

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See Attachment.

Blank lines for listing Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ See Attachment.


Blank lines for providing information regarding resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Attachment.

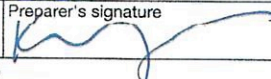
Blank lines for providing other information necessary for the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶  Date ▶ Feb 25, 2022
Print your name ▶ Ryan Coombes Title ▶ Chief Legal Officer

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Kendall R. Fisher		Feb. 23, 2022		P01980923
Firm's name ▶ Dorsey & Whitney LLP	Firm's EIN ▶ 41-0223337		Phone no. (206) 903-8793	
Firm's address ▶ Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, Washington 98104				

Silver Elephant Mining Corp.

Attachment to Form 8937-Part II

Report of Organizational Actions Affecting Basis of Securities (The Arrangement)

Consult your tax advisor: The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “**Code**”), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Arrangement (as defined below) on the tax basis of shares in Silver Elephant Mining Corp. (“**Silver Elephant**”), Flying Nickel Mining Corp. (“**Spinco1**”), Nevada Vanadium Mining Corp. (“**Spinco2**”) and Battery Metals Royalties Corp. (“**Spinco3**”), in the hands of holders of shares of Silver Elephant, Spinco1, Spinco2 and Spinco3 stock who are U.S. taxpayers and who received such shares pursuant to the Arrangement by reason of being holders of shares of Silver Elephant common stock at the commencement of the Arrangement (“**U.S. Shareholders**”). This discussion does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. None of Silver Elephant, Spinco1, Spinco2, or Spinco3 provides tax advice to its shareholders. You are urged to consult your own tax advisors regarding the particular consequences of the Arrangement to you, including the applicability and effect of all U.S. federal, state and local tax laws, foreign tax laws, and any applicable income tax treaties.

For additional information, please read the Management Information Circular of Silver Elephant dated as of November 14, 2021 (the “**Circular**”), which is available at www.sedar.com.

Item 14. Description of organizational action

On January 17, 2022, Silver Elephant, and its three wholly-owned subsidiaries, Spinco1, Spinco2 and Spinco3, engaged in a series of transactions pursuant to a Canadian statutory plan of arrangement (the “**Arrangement**”). Specifically, in the Arrangement, Silver Elephant undertook a reverse stock split (share consolidation), whereby it consolidated every ten existing common shares into one new common share (the “**Consolidation**”). Thereafter, each Silver Elephant shareholder received one new Class A Silver Elephant common share (each, a “**New Silver Elephant Share**”), one Spinco1 common share (each, a “**Spinco1 Share**”), one Spinco2 common share (each, a “**Spinco2 Share**”) and two Spinco3 common shares (each, a “**Spinco3 Share**”) in exchange for each post-Consolidation Silver Elephant common share surrendered in exchange therefor. No fractional post-Consolidation Silver Elephant common shares, New Silver Elephant Shares, Spinco1 Shares, Spinco2 Shares or Spinco3 Shares were issued pursuant to the Arrangement, and Silver Elephant shareholders did not receive any compensation in lieu thereof.

U.S. Shareholders should review the Circular and consult with their own tax advisors regarding the tax consequences of the Arrangement to them in light of their particular circumstances.

Part II Item 15. Description of the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer

See Exhibit A.

Part II Item 16. Description of the calculation of the change in basis

Provided the Consolidation qualifies as a tax-deferred exchange, either under Code Section 1036 or Code Section 368(a)(1)(E), a Silver Elephant shareholder should, subject to certain passive foreign investment company (“PFIC”) rules, have the same tax basis and holding period in such shareholder’s post-Consolidation Silver Elephant common shares as such shareholder had in its pre-Consolidation Silver Elephant common shares exchanged therefor pursuant to the Arrangement. However, Silver Elephant shareholders will be required to allocate the aggregate tax basis of each block of their Silver Elephant common shares held immediately prior to the Consolidation among the Silver Elephant common shares held immediately after the Consolidation, subject to adjustment for any rounding down of a fractional Silver Elephant common share as a result of the Consolidation, such that the per-share tax basis in each post-Consolidation Silver Elephant common share is equal to 1000% of the tax basis in a pre-Consolidation Silver Elephant common share, subject to adjustment for any rounding down of a fractional Silver Elephant common share as a result of the Consolidation.

Provided the exchange of post-Consolidation Silver Elephant common shares for New Silver Elephant Shares qualifies as a tax-deferred exchange, either under Code Section 1036 or Code Section 368(a)(1)(E), Silver Elephant shareholders should, subject to certain PFIC rules, have the same tax basis and holding period in such shareholder’s New Silver Elephant Shares as such shareholder had in its post-Consolidation Silver Elephant Shares exchanged therefor pursuant to the Arrangement.

U.S. Shareholders should generally have an initial tax basis immediately following the Arrangement in the SpinCo1 Shares, SpinCo2 Shares and SpinCo3 Shares equal to their respective fair market values on January 17, 2022. For purposes of calculating fair market value, the fair market value of a SpinCo1 Share on January 17, 2022 is estimated at U.S.\$0.55859 (as converted to U.S. dollars using the daily exchange rate published by the Bank of Canada on January 17, 2022), the fair market value of a SpinCo2 Share on January 17, 2022 is estimated at U.S.\$0.20356 (as converted to U.S. dollars using the daily exchange rate published by the Bank of Canada on January 17, 2022), and the fair market value of a SpinCo3 Share on January 17, 2022 is estimated at U.S.\$0.21868 (as converted to U.S. dollars using the daily exchange rate published by the Bank of Canada on January 17, 2022),

Each U.S. Shareholder should consult with his, her or its own tax advisors to determine whether they are required to recognize gain in connection with the Arrangement and what measure of fair market value is appropriate.

Part II Item 17. (List of applicable Code sections)

Silver Elephant believes that the Arrangement will likely be treated, under the step transaction doctrine or otherwise, as (i) a tax-deferred exchange by Silver Elephant shareholders of their existing Silver Elephant common shares for post-Consolidation Silver Elephant common shares, either under Code Section 1036 or Code Section 368(a)(1)(E); and (ii)(a) a tax-deferred

exchange by Silver Elephant shareholders of their post-Consolidation Silver Elephant common shares for New Silver Elephant Shares, either under Code Section 1036 or Code Section 368(a)(1)(E), combined with (b) a distribution of the SpinCo1 Shares, Spinco2 Shares and Spinco3 Shares to the Silver Elephant shareholders under Code Section 301, but Silver Elephant provides no assurances in this regard.

Provided the Arrangement is so treated, the U.S. federal income tax consequences for U.S. Shareholders should be determined under Code Sections 301, 354, 358, 368(a)(1)(E), 1036 and 1223.

In addition, if Silver Elephant is classified as a PFIC, then Code Sections 1291-1298 would be applicable. U.S. Shareholders should consult their own tax advisors regarding the application of the PFIC rules.

Part II Item 18. (Recognition of loss)

Silver Elephant believes that the Arrangement will likely be treated, under the step transaction doctrine or otherwise, as (i) a tax-deferred exchange by Silver Elephant shareholders of their existing Silver Elephant common shares for post-Consolidation Silver Elephant common shares, either under Code Section 1036 or Code Section 368(a)(1)(E); and (ii)(a) a tax-deferred exchange by Silver Elephant shareholders of their post-Consolidation Silver Elephant common shares for New Silver Elephant Shares, either under Code Section 1036 or Code Section 368(a)(1)(E), combined with (b) a distribution of the SpinCo1 Shares, Spinco2 Shares and Spinco3 Shares to the Silver Elephant shareholders under Code Section 301, but Silver Elephant provides no assurances in this regard.

Provided the Arrangement is so treated, each U.S. Shareholder should not recognize any loss pursuant to the Arrangement.

Part II Item 19. (other information)

The Arrangement was effective on January 17, 2022. For a U.S. Shareholder which participated in the Arrangement whose taxable year is a calendar year, the reportable tax year is 2022.

Silver Elephant Mining Corp.
Exhibit A
Attachment to Form 8937-Part II
Report of Organizational Actions Affecting Basis of Securities (The Arrangement)

are not “taxable Canadian property” (as defined in the Tax Act), as discussed above under “*Exchange of Silver Elephant Shares for Class A Shares and SpinCo Shares*”, to the Non-Resident Holder at the time of the disposition or an applicable income tax treaty or convention exempts the capital gain from tax under the Tax Act.

Interest (if any) awarded by a court to a dissenting Non-Resident Holder generally should not be subject to withholding tax under the Tax Act.

Redesignation of Class A Shares as New Silver Elephant Shares

Under the Tax Act, the redesignation of Class A Shares as New Silver Elephant Shares will not be a taxable event. The cost to a Non-Resident Holder of New Silver Elephant Shares received on the redesignation will be equal to the Non-Resident Holder’s ACB of the redesignated Class A Shares.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain material U.S. federal income tax consequences to a U.S. Holder, as defined below, of the receipt of the SpinCo Shares pursuant to the Spinouts under the Arrangement and the ownership and disposition of SpinCo Shares and New Silver Elephant Shares received in the Arrangement. This summary does not address the U.S. federal income tax consequences to holders of Options or Warrants regarding the Arrangement or the receipt of replacement options and warrants.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury regulations promulgated under the Code (“**Treasury Regulations**”), administrative pronouncements, rulings or practices, and judicial decisions, all as of the date of this Circular. Future legislative, judicial, or administrative modifications, revocations, or interpretations, which may or may not be retroactive, may result in U.S. federal income tax consequences significantly different from those discussed in this Circular. No legal opinion from U.S. legal counsel has been or will be sought or obtained regarding the U.S. federal income tax consequences of the Arrangement. In addition, this summary is not binding on the U.S. Internal Revenue Service (the “**IRS**”), and no ruling has been or will be sought or obtained from the IRS with respect to any of the U.S. federal income tax consequences discussed in this Circular. There can be no assurance that the IRS will not challenge any of the conclusions described in this Circular or that a U.S. court will not sustain such a challenge.

This summary is for general informational purposes only and does not address all possible U.S. federal tax issues that could apply with respect to the Arrangement. This summary does not take into account the facts unique to any particular U.S. Holder that could impact its U.S. federal income tax consequences with respect to the Arrangement. This discussion is not, and should not be, construed as legal or tax advice to a U.S. Holder. Except as provided below, this summary does not address tax reporting requirements. Each U.S. Holder should consult its own tax advisors regarding the U.S. federal income, U.S. federal net investment income, U.S. federal alternative minimum, U.S. state and local, and non-U.S. tax consequences of the Arrangement and the ownership and disposition of New Silver Elephant Shares and SpinCo Shares received in the Arrangement.

This summary does not address the U.S. federal income tax consequences to U.S. Holders subject to special rules, including, but not limited to, U.S. Holders that: (i) are banks, financial institutions, or insurance companies; (ii) are regulated investment companies or real estate investment trusts; (iii) are brokers, dealers, or traders in securities or currencies; (iv) are tax-exempt organizations; (v) hold Silver Elephant Shares (or after the Arrangement, New Silver Elephant Shares or SpinCo Shares) as part of hedges, straddles, constructive sales, conversion transactions, or other integrated investments; (vi) acquire Silver Elephant Shares (or after the Arrangement, New Silver Elephant Shares or SpinCo Shares) as compensation for services or through the exercise of employee stock options or warrants or otherwise as compensation for services; (vii) have a functional currency other than the U.S. dollar; (viii) own or have owned directly, indirectly, or constructively, 10% or more of the voting power of all outstanding shares of the Company (or after the Arrangement, the Company or a SpinCo); (ix) are U.S. expatriates or former long-term residents of the U.S.; (x) hold Silver Elephant Shares (or after the Arrangement, New Silver Elephant Shares or SpinCo Shares) in connection with a trade or business, permanent establishment, or fixed based outside the U.S.; (xi) are subject to special tax accounting rules as a result of any item of gross income with respect to Silver Elephant Shares (or after the Arrangement, New Silver Elephant Shares or SpinCo Shares) being taken into account in an applicable financial statement; (xii) are subject to the U.S. federal alternative minimum tax; (xiii) are deemed to sell

Silver Elephant Shares (or after the Arrangement, New Silver Elephant Shares or SpinCo Shares) under the constructive sale provisions of the Code; or (xiv) own or will own Silver Elephant Shares, New Silver Elephant Shares and/or SpinCo Shares that it acquired at different times or at different market prices or that otherwise have different per share cost bases or holding periods for U.S. tax purposes. In addition, this discussion does not address U.S. federal tax laws other than those pertaining to U.S. federal income tax (such as U.S. federal estate or gift tax, U.S. federal alternative minimum tax, and U.S. federal net investment income tax), nor does it address any aspects of U.S. state, local or non-U.S. taxes. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement and the ownership and disposition of New Silver Elephant Shares and SpinCo Shares.

For the purposes of this summary, “**U.S. Holder**” means a beneficial owner of Silver Elephant Shares, New Silver Elephant Shares or SpinCo Shares (as applicable) that is: (i) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes; (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the U.S., any U.S. state, or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust that (a) is subject to the primary jurisdiction of a court within the U.S. and for which one or more U.S. persons have authority to control all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a pass-through entity, including a partnership or other entity taxable as a partnership for U.S. federal income tax purposes, holds Silver Elephant Shares, New Silver Elephant Shares or SpinCo Shares, the U.S. federal income tax treatment of an owner or partner generally will depend on the status of such owner or partner and on the activities of such pass-through entity or partnership. This summary does not address any U.S. federal income tax consequences of the Arrangement to such owners or partners of a partnership or other entity taxable as a partnership for U.S. federal income tax purposes holding Silver Elephant Shares, New Silver Elephant Shares or SpinCo Shares and such persons are urged to consult their own tax advisors.

For purposes of this summary, “non-U.S. Holder” means a beneficial owner of Silver Elephant Shares, New Silver Elephant Shares, or SpinCo Shares (as applicable) other than a U.S. Holder. This summary does not address the U.S. federal income tax consequences of the Arrangement to non-U.S. Holders. Accordingly, non-U.S. Holders should consult their own tax advisors regarding the U.S. federal income, other U.S. federal, U.S. state and local, and non-U.S. tax consequences (including the potential application and operation of any income tax treaties) of the Arrangement.

This summary assumes that the Silver Elephant Shares, New Silver Elephant Shares, and SpinCo Shares are or will be held as capital assets (generally, property held for investment), within the meaning of the Code, in the hands of a U.S. Holder at all relevant times.

U.S. Federal Income Tax Consequences of the Consolidation of Silver Elephant Shares

The Consolidation of the number of Silver Elephant Shares should constitute a “recapitalization” within the meaning of Section 368(a)(1)(E) of the Code for U.S. federal income tax purposes. Assuming such treatment is correct, a U.S. Holder generally should not recognize gain or loss as a result of holding fewer Silver Elephant Shares as a result of the Consolidation. A U.S. Holder’s aggregate tax basis in the Silver Elephant Shares held after the Consolidation should equal such U.S. Holder’s aggregate tax basis in the Silver Elephant Shares prior to the Consolidation, and such U.S. Holder’s holding period in the Silver Elephant Shares held after the Consolidation should include such U.S. Holder’s holding period in the Silver Elephant Shares held prior to the Consolidation. Treasury Regulations provide detailed rules for allocating the tax basis and holding period of the Silver Elephant Shares held prior to the Consolidation to the Silver Elephant Shares held after the Consolidation. U.S. Holders of Silver Elephant Shares acquired on different dates and at different prices are urged to consult their own tax advisors regarding the allocation of the tax basis and holding period of such shares.

U.S. Federal Income Tax Consequences of the Arrangement

The Arrangement will be effected under applicable provisions of Canadian corporate law, which are technically different from analogous provisions of U.S. corporate law. Accordingly, the U.S. federal income tax consequences of certain aspects of the Arrangement are not certain. Nonetheless, the Company believes, and the following discussion assumes, that (a) the renaming and redesignation of the Silver Elephant Shares as Class A Shares and (b) the exchange by the Shareholders of one Class A Share for one New Silver Elephant Share, one SpinCo 1 Share, one SpinCo 2 Share and two SpinCo 3 Shares, taken together, will properly be treated for U.S. federal income tax purposes, under the step-transaction doctrine or otherwise, as (i) a tax-deferred exchange by the Shareholders of their Silver Elephant Shares for New Silver Elephant Shares, either under Section 1036 or Section 368(a)(1)(E) of the Code, combined with (ii) a distribution of the SpinCo Shares to the Shareholders under Section 301 of the Code. In addition, except as discussed below, a U.S. Holder should have the same tax basis and holding period in its New Silver Elephant Shares as such U.S. Holder had in its Silver Elephant Shares immediately prior to such transactions.

There can be no assurance that the IRS will not challenge the U.S. federal income tax treatment of the Arrangement or that, if challenged, a U.S. court would not agree with the IRS. Each U.S. Holder should consult its own tax advisors regarding the proper treatment of the Arrangement for U.S. federal income tax purposes.

Receipt of SpinCo Shares pursuant to the Arrangement

Subject to the “passive foreign investment company” (“**PFIC**”) rules discussed below under “*Potential Application of the PFIC Rules to the Arrangement*”, a U.S. Holder that receives SpinCo Shares pursuant to the Arrangement will be treated as receiving a distribution of property in an amount equal to the fair market value of the SpinCo Shares received on the distribution date (without reduction for any Canadian income or other tax withheld from such distribution). Such distribution would be taxable to the U.S. Holder as a dividend to the extent of the Company’s current and accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent the fair market value of the SpinCo Shares distributed exceeds the Company’s adjusted tax basis in such shares (as calculated for U.S. federal income tax purposes), the Arrangement can be expected to generate additional earnings and profits for the Company in an amount equal to the extent the fair market value of the SpinCo Shares distributed by the Company exceeds the Company’s adjusted tax basis in those shares for U.S. federal income tax purposes. To the extent that the fair market value of the SpinCo Shares exceeds the current and accumulated earnings and profits of the Company, the distribution of the SpinCo Shares pursuant to the Arrangement will be treated first as a non-taxable return of capital to the extent of a U.S. Holder’s tax basis in the Silver Elephant Shares, with any remaining amount being taxed as a capital gain. However, the Company does not intend to calculate its earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder therefore should assume that the full fair market value of the SpinCo Shares will constitute ordinary dividend income. Any such dividend generally will not be eligible for the “dividends received deduction” in the case of U.S. Holders that are corporations. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. A U.S. Holder that receives SpinCo Shares pursuant to the Arrangement will generally have a tax basis in such SpinCo Shares equal to their respective fair market values on the effective date of the Arrangement and a holding period in such SpinCo Shares that begins on the day following the effective date of the Arrangement.

A dividend paid by the Company to a U.S. Holder who is an individual, estate or trust generally will be taxed at the preferential tax rates applicable to long-term capital gains if the Company is a “qualified foreign corporation” (“**QFC**”) and certain holding period and other requirements for the Silver Elephant Shares are met. The Company generally will be a QFC as defined under Section 1(h)(11) of the Code if the Company is eligible for the benefits of the U.S. Treaty or its shares are readily tradable on an established securities market in the U.S. However, even if the Company satisfies one or more of these requirements, the Company will not be treated as a QFC if the Company is a PFIC for the tax year during which it pays a dividend or for the preceding tax year. See the section below under the heading “*Potential Application of the PFIC Rules to the Arrangement*.”

If a U.S. Holder is not eligible for the preferential tax rates discussed above, a dividend paid by the Company to a U.S. Holder generally will be taxed at ordinary income tax rates (rather than the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

Dissenting U.S. Holders

Subject to the PFIC rules discussed below under “*Potential Application of the PFIC Rules to the Arrangement*,” a U.S. Holder that exercises Dissent Rights in connection with the Arrangement (a “**Dissenting U.S. Holder**”) and receives cash for such U.S. Holder’s Silver Elephant Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the amount of cash received by such U.S. Holder in exchange for the Silver Elephant Shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and (b) the adjusted tax basis of such U.S. Holder in the Silver Elephant Shares surrendered, provided such U.S. Holder does not actually or constructively own any New Silver Elephant Shares after the Arrangement. Such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Silver Elephant Shares are held for longer than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

If a U.S. Holder that exercises Dissent Rights in connection with the Arrangement and receives cash for such U.S. Holder’s Silver Elephant Shares actually or constructively owns New Silver Elephant Shares after the Arrangement, all or a portion of the cash received by such U.S. Holder may be taxable as a distribution under the same rules as discussed under “*Receipt of SpinCo Shares pursuant to the Arrangement*” above.

Potential Application of the PFIC Rules to the Arrangement

The tax considerations of the Arrangement to a particular U.S. Holder will depend on whether the Company was a PFIC during any year in which a U.S. Holder owned Silver Elephant Shares. In general, a foreign corporation is a PFIC for any taxable year in which either (i) 75% or more of the foreign corporation’s gross income is passive income, or (ii) 50% or more of the average quarterly value of the foreign corporation’s assets produced, or are held for the production of, passive income. Passive income includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Passive income does not include gains from the sale of commodities that arise in the active conduct of a commodities business by a non-U.S. corporation, provided that certain other requirements are satisfied. In determining whether or not it is classified as a PFIC, a foreign corporation is required to take into account its pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest by value.

The determination of PFIC status is inherently factual and generally cannot be determined until the close of the taxable year in question. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. U.S. Holders are urged to consult their own U.S. tax advisors regarding the application of the PFIC rules to the Arrangement. Certain subsidiaries and other entities in which a PFIC has a direct or indirect interest could also be PFICs with respect to a U.S. person owning an interest in the first-mentioned PFIC. The Company believes that it was a PFIC for its prior tax year and based on current business plans and financial projections, the Company expects to be a PFIC for its current tax year. No opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or is currently planned to be requested. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this Circular. Accordingly, there can be no assurance that the IRS will not challenge whether the Company was a PFIC in a prior year or whether the Company is or will be a PFIC in the current or future years. Each U.S. Holder should consult its own tax advisors regarding the PFIC status of the Company.

If the Company is a PFIC, or was a PFIC at any time during a U.S. Holder’s holding period for its Silver Elephant Shares, the effect of the PFIC rules on a U.S. Holder receiving SpinCo Shares pursuant to the Arrangement will depend on whether such U.S. Holder has made a timely and effective election to treat the Company as a qualified electing fund (a “**QEF**”) under Section 1295 of the Code (a “**QEF Election**”) or has made a mark-to-market election with respect to its Silver Elephant Shares under Section 1296 of the Code (a “**Mark-to-Market Election**”). In this summary, a U.S. Holder that has made a timely QEF Election or Mark-to-Market Election with respect to its Silver

Elephant Shares is referred to as an “Electing Shareholder” and a U.S. Holder that has not made a timely QEF Election or a Mark-to-Market Election with respect to its Silver Elephant Shares is referred to as a “**Non-Electing Shareholder**”. For a description of the QEF Election and Mark-to-Market Election, U.S. Holders should consult the discussion below under “*U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of SpinCo Shares and New Silver Elephant Shares - Passive Foreign Investment Company Rules - QEF Election*” and “*- Mark-to-Market Election*”.

An Electing Shareholder generally would not be subject to the default rules of Section 1291 of the Code discussed below upon the receipt of the SpinCo Shares pursuant to the Arrangement. Instead, the Electing Shareholder generally would be subject to the rules described below under “*U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of SpinCo Shares and New Silver Elephant Shares - Passive Foreign Investment Company Rules - QEF Election*” and “*-Mark-to-Market Election*”.

With respect to a Non-Electing Shareholder, if the Company is a PFIC or was a PFIC at any time during a U.S. Holder’s holding period for its Silver Elephant Shares, the default rules under Section 1291 of the Code will apply to gain recognized on any disposition of Silver Elephant Shares and to “excess distributions” from the Company (generally, distributions received in the current taxable year that are in excess of 125% of the average distributions received during the three preceding years (or during the U.S. Holder’s holding period for the Silver Elephant Shares, if shorter)). Under Section 1291 of the Code, any such gain recognized on the sale or other disposition of Silver Elephant Shares and any excess distribution must be ratably allocated to each day in a Non-Electing Shareholder’s holding period for the Silver Elephant Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the Company became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year without regard to the Non-Electing Shareholder’s U.S. federal income tax net operating losses or other attributes and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such prior year. Such Non-Electing Shareholders that are not corporations must treat any such interest paid as “personal interest,” which is not deductible.

If the distribution of the SpinCo Shares pursuant to the Arrangement constitutes an “excess distribution” or results in the recognition of capital gain as described above under “*Receipt of SpinCo Shares pursuant to the Arrangement*” with respect to a Non-Electing Shareholder, such Non-Electing Shareholder will be subject to the rules of Section 1291 of the Code discussed above upon the receipt of the SpinCo Shares. In addition, the distribution of the SpinCo Shares pursuant to the Arrangement may be treated, under proposed Treasury Regulations, as the “indirect disposition” by a Non-Electing Shareholder of such Non-Electing Shareholder’s indirect interest in each of SpinCos, which generally would be subject to the rules of Section 1291 of the Code discussed above.

U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of SpinCo Shares and New Silver Elephant Shares

If the Arrangement is approved by Shareholders, each Shareholder will ultimately receive SpinCo Shares and New Silver Elephant Shares for the Silver Elephant Shares held by such Shareholder. If the Arrangement is not approved by the Shareholders, each Shareholder shall retain its Silver Elephant Shares. The U.S. federal income tax consequences to a U.S. Holder related to the ownership and disposition of SpinCo Shares or New Silver Elephant Shares, as the case may be, will generally be the same and are described below.

In general the following discussion is subject to the rules described below under the heading “*Passive Foreign Investment Company Rules.*”

Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a SpinCo Share or New Silver Elephant Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the distributing company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the distributing company is a

PFIC. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the distributing company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder’s tax basis in the shares of the distributing company and thereafter as gain from the sale or exchange of such shares. See the discussion below under the heading “*Sale or Other Taxable Disposition of Shares.*” However, the distributing company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution with respect to the SpinCo Shares or New Silver Elephant Shares will constitute ordinary dividend income. Dividends received on SpinCo Shares or New Silver Elephant Shares generally will not be eligible for the “dividends received deduction.” In addition, distributions from a SpinCo or the Company (on New Silver Elephant Shares or SpinCo Shares, as applicable) will not constitute qualified dividend income eligible for the preferential tax rates applicable to long-term capital gains if the distributing company were a PFIC either in the year of the distribution or in the immediately preceding year, or if the distributing company is not eligible for the benefits of the U.S. Treaty and its shares are not readily tradable on an established securities market in the U.S. The dividend rules are complex, and each U.S. Holder is urged to consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Shares

Upon the sale or other taxable disposition of SpinCo Shares or New Silver Elephant Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of cash received plus the fair market value of any property received and such U.S. Holder’s adjusted tax basis in such shares sold or otherwise disposed of. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the shares have been held for more than one year.

Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company Rules

If a SpinCo or the Company were to constitute a PFIC under the meaning of Section 1297 of the Code (as described above under “*US Federal Income Tax Consequences of the Arrangement - Receipt of SpinCo Shares pursuant to the Arrangement – Potential Application of the PFIC Rules to the Arrangement*”) for any year during a U.S. Holder’s holding period, then certain potentially adverse rules will affect the U.S. federal income tax consequences to such U.S. Holder resulting from the acquisition, ownership and disposition of SpinCo Shares or New Silver Elephant Shares, as applicable. Based on current business plans and financial projections, the Company expects to be a PFIC in the tax year that the Arrangement is completed and may be a PFIC in future tax years. The Company also expects that each SpinCo should be a PFIC for its initial tax year and may be a PFIC in future tax years. No opinion of legal counsel or ruling from the IRS concerning the status of the Company and the SpinCos as a PFIC has been obtained or is currently planned to be requested. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this Circular. Accordingly, there can be no assurance that the IRS will not challenge whether the Company (or a Subsidiary PFIC, as defined below) was a PFIC in a prior year or whether the Company or a SpinCo is or will be a PFIC in the current or future years. Each U.S. Holder should consult its own tax advisors regarding the PFIC status of the Company and the SpinCos and any of their respective Subsidiary PFICs.

Each U.S. Holder generally must file an IRS Form 8621 reporting distributions received and gain realized with respect to each PFIC in which the U.S. Holder holds a direct or indirect interest. In addition, subject to certain rules intended to avoid duplicative filings, U.S. Holders generally must file an annual information return on IRS Form 8621 with respect to each PFIC in which the U.S. Holder holds a direct or indirect interest. Each U.S. Holder should consult its tax advisors regarding these and any other applicable information or other reporting requirements.

Under certain attribution rules, if a SpinCo or the Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of its direct or indirect equity interest in any subsidiary that is also a PFIC (a “**Subsidiary PFIC**”), and will be subject to U.S. federal income tax on any indirect gain realized on the stock of a

Subsidiary PFIC on the sale of the SpinCo Shares or New Silver Elephant Shares, as applicable, and their proportionate share of (a) any excess distributions on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by a SpinCo or the Company or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. Accordingly, U.S. Holders should be aware that they could be subject to tax even if no distributions are received and no redemptions or other dispositions of SpinCo Shares or New Silver Elephant Shares, as applicable, are made.

Default PFIC Rules Under Section 1291 of the Code

If a SpinCo or the Company is a PFIC for any tax year during which a U.S. Holder owns SpinCo Shares or New Silver Elephant Shares, as applicable, the U.S. federal income tax consequences to such U.S. Holder of the acquisition, ownership, and disposition of such shares will depend on whether and when such U.S. Holder makes a QEF Election to treat a SpinCo or the Company, as applicable, and each Subsidiary PFIC, if any, as a QEF under Section 1295 of the Code or makes a Mark-to-Market Election under Section 1296 of the Code. A U.S. Holder that does not make either a timely QEF Election or a Mark-to-Market Election with respect to its SpinCo Shares or New Silver Elephant Shares, as applicable, will be referred to in this summary as a “**Non-Electing Shareholder**”.

A Non-Electing Shareholder will be subject to the rules of Section 1291 of the Code (described below) with respect to (a) any gain recognized on the sale or other taxable disposition of SpinCo Shares or New Silver Elephant Shares, as applicable, and (b) any excess distribution received on the SpinCo Shares, or New Silver Elephant Shares, as applicable. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for the applicable shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of SpinCo Shares or New Silver Elephant Shares, as applicable, (including an indirect disposition of the stock of any Subsidiary PFIC), and any “excess distribution” received on such shares, must be ratably allocated to each day in a Non-Electing Shareholder’s holding period for the respective shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year without regard to the shareholder’s net operating losses or other U.S. federal income tax attributes, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing Shareholder that is not a corporation must treat any such interest paid as “personal interest,” which is not deductible.

If a SpinCo or the Company is a PFIC for any tax year during which a Non-Electing Shareholder holds SpinCo Shares or New Silver Elephant Shares, as applicable, the applicable company will continue to be treated as a PFIC with respect to such Non-Electing Shareholder, regardless of whether that company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing Shareholder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above), but not loss, as if such shares were sold on the last day of the last tax year for which the applicable company was a PFIC.

QEF Election

A U.S. Holder that makes a timely and effective QEF Election for the first tax year in which its holding period of its SpinCo Shares or New Silver Elephant Shares, as applicable, begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to those shares. A U.S. Holder that makes a timely and effective QEF Election will be subject to U.S. federal income tax on such U.S. Holder’s pro rata share of (a) the net capital gain of a SpinCo or the Company, as applicable, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of a SpinCo or the Company, as applicable, which will be taxed as ordinary income to such U.S. Holder. Generally, “net capital gain” is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and “ordinary earnings” are the excess of (a) “earnings and profits” over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which a SpinCo or the Company, as applicable, is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder. However, for any tax year in which a SpinCo or the Company, as applicable, is a

PFIC and has no net income or gain as determined for U.S. income tax purposes, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as “personal interest,” which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election with respect to a SpinCo or the Company, as applicable, generally (a) may receive a tax-free distribution from the applicable company to the extent that such distribution represents “earnings and profits” of the distributing company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder’s tax basis in the shares of the applicable company to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of SpinCo Shares or New Silver Elephant Shares, as applicable.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as “timely” if such QEF Election is made for the first year in the U.S. Holder’s holding period for the SpinCo Shares or New Silver Elephant Shares in which a SpinCo or the Company, as applicable, was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year. If a U.S. Holder does not make a timely and effective QEF Election for the first year in the U.S. Holder’s holding period for the SpinCo Shares or New Silver Elephant Shares, the U.S. Holder may still be able to make a timely and effective QEF Election in a subsequent year if such U.S. Holder meets certain requirements and makes a “purging” election to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such shares were sold for their fair market value on the day the QEF Election is effective. If a U.S. Holder owns PFIC stock indirectly through another PFIC, separate QEF Elections must be made for the PFIC in which the U.S. Holder is a direct shareholder and the Subsidiary PFIC in order for the QEF rules to apply to both PFICs.

A QEF Election will apply to the tax year for which such QEF Election is timely made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, a SpinCo or the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which a SpinCo or the Company, as applicable, is not a PFIC. Accordingly, if a SpinCo or the Company becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which a SpinCo or the Company, as applicable, qualifies as a PFIC.

U.S. Holders should be aware that there can be no assurances that a SpinCo or the Company will satisfy the record keeping requirements that apply to a QEF for the current or future years, or that a SpinCo or the Company will supply U.S. Holders with information that such U.S. Holders require to report under the QEF rules, in the event that a SpinCo or the Company, as applicable, is a PFIC. None of a SpinCo or the Company commit to provide information to their respective shareholders that would be necessary to make a QEF Election with respect to a SpinCo or the Company, as applicable, for any year in which it is a PFIC. Thus, U.S. Holders may not be able to make a QEF Election with respect to their SpinCo Shares or New Silver Elephant Shares (or with respect to any Subsidiary PFIC). Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a QEF Election.

A U.S. Holder makes a QEF Election by attaching a completed IRS Form 8621, including a PFIC Annual Information Statement, to a timely filed United States federal income tax return. However, if a SpinCo or the Company does not provide the required information with regard to the SpinCos, the Company or any of their Subsidiary PFICs, as applicable, U.S. Holders will not be able to make a QEF Election for such entity and will continue to be subject to the rules discussed above that apply to Non-Electing Shareholders with respect to the taxation of gains and excess distributions.

Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the SpinCo Shares or New Silver Elephant Shares, as applicable, are marketable stock. These shares generally will be “marketable stock” if they are regularly traded on: (i) a national securities exchange that is registered with the Securities and Exchange Commission; (ii) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934; or (iii) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that: (i) such foreign exchange has trading volume, listing, financial disclosure, and surveillance requirements, and meets other requirements and the laws of the country in which such foreign exchange is located, and together with the rules of such foreign exchange, ensure that such requirements are actually enforced; and (ii) the rules of such foreign exchange effectively promote active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. There is no assurance that the SpinCo Shares or New Silver Elephant Shares will be marketable stock for this purpose.

A U.S. Holder that makes a Mark-to-Market Election with respect to its SpinCo Shares or New Silver Elephant Shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder’s holding period for such shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, those shares.

A U.S. Holder that makes a Mark-to-Market Election with respect to SpinCo Shares or New Silver Elephant Shares will include in ordinary income, for each tax year in which a SpinCo or the Company, as applicable, is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the applicable shares, as of the close of such tax year over (b) such U.S. Holder’s tax basis in such shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder’s adjusted tax basis in the applicable shares, over (b) the fair market value of such shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election with respect to SpinCo Shares or New Silver Elephant Shares generally also will adjust such U.S. Holder’s tax basis in the applicable shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of such shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years). Losses that exceed this limitation are subject to the rules generally applicable to losses provided in the Code and Treasury Regulations.

A U.S. Holder makes a Mark-to-Market Election by attaching a completed IRS Form 8621 to a timely filed United States federal income tax return. A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the SpinCo Shares or New Silver Elephant Shares, as applicable, cease to be “marketable stock” or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the SpinCo Shares or New Silver Elephant Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the application of the default rules of Section 1291 of the Code described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of SpinCo Shares or New Silver Elephant Shares that would otherwise be tax-deferred (e.g.,

gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which such shares are transferred.

Certain additional adverse rules may apply with respect to a U.S. Holder if a SpinCo or the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example, under Section 1298(b)(6) of the Code, a U.S. Holder that uses SpinCo Shares or New Silver Elephant Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such shares.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with its own tax advisor regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult with its own tax advisors regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of SpinCo Shares or New Silver Elephant Shares.

Additional Considerations

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement or in connection with the ownership or disposition of SpinCo Shares or New Silver Elephant Shares may elect to deduct or credit such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a tax year. The foreign tax credit rules are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Each U.S. Holder should consult its own U.S. tax advisors regarding the foreign tax credit rules.

Receipt of Foreign Currency

The U.S. dollar value of any cash payment in Canadian dollars to a U.S. Holder will be translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. A U.S. Holder will generally have a tax basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and converts or disposes of the Canadian dollars after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, which generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Information Reporting and Backup Withholding Tax

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, Section 6038D of the Code generally imposes U.S. return disclosure obligations (and related penalties) on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain thresholds. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their shares are held in an account at a domestic financial institution. A U.S. Holder's disclosure of foreign financial assets pursuant to Section 6038D of the Code should be made on IRS Form 8938.

Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns under these rules, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of (a) distributions on the SpinCo Shares or New Silver Elephant Shares, (b) proceeds arising from the sale or other taxable disposition of SpinCo Shares or New Silver Elephant Shares, or (c) any payments received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising Dissent Rights) generally may be subject to information reporting and backup withholding tax, at the current rate of 24% if a U.S. Holder (i) fails to furnish its correct U.S. taxpayer identification number (generally on IRS Form W-9), (ii) furnishes an incorrect U.S. taxpayer identification number, (iii) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (iv) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE REORGANIZATION ARRANGEMENT OR THE OWNERSHIP AND DISPOSITION OF SPINCO SHARES OR NEW SILVER ELEPHANT SHARES RECEIVED PURSUANT TO THE REORGANIZATION ARRANGEMENT. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.

INFORMATION CONCERNING THE COMPANY

Silver Elephant Mining Corp. is a mineral exploration and development stage company. Following the Arrangement, the Company's principal projects will be the Pulacayo silver-lead-zinc property located in the Potosi Department, Antonnio Quijarro Province, Bolivia and the Triunfo silver-zinc-gold property in Bolivia. The Silver Elephant Shares are listed on the TSX under the trading symbol "ELEF" and on the Frankfurt Stock Exchange under the symbol "1P2N" and are quoted on the OTCQX under the symbol "SILEF". The Company's head and registered office is located at Suite 1610, 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

For more information regarding the Company, please refer to the Company's short form base shelf prospectus filed at sedar.com on May 13, 2021, the Company's annual report filed on Form 20F filed at sedar.com on March 12, 2021, as well as the Company other continuous disclosure materials, including audited annual and unaudited interim consolidation financial statements and related management discussion and analysis filed at sedar.com

See also Appendix "L" to this Circular - "*Pro Forma Combined Financial Statements of the Company*".

INFORMATION CONCERNING SPINCO 1

SpinCo 1 is currently a wholly-owned subsidiary of the Company that has been formed to acquire and hold the Spinout 1 Properties. The registered and records office of SpinCo 1 is located at Suite 1610 – 409 Granville Street, Vancouver, BC V6C 1T2.. Upon completion of the Arrangement, SpinCo 1 expects that it will be a reporting issuer in each of the provinces and territories of Canada other than Quebec and will hold the Spinout 1 Properties, which include the Minago nickel project in Manitoba. It is expected that an application will be made for listing of the SpinCo 1 Shares on the TSXV. Listing of the SpinCo 1 Shares will be subject to meeting TSXV original listing requirements and there is no assurance that a listing will be obtained. In the event a TSXV listing is not obtained, SpinCo 1 will consider applying to list on other securities exchanges, although there is no assurance that a listing will be obtained.