave ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other facilities, damage to life or property, environmental damage and

legal liability. Milling operations are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

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

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

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

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

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

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

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

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

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

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

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

Mineral resource and reserve estimates are, to a large extent, based on interpretations of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive costs based on anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates of metal from the ore, estimated operating costs, estimated capital costs, estimated site remediation costs and asset retirement costs, anticipated climatic conditions and other factors. There is significant uncertainty in any mineral resource estimate and the actual deposits encountered and the economic viability of a mineral deposit may differ materially from Silver Predator's estimates. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

Estimated mineral resources are periodically recalculated based on changes in prices of mineral products, changes in expected operating and capital costs and asset retirement obligations, further exploration or development activity or actual production experience. Such recalculations could materially and adversely affect estimates of the volume or grade of mineralization, estimated

recovery rates or other important factors which influence mineral resource or mineral reserve estimates. Market price fluctuations for mineral products, increased production costs or reduced recovery rates or other factors might render proven and probable mineral reserves uneconomic or unprofitable to develop; such factors could result in the reclassification of mineralized material into the resource category from proven or probable mineral reserves that would result in write-downs of the carrying value of the affected property or might accelerate the timing of payment of reclamation costs and asset retirement obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

liability provisions of the securities laws of the various Canadian provinces against Silver Predator's assets located outside of Canada.

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

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

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

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

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

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

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

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

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

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

*Current global financial condition.*

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

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

There can be no assurance that an active market for the Common Shares will be sustained. Securities of mining companies have experienced substantial volatility in recent years, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of Silver Predator is also likely to be significantly affected by

short-term changes in commodity prices, other precious metal prices or other mineral prices, currency exchange fluctuation, or in its financial condition or results of operations as reflected in its quarterly earnings reports.

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

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

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

Certain of the directors and officers of Silver Predator also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Where a known conflict exists the director will disclose the conflict in accordance with applicable securities laws.

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

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

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

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

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

#### *Operating in Mexico*

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

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

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

#### *United States Securities Exemptions*

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

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

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

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

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

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

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

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

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

Although Silver Predator has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and assumptions that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this Management Discussion and Analysis of Financial Condition and Results of Operations based on the opinions and estimates of management, and Silver Predator disclaims any obligation to update any forward-looking statements, whether as a

result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.