



**NOTICE OF SPECIAL MEETING AND  
MANAGEMENT INFORMATION CIRCULAR FOR THE  
SPECIAL MEETING OF SHAREHOLDERS  
SILVER ELEPHANT MINING CORP.**

**TO BE HELD AT ON**

**DECEMBER 22, 2021**

**November 14, 2021**



## SILVER ELEPHANT MINING CORP. •

You are invited to attend a special meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) of Silver Elephant Mining Corp. (the “**Company**”) to be held virtually online at <https://meetnow.global/MZY2R4D> on December 22, 2021 commencing at 9:00 a.m. (Pacific time).

At the Meeting you will be asked to consider and vote upon a proposed statutory plan of arrangement of the Company (the “**Arrangement**”). The Arrangement involves, among other things: (a) the consolidation of the Company’s common shares (the “**Consolidation**”) on the basis of one post-Consolidation common share for each ten (10) pre-Consolidation common shares; (b) the distribution of common shares (each, a “**SpinCo 1 Share**”) of Flying Nickel Mining Corp. (“**SpinCo 1**” or “**NickelCo**”), common shares (each, a “**SpinCo 2 Share**”) of 1324825 B.C. Ltd. (“**SpinCo 2**” or “**VanadiumCo**”) and common shares (each, a “**SpinCo 3 Share**”) of Battery Metals Royalties Corp. (“**SpinCo 3**” or “**RoyaltyCo**), each being a wholly-owned subsidiary of the Company, to Shareholders, such that each Shareholder will receive in exchange for each common share of the Company held (each, a “**Silver Elephant Share**”) on the effective date of the Arrangement: (i) one new common share of the Company post-Arrangement (“**New Silver Elephant Share**”); (ii) one SpinCo 1 Share; (iii) one SpinCo 2 Share; and (iv) two SpinCo 3 Shares. All securities issued pursuant to the Arrangement shall be on a post-Consolidation basis.

Upon completion of the Arrangement, the Company will continue to own its flagship Pulacayo silver-zinc-lead project and its Triunfo gold-silver-zinc project in Bolivia, as well as approximately 33% of the outstanding SpinCo 3 Shares. NickelCo will hold the Minago nickel project in Manitoba, Canada, VanadiumCo will hold the Gibellini project in Nevada USA and RoyaltyCo will hold certain royalty interests in the Company’s projects, as well as approximately 46% of the outstanding SpinCo 1 Shares and SpinCo 2 Shares. Shareholders will maintain their shareholdings of the Company and will hold approximately 54% of the outstanding SpinCo 1 Shares, 54% of the outstanding SpinCo 2 Shares and 67% of the outstanding SpinCo 3 Shares upon completion of the Arrangement. Detailed information regarding the Arrangement is contained in the attached Notice of Meeting and Management Information Circular.

In order to become effective, the Arrangement must be approved by a special resolution passed by at least a two-thirds majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting. Completion of the Arrangement is also subject to receipt of certain required regulatory approvals, including the approval of the Toronto Stock Exchange and the Supreme Court of British Columbia (the “**Court**”), and other customary closing conditions, all of which are described in more detail in the attached Management Information Circular.

In addition, at the Meeting you will be asked to consider and vote upon: (a) ordinary resolutions approving the incentive plans of each of SpinCo 1, SpinCo 2 and SpinCo 3; and (b) an ordinary resolution of disinterested shareholders approving the SpinCo 1 Financing (as defined in the accompanying Management Information Circular). In order to pass these ordinary resolutions must be approved by at least: (a) a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting, in the case of the incentive plan approvals; and (b) a majority of the votes cast by Shareholders, excluding the votes of certain interested Shareholders, present in person or represented by proxy at the Meeting, in the case of the SpinCo 1 Financing approval.

All directors, all senior officers and certain shareholders of the Company holding in the aggregate 5,308,707 Silver Elephant Shares representing approximately 2.32% of the issued and outstanding Silver Elephant Shares, have indicated their support for the Arrangement.

The board of directors of the Company (the “**Board**”) has unanimously determined that the Arrangement is fair and is in the best interests of the Company. **Accordingly, the Board recommends that the Shareholders vote FOR the Arrangement.**

If you are a Registered shareholder, we encourage you to complete, sign, date and return the enclosed letter of transmittal (the “**Letter of Transmittal**”) in accordance with the instructions set out therein and in the Circular, together with the certificate(s) representing your Silver Elephant Shares to the depository of the Arrangement at the address specified in the Letter of Transmittal. The Letter of Transmittal contains other procedural information relating to the exchange of Silver Elephant Shares for New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares and should be reviewed carefully.

The Letter of Transmittal is for use by Registered shareholders only and is not to be used by beneficial shareholders (the “**Beneficial Shareholders**”). A Beneficial Shareholder does not have Silver Elephant Shares registered in his, her or its name; rather, such Silver Elephant Shares are held by an intermediary or clearing agency such as CDS & Co. If you are a Beneficial Shareholder, you should contact your intermediary for instructions and assistance.

## Meeting Format

Out of an abundance of caution, to proactively deal with potential issues arising from the unprecedented public health impact of Coronavirus Disease 2019, and to limit and mitigate risks to the health and safety of our communities, Shareholders, employees, directors and other stakeholders, we will be holding the Meeting in a virtual only format this year. Shareholders will not need to physically attend the Meeting.

The Company is conducting an online only shareholders’ meeting. Registered Shareholders (as defined in the accompanying this Management Information Circular under the heading “Voting at the Meeting”) and duly appointed proxyholders can attend the meeting online at <https://meetnow.global/MZY2R4D> where they can participate, vote, or submit questions during the meeting’s live webcast.

Shareholders and duly appointed proxyholders can attend the meeting online by going to <https://meetnow.global/MZY2R4D>.

- Registered Shareholders and duly appointed proxyholders can participate in the meeting by clicking “**Shareholder**” and entering a Control Number or an Invitation Code before the start of the meeting.
  - Registered Shareholders - The 15-digit control number is located on the form of proxy or in the email notification you received.
  - Duly appointed proxyholders – Computershare will provide the proxyholder with an Invite Code after the voting deadline has passed.
- Voting at the meeting will only be available for Registered Shareholders and duly appointed proxyholders. Non-Registered Shareholders who have not appointed themselves may attend the meeting by clicking “**Guest**” and completing the online form.

Shareholders who wish to appoint a third party proxyholder to represent them at the online meeting **must submit their proxy or voting instruction form (as applicable) prior to registering their proxyholder. Registering the proxyholder is an additional step once a shareholder has submitted their proxy/voting instruction form. Failure to register a duly appointed proxyholder will result in the proxyholder not receiving an Invite Code to participate in the meeting.**

To register a proxyholder, shareholders **MUST** visit <https://www.computershare.com/SilverElephant> by December 20, 2021 at 9:00 a.m. (Pacific Time) and Computershare (as defined below) with their proxyholder’s contact information, so that Computershare may provide the proxyholder with an invite code via email.

**It is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences.**

**In order to participate online, shareholders must have a valid 15-digit control number and proxyholders must have received an email from Computershare containing an invite code.**

## Participating at the Meeting

The Meeting will be hosted online by way of a live webcast. Shareholders will not be able to attend the meeting in person. A summary of the information shareholders will need to attend the online meeting is provided below. The meeting will begin at 9:00 a.m. (Pacific Time) on December 22, 2021.

- Registered Shareholders (as defined in this Management Information Circular under the heading “Voting at the Meeting”) that have a 15-digit control number, along with duly appointed proxyholders who were assigned an Invitation Code by Computershare Trust Company of Canada / Computershare Investor Services Inc. (“Computershare”) (see details under the heading “Appointment of Proxies”), will be able to vote and submit questions during the meeting. To do so, please go to <https://meetnow.global/MZY2R4D> prior to the start of the meeting to login. Click on “Shareholder” and enter your 15-digit control number or click on “Invitation” and enter your Invite Code. Non-Registered Shareholders (as defined in this Circular under the heading “Non-Registered Shareholders”) who have not appointed themselves to vote at the meeting, may login as a guest, by clicking on “Guest” and complete the online form.
- Beneficial holders: Non-registered Shareholders who have received meeting materials from a clearing agency, securities dealer, bank of trust company, or nominee (each an “Intermediary”) should, other than as set out herein, follow the directions of their Intermediary with respect to the procedure to be followed for voting at the Meeting. Generally, non-registered Shareholders will either
  - be provided with a Proxy executed by the Intermediary but otherwise uncompleted. The non-registered Shareholder may complete the proxy and return it directly to Computershare; or
  - be provided with a request for voting instructions. The Intermediary is required to send the Company an executed Proxy completed in accordance with any voting instructions received by the Intermediary.

If you are a non-registered Shareholder, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained from your Intermediary in accordance with applicable securities regulatory requirements. By choosing to send Meeting materials to you directly, the Company (and not your Intermediary) has assumed responsibility for (i) delivering the Meeting material to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

- United States Beneficial holders: To attend and vote at the virtual Meeting, you must first obtain a valid legal proxy from your broker, bank or other agent and then register in advance to attend the Meeting. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a legal proxy form. After first obtaining a valid legal proxy from your broker, bank or other agent, to then register to attend the Meeting, you must submit a copy of your legal proxy to Computershare. Requests for registration should be directed to:

Computershare  
100 University Avenue, 8<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1

OR

Email at [uslegalproxy@computershare.com](mailto:uslegalproxy@computershare.com)

Requests for registration must be labeled as “Legal Proxy” and be received no later than December 20, 2021 at 9:00 a.m. (Pacific Time). You may attend the Meeting and vote your shares at <https://meetnow.global/MZY2R4D> during the meeting. Please note that you are required to register your appointment at [www.computershare.com/SilverElephant](http://www.computershare.com/SilverElephant).



- Non-Registered Shareholders who do not have a 15-digit control number or Invite Code will only be able to attend as a guest which allows them listen to the meeting however will not be able to vote or submit questions. Please see the information under the heading “Non-Registered Shareholders” for an explanation of why certain shareholders may not receive a form of proxy.
- If you are using a 15-digit control number to login to the online Meeting and you accept the terms and conditions, you will be revoking any and all previously submitted proxies. However, in such a case, you will be provided the opportunity to vote by ballot on the matters put forth at the Meeting. If you DO NOT wish to revoke all previously submitted proxies, do not accept the terms and conditions, in which case you can only enter the Meeting as a guest.

If you are eligible to vote at the meeting, it is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the meeting.

### **Voting at the Meeting**

A registered Shareholder of common shares (a “**Registered Shareholder**”), or a Non-Registered Shareholder who has appointed themselves or a third party proxyholder to represent them at the meeting, will appear on a list of shareholders prepared by Computershare, the transfer agent and registrar for the meeting.

To have their common shares voted at the Meeting, each Registered Shareholder or proxyholder will be required to enter their control number or Invite Code provided by Computershare at <https://meetnow.global/MZY2R4D> prior to the start of the Meeting. In order to vote, Non-Registered Shareholders who appoint themselves as a proxyholder **MUST** register with Computershare at <https://www.computershare.com/SilverElephant> after submitting their voting instruction form in order to receive an Invite Code (please see the information under the headings “Appointment of Proxies” below for details).

If a Shareholder who has submitted a proxy attends the meeting via the webcast and has accepted the terms and conditions when entering the meeting online, any votes cast by such shareholder on a ballot will be counted and the submitted proxy will be disregarded.

### **Appointment of Proxies**

Shareholders who wish to appoint a third party proxyholder to represent them at the online meeting **must submit their proxy or voting instruction form (if applicable) prior to registering your proxyholder. Registering your proxyholder is an additional step once you have submitted your proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving an Invite code to participate in the meeting.** To register a proxyholder, shareholders **MUST** visit <https://www.computershare.com/SilverElephant> by **9:00 a.m. (Pacific Time) on December 20, 2021** and provide Computershare with their proxyholder’s contact information, so that Computershare may provide the proxyholder with an Invite Code via email.

A proxy can be submitted to Computershare either in person, or by mail or courier, to 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, or via the internet at [www.investorvote.com](http://www.investorvote.com). The proxy must be deposited with Computershare by no later than **9:00 a.m. (Pacific Time) on December 20, 2021**, or if the Meeting is adjourned or postponed, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, before the commencement of such adjourned or postponed meeting. If a shareholder who has submitted a proxy attends the meeting via the webcast and has accepted the terms and conditions when entering the meeting online, any votes cast by such shareholder on a ballot will be counted and the submitted proxy will be disregarded.

**Without an Invite Code, proxyholders will not be able to vote at the meeting.**

\* \* \* \* \*

While certain matters, such as the timing of the receipt of Court approval, are beyond the control of the Company, if the resolution approving the Arrangement is passed by the requisite majority of Shareholders at the Meeting, it is anticipated that the Arrangement will be completed and become effective on or about January 14, 2022.

DATED at Vancouver, British Columbia, this 14<sup>th</sup> day of November, 2021.

**BY ORDER OF THE BOARD**

/s/ "John Lee"

John Lee  
Chief Executive Officer  
Silver Elephant Mining Corp.

## FREQUENTLY ASKED QUESTIONS ABOUT THE ARRANGEMENT AND THE MEETING

*Following are some questions that you, as a Shareholder, may have relating to the Meeting and answers to those questions. These questions and answers do not provide all of the information relating to the Meeting or the matters to be considered at the Meeting and are qualified in their entirety by the more detailed information contained elsewhere in this Circular. You are urged to read this Circular in its entirety before making a decision related to your Silver Elephant Shares.*

**Q: What am I voting on?**

A: You are being asked to consider and, if deemed advisable, to vote FOR the resolution approving the Arrangement (the “**Arrangement Resolution**”), which provides for, among other things, (a) the Consolidation; and (b) the distribution of SpinCo 1 Shares, SpinCo 2 and SpinCo 3 Shares to Shareholders such that Shareholders will receive in exchange for each Silver Elephant Share held on the effective date of the Arrangement: (i) one New Silver Elephant Share; (ii) one SpinCo 1 Share; (iii) one SpinCo 2 Share; and (iv) two SpinCo 3 Shares. All securities issued pursuant to the Arrangement shall be on a post-Consolidation basis.

Shareholders are also being asked to approve the incentive plans of SpinCo 1, SpinCo 2 and SpinCo 3 (the “**SpinCo Incentive Plans**”). SpinCo 1, SpinCo 2 and SpinCo 3 have adopted the SpinCo Incentive Plans in order to provide incentive compensation to directors, officers, employees and consultants of SpinCo 1, SpinCo 2 and SpinCo 3 as well as to assist SpinCo 1, SpinCo 2 and SpinCo 3 in attracting, motivating and retaining qualified directors, management personnel and consultants. The purpose of each of the SpinCo Incentive Plans is to provide additional incentive for participants’ efforts to promote the growth and success of the businesses of SpinCo 1, SpinCo 2 and SpinCo 3.

Finally, disinterested Shareholders are being asked to approve the SpinCo 1 Financing.

**Q: When and where is the Meeting?**

A: The Meeting will take place on December 22, 2021 at 9:00 a.m. (Pacific time) as a virtual meeting online at <https://meetnow.global/MZY2R4D>

**Q: Who is soliciting my proxy?**

A: Your proxy is being solicited by management of the Company. This Circular is furnished in connection with that solicitation. The solicitation of proxies for the Meeting will be made primarily by mail, and may be supplemented by telephone.

**Q: Who can attend and vote at the Meeting and what is the quorum for the Meeting?**

A: Only Shareholders of record as of the close of business on November 3, 2021, the record date for the Meeting, are entitled to receive notice of and to attend, and vote at, the Meeting or any adjournment(s) or postponement(s) of the Meeting.

The quorum for the transaction of business at the Meeting will be one or more persons present in person, each being a Shareholder entitled to vote at the Meeting or a duly appointed proxyholder or representative for a Shareholder so entitled.

**Q: How many Silver Elephant Shares are entitled to vote?**

A: As of November 3, 2021, there were 228,395,400 Silver Elephant Shares outstanding and entitled to vote at the Meeting. You are entitled to one vote for each Silver Elephant Share that you own.

**Q: What will I receive in the Arrangement?**

A: If the Arrangement is completed, Shareholders will be entitled to receive in exchange for each Silver Elephant Share held on the effective date of the Arrangement: (i) one New Silver Elephant Share; (ii) one

SpinCo 1 Share; (iii) one SpinCo 2 Share; and (iv) two SpinCo 3 Shares. All securities issued pursuant to the Arrangement shall be on a post-Consolidation basis.

**Q: What vote is required at the Meeting to approve the Resolutions?**

A: The Arrangement Resolution must be passed by the affirmative vote of at least two-thirds of the votes cast at the Meeting by Shareholders in person or represented by proxy and entitled to vote at the Meeting.

Each of the SpinCo Incentive Plans must be approved by a simple majority of the votes cast at the Meeting by Shareholders in person or represented by proxy and entitled to vote at the Meeting.

The SpinCo 1 Financing must be approved by a simple majority of the votes cast at the Meeting by Shareholders in person or represented by proxy and entitled to vote at the Meeting, excluding the votes of certain interested Shareholders, being those Shareholders that are participating in the SpinCo 1 Financing.

**Q: How do I vote?**

A: Registered Shareholders can vote in the following ways:

A Registered Shareholder, or a Non-Registered Shareholder who has appointed themselves or a third party proxyholder to represent them at the meeting, will appear on a list of shareholders prepared by Computershare, the transfer agent and registrar for the meeting.

To have their common shares voted at the Meeting, each Registered Shareholder or proxyholder will be required to enter their control number or Invite Code provided by Computershare at <https://meetnow.global/MZY2R4D> prior to the start of the Meeting. In order to vote, Non-Registered Shareholders who appoint themselves as a proxyholder **MUST** register with Computershare at <https://www.computershare.com/SilverElephant> after submitting their voting instruction form in order to receive an Invite Code (please see the information under the headings “Appointment of Proxies” below for details).

If a Shareholder who has submitted a proxy attends the meeting via the webcast and has accepted the terms and conditions when entering the meeting online, any votes cast by such shareholder on a ballot will be counted and the submitted proxy will be disregarded.

Shareholders who wish to appoint a third party proxyholder to represent them at the online meeting **must submit their proxy or voting instruction form (if applicable) prior to registering your proxyholder. Registering your proxyholder is an additional step once you have submitted your proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving an Invite code to participate in the meeting.** To register a proxyholder, shareholders **MUST** visit <https://www.computershare.com/SilverElephant> by **9:00 a.m. (Pacific Time) on December 20, 2021** and provide Computershare with their proxyholder’s contact information, so that Computershare may provide the proxyholder with an Invite Code via email.

A proxy can be submitted to Computershare either in person, or by mail or courier, to 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, or via the internet at [www.investorvote.com](http://www.investorvote.com). If a shareholder who has submitted a proxy attends the meeting via the webcast and has accepted the terms and conditions when entering the meeting online, any votes cast by such shareholder on a ballot will be counted and the submitted proxy will be disregarded.

**Q: What if I return my proxy but do not mark it to show how I wish to vote?**

A: If your proxy is signed and dated and returned without specifying your choice or is returned specifying both choices, your Silver Elephant Shares will be voted FOR the Arrangement Resolution and FOR the SpinCo Incentive Plans in accordance with the recommendations of the Board.

**Q: When is the cut-off time for delivery of proxies?**

A: Proxies must be received not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment thereof. In this case, assuming no adjournment, the proxy-cut off time is 9:00 a.m. (Pacific time) on December 20, 2021. The Chair of the Meeting may waive the proxy cut-off time at his discretion without notice.

**Q: Can I change my vote?**

A: Yes. If you want to revoke your proxy after you have delivered it, you can do so at any time before it is used. You may do this by (a) attending the Meeting and voting your Common Shares; (b) voting again online; (c) signing and returning a proxy bearing a later date; (d) signing a written statement which indicates, clearly, that you want to revoke your proxy and delivering this signed written statement to the registered office of the Company at Suite 1610 – 409 Granville Street, Vancouver, British Columbia V6C 1T2; or (e) in any other manner permitted by law.

Your proxy will only be revoked if a revocation is received by 4:00 p.m. (Pacific time) on the last Business Day before the day of the Meeting, or is delivered to the person presiding at the Meeting before it commences. Registered Shareholders that revoke their proxy and do not replace it with another that is deposited before the deadline, can still vote their shares, but to do so they must attend the Meeting in person.

Non-registered Shareholders who wish to change their vote must contact their Intermediary to discuss their options well in advance of the Meeting.

**Q: What are the recommendations of the Directors on the Arrangement?**

A: After taking into consideration, among other things, the Court approval regarding the fairness of the Company, after taking into account the distribution of the SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to Shareholders, the directors have concluded that the Arrangement is in the best interests of the Company and is fair to the Shareholders and recommend that Shareholders vote FOR the Arrangement Resolution to approve the Arrangement.

**Q: Why are the Directors making this recommendation?**

A: In reaching their conclusion that the Arrangement is fair to Shareholders and that it is in the best interests of the Company, the directors considered and relied upon a number of factors, including those described under the headings “*The Meeting – Reasons for the Arrangement*” in this Circular.

**Q: In addition to the approval of Shareholders, are there any other approvals required for the Arrangement?**

A: Yes, the Arrangement requires the approval of the Court and also is subject to the receipt of certain regulatory approvals, including the approval of the Toronto Stock Exchange. See “*The Meeting – Court Approval of the Arrangement*” and “*The Meeting – Regulatory Approvals*” in this Circular.

**Q: Do any Directors or executive officers of the Company have any interests in the Arrangement that are different from, or in addition to, those of the Shareholders?**

A: In considering the recommendation of the Board to vote in favour of the matters discussed in this Circular, Shareholders should be aware that some of the directors and executive officers of the Company may have interests in the Arrangement that are different from, or in addition to, the interests of the Shareholders generally. See “*The Meeting – Interest of Certain Persons in the Arrangement*” in this Circular.

**Q: Do I need to send in my Silver Elephant Share certificates?**

A: You are not required to send the certificates representing your Silver Elephant Shares to validly cast your vote in respect of the Arrangement Resolution.

If you are a Registered shareholder, we encourage you to complete, sign, date and return the enclosed Letter of Transmittal in accordance with the instructions set out therein and in the Circular, together with the certificate(s) representing your Silver Elephant Shares to the depository of the Arrangement at the address specified in the Letter of Transmittal. The Letter of Transmittal contains other procedural information relating to the exchange of Silver Elephant Shares for New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares and should be reviewed carefully.

**Q: When can I expect to receive my SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares?**

A: Assuming completion of the Arrangement, if you hold your SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares through an intermediary, then you are not required to take any action and SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares will be delivered to your intermediary through the procedures in place for such purposes between CDS & Co. or similar entities and such intermediaries. If you hold your Silver Elephant Shares through an intermediary, you should contact your intermediary if you have questions regarding this process.

If you are a Registered shareholder, we encourage you to complete, sign, date and return the enclosed Letter of Transmittal in accordance with the instructions set out therein and in the Circular, together with the certificate(s) representing your Silver Elephant Shares to the depository of the Arrangement at the address specified in the Letter of Transmittal. The Letter of Transmittal contains other procedural information relating to the exchange of Silver Elephant Shares for New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares and should be reviewed carefully.

See “*The Meeting – Procedures for Distribution of Certificates*” in this Circular.

**Q: How will the votes be counted?**

A: Computershare, the Company’s transfer agent, counts and tabulates the proxies. Proxies are counted and tabulated by the transfer agent in such a manner as to preserve the confidentiality of the voting instructions of registered Shareholders, subject to a limited number of exceptions.

**Q: How will I know when the Arrangement will be implemented?**

A: The effective date of the Arrangement will occur upon satisfaction or waiver of all of the conditions to the completion of the Arrangement. If the requisite level of approval is obtained at the Meeting and all other conditions are satisfied, the effective date is expected to occur on or about January 14, 2022. On the effective date of the Arrangement, the Company will publicly announce that the conditions are satisfied or waived and that the Arrangement has been implemented.

**Q: Are there risks I should consider in deciding whether to vote for the Arrangement Resolution?**

A: Yes. Shareholders should carefully consider the risk factors relating to the Arrangement. Some of these risks include, but are not limited to: (i) the Arrangement Agreement may be terminated in certain circumstances; (ii) there can be no certainty that all conditions precedent to the Arrangement will be satisfied; (iii) the Company will incur costs even if the Arrangement is not completed; (iv) directors and executive officers of the Company may have interests in the Arrangement that are different from those of the Shareholders; (v) the market price for Silver Elephant Shares, and the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and/or SpinCo 3 Shares (if the SpinCo 1 Shares, SpinCo 2 Shares and/or SpinCo 3 Shares are listed) may decline; (vi) the Company may sell Silver Elephant Shares on behalf of a Shareholder to meet the Company’s withholding tax obligations (including any applicable interest and penalties) arising as a result of any deemed dividend, and any such sales may negatively impact the trading price of the Silver Elephant Shares; (vii) there is no guarantee that the SpinCo 1 Shares, the SpinCo 2 Shares and/or the SpinCo 3 Shares will be listed on the TSXV or any other stock exchange or that a market for such shares will develop; (viii) New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and/or SpinCo 3 Shares may not be qualified investments under the Tax Act for a Registered Plan; and (ix) the issue of SpinCo 1 Shares, SpinCo 2 Shares and the SpinCo 3 Shares under the Arrangement and their

subsequent sale may cause the market price of New Silver Elephant Shares to decline from current or anticipated levels.

See “*The Meeting – Risks Associated with the Arrangement*” in this Circular.

**Q: What are the Canadian income tax consequences of the Arrangement?**

A: For a summary of certain material Canadian income tax consequences of the Arrangement, see “*Certain Canadian Federal Income Tax Considerations*”. Such summary is not intended to be legal or tax advice to any particular Shareholders. Shareholders should consult their own tax and investment advisors with respect to their particular circumstances.

**Q: What are the U.S. federal income tax consequences of the Arrangement?**

A: For a summary of certain material U.S. federal income tax consequences of the Arrangement, see “*Certain United States Federal Income Tax Considerations*”. Such summary is not intended to be legal or tax advice to any particular Shareholders. Shareholders should consult their own tax and investment advisors with respect to their particular circumstances.

**Q: Am I entitled to Dissent Rights?**

A: There is no mandatory statutory right of dissent and appraisal in respect of plans of arrangement under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”). However, as contemplated in the interim order (the “**Interim Order**”) and the plan of arrangement (the “**Plan of Arrangement**”), the Company has granted the dissent rights to dissenting Shareholders.

The Interim Order provides registered Shareholders with the right to dissent in substantially the same manner as set forth in Sections 237 to 247 of the BCBCA (which provisions have been duplicated in Appendix “C” to this Circular). In general, any registered Shareholder who dissents from the Arrangement Resolution in compliance with Sections 237 to 247 of the BCBCA (as modified by the Interim Order) will be entitled, in the event that the Arrangement becomes effective, to be paid by **the Company** the fair value of the Silver Elephant Shares held by such registered Shareholder.

**Registered Shareholders considering exercising Dissent Rights should seek the advice of their own legal counsel and tax and investment advisors and should carefully review the description of such rights set forth in this Circular and the Interim Order, and comply with the provisions of the Dissent Rights the full text of which is set out on Appendix “C” to this Circular. See “*The Meeting – Dissent Rights*” in this Circular.**





## NOTICE OF MEETING

### NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

**Date:** December 22, 2021  
**Time:** 9:00 a.m. (Pacific Time)  
**Location:** a virtual meeting online at <https://meetnow.global/MZY2R4D>

**NOTICE IS HEREBY GIVEN** that the Special Meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) of Silver Elephant Mining Corp. (the “**Company**”) will be held at the above date, time and location, subject to any adjournment or postponement thereof for the following purposes.

1. to consider pursuant to an interim order of the Supreme Court of British Columbia dated November 12, 2021 (the “**Interim Order**”) and, if thought advisable, to pass, with or without amendment, a special resolution (the “**Arrangement Resolution**”) approving an arrangement (the “**Arrangement**”) under Section 288 of the *Business Corporations Act* (British Columbia), the full text of which resolution is set forth in Appendix “A” to the accompanying Management Information Circular (the “**Circular**”);
2. to consider and, if thought advisable, to pass, with or without amendment, an ordinary resolution approving the incentive plan of SpinCo 1;
3. to consider and, if thought advisable, to pass, with or without amendment, an ordinary resolution approving the incentive plan of SpinCo 2;
4. to consider and, if thought advisable, to pass, with or without amendment, an ordinary resolution approving the incentive plan of SpinCo 3;
5. to consider and, if thought advisable, to pass, with or without amendment, an ordinary resolution of disinterested shareholders approving the SpinCo 1 Financing; and
6. to transact such further or other business as may properly come before the Meeting or any adjournments thereof.

The Circular provides additional information relating to the matters to be addressed at the Meeting, including the Arrangement, and is deemed to form part of this Notice.

Out of an abundance of caution, to proactively deal with potential issues arising from the unprecedented public health impact of Coronavirus Disease 2019, and to limit and mitigate risks to the health and safety of our communities, Shareholders, employees, directors and other stakeholders, we will be holding the Meeting in a virtual only format this year. Shareholders will not need to physically attend the Meeting.

#### Meeting Format

The Company is conducting an online only shareholders’ meeting. Registered Shareholders (as defined in the accompanying this Management Information Circular under the heading “Voting at the Meeting”) and duly appointed proxyholders can attend the meeting online at <https://meetnow.global/MZY2R4D> where they can participate, vote, or submit questions during the meeting’s live webcast.

Shareholders and duly appointed proxyholders can attend the meeting online by going to <https://meetnow.global/MZY2R4D>.

- Registered Shareholders and duly appointed proxyholders can participate in the meeting by clicking “**Shareholder**” and entering a Control Number or an Invitation Code before the start of the meeting.
  - Registered Shareholders - The 15-digit control number is located on the form of proxy or in the email notification you received.
  - Duly appointed proxyholders – Computershare will provide the proxyholder with an Invite Code after the voting deadline has passed.
- Voting at the meeting will only be available for Registered Shareholders and duly appointed proxyholders. Non-Registered Shareholders who have not appointed themselves may attend the meeting by clicking “**Guest**” and completing the online form.

Shareholders who wish to appoint a third party proxyholder to represent them at the online meeting **must submit their proxy or voting instruction form (as applicable) prior to registering their proxyholder. Registering the proxyholder is an additional step once a shareholder has submitted their proxy/voting instruction form. Failure to register a duly appointed proxyholder will result in the proxyholder not receiving an Invite Code to participate in the meeting.**

To register a proxyholder, shareholders **MUST** visit <https://www.computershare.com/SilverElephant> by December 20, 2021 at 9:00 a.m. (Pacific Time) and Computershare with their proxyholder’s contact information, so that Computershare may provide the proxyholder with an invite code via email.

**It is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences.**

**In order to participate online, shareholders must have a valid 15-digit control number and proxyholders must have received an email from Computershare containing an invite code.**

*The Company strongly encourages you to vote your shares by proxy prior to the Meeting rather than at the Meeting.*

Take notice that, pursuant to the Interim Order, each registered Shareholder, has been granted the right to dissent in respect of the Arrangement Resolution and, if the Arrangement becomes effective, to be paid the fair value of the common shares of the Company in respect of which such registered Shareholder dissents against the Arrangement, in accordance with the dissent procedures contained in the Interim Order. To exercise such right, (a) a written notice of dissent with respect to the Arrangement Resolution from the registered Shareholder must be received by the Company at Suite 1610, 409 Granville Street, Vancouver, British Columbia, V6C 1T2, Attention: Corporate Secretary, with a copy to its legal counsel at, MLT Aikins LLP, Suite 2600, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1, Attention: Mahdi Shams, by not later than 9:00 a.m. on December 20, 2021, or two Business days prior to any adjournment of the Meeting, and (b) the registered Shareholder must have otherwise complied with the dissent procedures in the Interim Order. The right to dissent is described in the Circular and the text of the Interim Order is set forth in Appendix “C” to the Circular.

Failure to strictly comply with the requirements set forth in the Interim Order may result in the loss of any right of dissent.

DATED this 14<sup>th</sup> day of November, 2021.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
SILVER ELEPHANT MINING CORP.**

*[s] “John Lee”*

Chief Executive Officer

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## **INFORMATION CONTAINED IN THIS INFORMATION CIRCULAR**

The information contained in this Circular, unless otherwise indicated, is given as of November 14, 2021.

No person has been authorized to give any information or to make any representation in connection with the matters being considered herein other than those contained in this Circular and, if given or made, such information or representation should be considered or relied upon as not having been authorized. This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer of proxy solicitation. Neither the delivery of this Circular nor any distribution of securities referred to herein shall, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Circular.

Information contained in this Circular should not be construed as legal, tax or financial advice and Shareholders are urged to consult their own professional advisors in connection with the matters considered in this Circular.

The Arrangement has not been approved or disapproved by any securities regulatory authority, nor has any securities regulatory authority passed upon the fairness or merits of the Arrangement or upon the accuracy or adequacy of the information contained in this Circular and any representation to the contrary is unlawful.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISKS**

This Circular and the documents incorporated into this Circular by reference, contain “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and “forward-looking information” within the meaning of the applicable Canadian securities legislation (forward-looking information and forward-looking statements being collectively herein after referred to as “forward-looking statements”) that are based on expectations, estimates and projections as at the date of this Circular or the dates of the documents incorporated herein by reference, as applicable. These forward-looking statements include but are not limited to statements and information concerning: the Arrangement; covenants of the Company; the timing for the implementation of the Arrangement and the potential benefits of the Arrangement; the likelihood of the Arrangement being completed; principal steps of the Arrangement; completion of the Consolidation; statements relating to the business and future activities of, and developments related, to the Company, SpinCo 1, SpinCo 2 and SpinCo 3 after the date of this Circular and prior to the Effective Time and to and of the Company, SpinCo 1, SpinCo 2 and SpinCo 3 after the Effective Time; Securityholder Approval and Court approval of the Arrangement; regulatory approval of the Arrangement; listing of the SpinCo 1 Shares, SpinCo 2 Shares and/or SpinCo 3 Shares on the TSXV; market position, and future financial or operating performance of the Company, SpinCo 1, SpinCo 2 or SpinCo 3; participation of Shareholders in the Spinout 1 Properties and Spinout 2 Properties; liquidity of New Silver Elephant Shares, the SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares following the Effective Time; statements based on the *pro forma* financial statements of the Company attached hereto as Appendix “L”; ability of SpinCo 1 to develop the Spinout 1 Properties; ability of SpinCo 2 to develop the Spinout 2 Properties; completion of the SpinCo 1 Financing and the use of proceeds thereof; disinterested shareholder approval of the SpinCo 1 Financing; completion of the SpinCo 1 Financing, and the use of proceeds thereof; anticipated developments in operations; the future price of metals; the timing and amount of estimated future production; costs of production and capital expenditures; mine life of mineral projects, the timing and amount of estimated capital expenditure; costs and timing of exploration and development and capital expenditures related thereto; operating expenditures; success of exploration activities, estimated exploration budgets; currency fluctuations; requirements for additional capital; government regulation of mining operations; environmental risks; unanticipated reclamation expenses; title disputes or Claims; limitations on insurance coverage; the timing and possible outcome of pending litigation in future periods; the timing and possible outcome of regulatory and permitted matters; goals; strategies; future growth; planned exploration activities and planned future acquisitions; the adequacy of financial resources; and other events or conditions that may occur in the future.

Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or

results “may” or “could”, “would”, “might”, or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements, which include statements relating to, among other things, the ability of the Company, SpinCo 1, SpinCo 2 or SpinCo 3 to continue to successfully compete in the market.

These forward-looking statements are based on the beliefs of the Company’s management, as well as on assumptions, which such management believes to be reasonable based on information currently available at the time such statements were made. However, there can be no assurance that the forward-looking statements will prove to be accurate. Such assumptions and factors include, among other things, the satisfaction of the terms and conditions of the Arrangement, including the approval of the Arrangement and its fairness by the Court, and the receipt of the required governmental and regulatory approvals and consents.

By their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, SpinCo 1, SpinCo 2 or SpinCo 3 to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation: the Arrangement Agreement may be terminated in certain circumstances; general business, economic, competitive, political, regulatory and social uncertainties; metals price volatility; uncertainty related to mineral exploration properties; risks related to the ability to finance the continued exploration of mineral properties; risks related to the Company, SpinCo 1 and SpinCo 2 not having any proven or provable mineral reserves; history of losses of the Company and expectation of future losses for the Company, SpinCo 1, SpinCo 2 and SpinCo 3; risks related to factors beyond the control of the Company, SpinCo 1, SpinCo 2 or SpinCo 3; limited business history of the Company; risks and uncertainties associated with exploration and mining operations; risks related to the ability to obtain adequate financing for planned development activities; lack of infrastructure at mineral exploration properties; risks and uncertainties relating to the interpretation of drill results and the geology, grade and continuity of mineral deposits; uncertainties related to title to mineral properties and the acquisition of surface rights; risks related to governmental regulations, including Environmental Laws and regulations and liability and obtaining permits and licences; future changes to Environmental Laws and regulations; unknown environmental risks for past activities; commodity price fluctuations; risks related to reclamation activities on mineral properties; risks related to political instability and unexpected regulatory change; currency fluctuations and risks associated with a fixed exchange ratio; influence of third party stakeholders; conflicts of interest; risks related to dependence on key individuals; risks related to the involvement of some of the directors and officers of the Company, SpinCo 1, SpinCo 2 or SpinCo 3 with other natural resource companies; enforceability of Claims; the ability to maintain adequate control over financial reporting; risks related to the common shares of the Company, SpinCo 1, SpinCo 2 and SpinCo 3, including price volatility due to events that may or may not be within such Parties’ control; the SpinCo 1 Financing may not be completed on terms favourable to the SpinCo 1, or at all; disruptions or changes in the credit or security markets; risks related to international operations; risks related to joint venture operations; actual results of current exploration activities; reserve and resource estimate risk; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; the ability to renew existing licenses or permits or obtain required licenses and permits; increased infrastructure and/or operating costs; risks of not meeting production and cost forecasts; discrepancies between actual and estimated production; mineral reserves and resources and metallurgical recoveries; mining operational and development risk; litigation risks; risks of sovereign investment and operating in foreign countries; foreign countries’ regulatory requirements; speculative nature of nickel exploration; risks related to directors and officers of the Company possibly having interests in the Arrangement that are different from other Shareholders; risks relating to the possibility that more than 5% of Registered Shareholders may exercise their Dissent Rights; risks related to instability in the global economic climate; dilutive effects to Shareholders; risks related to the ability to complete acquisitions; risks related to the ability of the Company, SpinCo 1, SpinCo 2 and SpinCo 3 to find appropriate joint venture partners; environmental risks; community and non-governmental actions and regulatory risks.

This list is not exhaustive of the factors that may affect any of forward-looking statements of the Company, SpinCo 1, SpinCo 2 and SpinCo 3. Forward-looking statements are statements about the future and are inherently uncertain.



Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out or incorporated by reference in this Circular generally and certain economic and business factors, some of which may be beyond the control of the Company, SpinCo 1, SpinCo 2 and SpinCo 3. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the heading “*The Meeting – Risks Associated with the Arrangement*”, in Appendix “D” to this Circular, under the heading “*Information Concerning SpinCo 1— Risk Factors*” and in Appendix “E” to this Circular, under the heading “*Information Concerning SpinCo 2— Risk Factors*”, and under the heading “*Information Concerning SpinCo 3— Risk Factors*” in Appendix “F” to this Circular. The Company, SpinCo 1, SpinCo 2 and SpinCo 3 do not intend, and do not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, Shareholders should not place undue reliance on forward-looking statements.

#### **NOTE TO UNITED STATES SHAREHOLDERS**

**THE ARRANGEMENT AND THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE IN THE UNITED STATES, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE IN THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and the SpinCo 3 Shares to be received by Shareholders pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or applicable state Securities Laws, and are being issued in reliance on the exemption from the registration requirements of the U.S. Securities Act set forth in Section 3(a)(10) thereof on the basis of the approval of the Court, and similar exemptions from registration under applicable state Securities Laws. Section 3(a)(10) of the U.S. Securities Act exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration under the U.S. Securities Act where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange to those to whom the securities will be issued, at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on November 12, 2021 and, subject to the approval of the Arrangement by the Shareholders, a hearing on the Arrangement will be held on January 11, 2022 at 9:45 a.m. at 800 Smith Street, Vancouver, British Columbia, V6Z 2E1. All Shareholders are entitled to appear and be heard at this hearing. The Final Order will constitute a basis for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof and comparable state securities laws with respect to the New Silver Elephant Shares, SpinCo 1 Shares, the SpinCo 2 Shares and the SpinCo 3 Shares to be received by Shareholders in exchange for their Silver Elephant Shares pursuant to the Arrangement. Prior to the hearing on the Final Order, the Court will be informed of this effect of the Final Order. See “*The Meeting – Regulatory Law Matters and Securities Law Matters*”.

The solicitation of proxies made pursuant to this Circular is not subject to the requirements of Section 14(a) of the Exchange Act. Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canada, and the solicitations and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and Securities Laws. Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and to proxy statements under the Exchange Act.

Without limiting the foregoing, information concerning the mineral properties of the Company, SpinCo 1 and SpinCo 2 have been prepared in accordance with the requirements of Canadian Securities Laws, which differ in material respects from the requirements of United States Securities Laws applicable to U.S. companies subject to the reporting and disclosure requirements of SEC Industry Guide 7. Under SEC Industry Guide 7 standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made, and the SEC



Industry Guide 7 does not recognize the reporting of mineral deposits which do not meet the SEC Industry Guide 7 definition of “reserve”.

In accordance with NI 43-101, the terms “mineral reserve”, “proven mineral reserve”, “probable mineral reserve”, “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” used in this Circular or in the documents incorporated by reference in this Circular are defined in the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council (the “CIM Definition Standards”), as amended. Under the SEC Modernization Rules, the definitions of “proven mineral reserve” and “probable mineral reserve” have been amended to be substantially similar to the corresponding CIM Definition Standards and the SEC has added definitions to recognize “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” which are also substantially similar to the corresponding CIM Definition Standards; however, there are differences in the definitions under the SEC Modernization Rules and the CIM Definition Standards and therefore once the Company begins reporting under the SEC Modernization Rules there is no assurance that the Company’s Mineral Reserves and Mineral Resources estimates will be the same as those reported under CIM Definition Standards as contained in this Circular.

As such, information contained herein concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public under SEC Industry Guide 7 by U.S. companies in SEC filings. U.S. Shareholders of the Company are cautioned that, except for that portion of the mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic value. Inferred mineral resources have a high degree of uncertainty as to their existence as to whether they can be economically or legally mined. Under Canadian Securities Laws, estimates of inferred mineral resources may not form the basis of an economic analysis. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Therefore, U.S. Shareholders of the Company are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, U.S. Shareholders of the Company are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded to mineral reserves as defined by SEC Industry Guide 7.

On October 31, 2018, the SEC adopted the Modernization of Property Disclosures for Mining Registrants (the “New Rule”), introducing significant changes to the existing mining disclosure framework to better align it with international industry and regulatory practice, including NI 43-101. The New Rule became effective as of February 25, 2019 and following a transition period the Company may be required to comply with the New Rule as of its annual report for its first fiscal year beginning on or after January 1, 2021, and earlier in certain circumstances. While early voluntary compliance with the New Rule is permitted, the Company has not elected to comply with the New Rule at this time and the Company does not anticipate needing to comply with the New Rule until March 2022.

The financial statements and other financial information included or incorporated by reference in this Circular have been prepared in accordance with IFRS and are subject to Canadian auditing and auditor independence standards and thus may not be comparable to financial statements prepared in accordance with United States generally accepted accounting principles.

Securityholders should be aware that the acquisition by Shareholders of the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares pursuant to the Arrangement described herein may have tax consequences both in the United States and in Canada. Shareholders who are resident in, or citizens of, the United States are advised to review the summary contained in this Circular under the heading “*Certain United States Federal Income Tax Considerations*” and under the heading “*Certain Canadian Federal Income Tax Considerations*”, and Shareholders are urged to consult their own tax advisors to determine the particular United States tax consequences to them of the Arrangement in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local, or other taxing jurisdiction.

The enforcement by investors of civil liabilities under United States Securities Laws may be affected adversely by the fact that each of the Company, SpinCo 1, SpinCo 2 and SpinCo 3 is incorporated or organized outside the United States, that some or all of their respective officers and directors and the experts named herein are residents of a country other than the United States, and that all or a portion of the assets of each of the Company, SpinCo 1, and SpinCo 3 and of said persons are located outside the United States. As a result, it may be difficult or impossible for

U.S. Shareholders of the Company to effect service of process within the United States upon the Company, SpinCo 1, SpinCo 2 and SpinCo 3, their respective officers or directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal Securities Laws of the United States or “blue sky” laws of any state within the United States. In addition, U.S. Shareholders of the Company should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal Securities Laws of the United States or “blue sky” laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal Securities Laws of the United States or “blue sky” laws of any state within the United States.

The New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to be received by Shareholders pursuant to the Arrangement will be freely transferable under U.S. federal Securities Laws, except by persons who are “affiliates” (as such term is defined in the U.S. Securities Act) of the Company, SpinCo 1, SpinCo 2 or SpinCo 3, as applicable, after the effective date of the Arrangement, or were “affiliates” of the Company, SpinCo 1, SpinCo 2 or SpinCo 3, as applicable, within 90 days prior to the effective date of the Arrangement. Persons who may be deemed to be “affiliates” of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares or SpinCo 3 Shares by such an affiliate (or former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. See “*The Meeting – Regulatory Law Matters and Securities Law Matters*”.

No broker, dealer, salesperson or other person has been authorized to give any information or make any representation other than those contained in this Circular and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, SpinCo 1, SpinCo 2 or SpinCo 3.

## **CURRENCY**

Unless otherwise indicated herein, references to “\$”, “Cdn\$” or “Canadian dollars” are to Canadian dollars, and references to “US\$” or “U.S. dollars” are to United States dollars.

## **REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES**

The historical financial statements of the Company incorporated by reference in this Circular are reported in Canadian dollars and have been prepared in accordance with IFRS.

## GLOSSARY OF TERMS

In this Circular and accompanying Notice of Meeting, unless there is something in the subject matter inconsistent therewith, the following terms shall have the respective meanings set out below, words importing the singular number shall include the plural and vice versa and words importing any gender shall include all genders.

<b>“Advisors”</b>	means McKnight Mineral Advisor Services.
<b>“affiliate”</b>	has the meaning ascribed to that term in the National Instrument 45-106 – <i>Prospectus and Registration Exemptions</i> .
<b>“Arrangement”</b>	means the arrangement of the Company under Section 288 of the BCBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 9.4 of the Arrangement Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order (provided that any such amendment or variation is acceptable to all of the Company, NVMC and the SpinCos, each acting reasonably).
<b>“Arrangement Agreement”</b>	means the amended and restated arrangement agreement dated as of November 8, 2021 among the Company, NVMC and the SpinCos, including all schedules.
<b>“Arrangement Resolution”</b>	means the special resolution of the Securityholders approving the Plan of Arrangement which is to be considered at the Meeting, substantially in the form and content of Appendix “A” attached hereto.
<b>“Authorization”</b>	means any authorization, order, permit, approval, grant, license, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, bylaw, rule or regulation, whether or not having the force of Law, and includes any Environmental Permit.
<b>“BCBCA”</b>	means the <i>Business Corporations Act</i> (British Columbia) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.
<b>“BCSC”</b>	means the British Columbia Securities Commission.
<b>“Board”</b>	means the board of directors of the Company as constituted from time to time.
<b>“Business Day”</b>	means any day that is not a Saturday, a Sunday or a statutory or civic holiday in Vancouver, British Columbia.
<b>“Canadian Securities Administrators”</b>	means the voluntary umbrella organization of Canada’s provincial and territorial securities regulators.
<b>“Circular”</b>	means, collectively, the Notice of Special Meeting and this Management Information Circular of the Company, including all appendices hereto, sent to Shareholders in connection with the Meeting.
<b>“Claims”</b>	means any demand, action, cause of action, investigation, inquiry, suit, proceeding, claim, complaint, arbitration, charge, prosecution, assessment or reassessment, including any appeal or application for review, judgment, arbitration award, grievance, settlement or compromise.
<b>“Class A Shares”</b>	means a new class of voting common shares without par value which the Company will create and issue as described in the Plan of Arrangement and for which the Silver Elephant Shares are, in part, to

	be exchanged under the Plan of Arrangement and which, immediately after completion of the transactions comprising the Plan of Arrangement, will be identical in every relevant respect to the Silver Elephant Shares, other than as set forth in the Plan of Arrangement.
<b>“Company”</b>	means Silver Elephant Mining Corp., a corporation existing under the laws of British Columbia.
<b>“Consolidation”</b>	has the meaning ascribed to that term in <i>“Principal Steps to the Arrangement”</i> .
<b>“Contract”</b>	means any contract, agreement, annexes, schedules, offer letter, license, franchise, lease, arrangement, commitment, understanding, joint venture, partnership or other right or obligation (written or oral) to which a Party is a party or by which it is bound or affected or to which any of its respective properties or assets is subject.
<b>“Court”</b>	means the Supreme Court of British Columbia.
<b>“CRA”</b>	means the Canada Revenue Agency.
<b>“Depository”</b>	means Computershare Investor Services Inc., the depository for the Arrangement, appointed for the purpose of, among other things, exchanging certificates representing Silver Elephant Shares for certificates representing New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares in connection with the Arrangement.
<b>“Dissent Procedures”</b>	means the statutory procedures in connection with the exercise of Dissent Rights.
<b>“Dissent Rights”</b>	means the rights of dissent exercisable by the Shareholders in respect of the Arrangement as provided in Sections 237 to 247 of the BCBCA as modified by the Interim Order.
<b>“Dissenting Shareholder”</b>	means a registered Shareholder who duly exercises its Dissent Rights pursuant to the Plan of Arrangement and the Interim Order and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights.
<b>“Dissenting Shares”</b>	means the Silver Elephant Shares held by Dissenting Shareholders.
<b>“Effective Date”</b>	means the date upon which the Arrangement becomes effective.
<b>“Effective Time”</b>	Means 12:01 a.m. (Pacific Time) on the Effective Date or such other time on the Effective Date as may be agreed in writing by the Company, NVMC, SpinCo 1, SpinCo 2 and SpinCo 3.
<b>“Eligible Person”</b>	has the meaning ascribed to that term in Appendix “D” in this Circular under <i>“Options to Purchase Securities – Summary of the SpinCo 1 Incentive Plan”</i> .
<b>“Environment”</b>	means the air, surface water, ground water, body of water, sewer system, any land (including surface land and sub-surface strata), soil or underground space, all living organisms and species and the interacting natural systems that include components of the air, land, water, and inorganic matters and living organisms, and the environment or natural environment as defined in any Environmental Law, and “Environmental” shall have a corresponding meaning.
<b>“Environmental Laws”</b>	means all Laws relating to the Environment, occupational health and safety as it pertains to the Environment or public health, or Hazardous

	Substances, including those relating to the use, generation, disposal, treatment, processing, recycling, handling, transport, distribution, destruction, transfer, import, export or sale of Hazardous Substances.
<b>“Environmental Permits”</b>	means all Permits or program participation requirements with or from any Governmental Entity under any Environmental Laws.
<b>“Exchange Act”</b>	means the <i>United States Exchange Securities Act of 1934</i> , as amended and the rules and regulations promulgated thereunder.
<b>“Fair Market Value”</b>	means the highest price available in an open and unrestricted market between informed, prudent parties, acting at arm's length and under no compulsion to act, expressed in terms of money or money's worth.
<b>“Final Order”</b>	means the final order of the Court pursuant to Section 291 of the BCBCA, in a form acceptable to the Company and the SpinCos, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with consent of Company, and the SpinCos, each acting reasonably) at any time prior to the effective date of the Plan of Arrangement or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to Company and the SpinCos, each acting reasonably) on appeal.
<b>“Governmental Entity”</b>	means: (a) any multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, agency or entity, domestic or foreign; (b) any stock exchange, including the TSXV and the TSX; (c) any subdivision, agent, commission, board or authority of any of the foregoing; or (d) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.
<b>“Hazardous Substance”</b>	means (a) any substance or material that is prohibited, regulated or designated as a pollutant, contaminant, toxic substance, deleterious substance, dangerous good, waste or residual material, hazardous waste or hazardous residual material, hazardous substance, hazardous material or any other similar designation, under any provision of Environmental Law, including hydrogen sulphide, arsenic, cadmium, copper, lead and mercury; (b) any petroleum product or by-product and derivatives thereof, including oil and fuel of any kind, (c) any substance or material that is toxic, explosive, poisonous, corrosive, flammable, radioactive, oxidizing, leachable, carcinogenic or mutagenic, (d) asbestos and any asbestos-containing material, including asbestos-containing vermiculite, chlorinated solvents, polychlorinated biphenyls, lead paint and urea formaldehyde foam insulation, (e) mould, radon, pyrite and mercury, (f) any microorganism, sound, vibration, rays, heat, odour or radiation that is likely to alter the quality of the Environment in any way, and (g) any substance or material that is otherwise regulated or defined pursuant to, or that could result in liability under, any Environmental Law.
<b>“IFRS”</b>	means International Financial Reporting Standards, as adopted by the International Accounting Standards Board.
<b>“Incentive Plan”</b>	means the incentive plan of the Company.

<b>“Interested Shareholder”</b>	means a Shareholder of the Company that is participating in the SpinCo 1 Financing.
<b>“Interim Order”</b>	means the interim order of the Court made pursuant to Section 291 of the BCBCA, in a form acceptable to the Company and the SpinCos, each acting reasonably, providing for, among other things, the calling and holding of the Meeting, as the same may be amended by the Court with the consent of the Company and the SpinCos each acting reasonably.
<b>“IRS”</b>	means the Internal Revenue Service of the United States.
<b>“Law” or “Laws”</b>	means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgements, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any Permit of or from any Governmental Entity or self-regulatory authority (including the TSX and/or TSXV), and the term “applicable” with respect to such Laws and in a context that refers to a Party, means such Laws as are applicable to such Party and/or its Subsidiaries or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Party and/or its Subsidiaries or its or their business, undertaking, property or securities.
<b>“Letter of Transmittal”</b>	means a letter of transmittal to be completed by Shareholders in connection with the Arrangement.
<b>“MD&amp;A”</b>	means management’s discussion and analysis of financial statements.
<b>“Meeting”</b>	means the special meeting of Shareholders, including any adjournment or postponement thereof, held in accordance with the Interim Order to consider the Arrangement Resolution.
<b>“New Silver Elephant Shares”</b>	means the renamed and redesignated Silver Elephant Shares that will be issued after the Effective Time as part of the Plan of Arrangement.
<b>“NI 43-101”</b>	means National Instrument 43-101 “ <i>Standards of Disclosure for Mineral Projects</i> ” of the Canadian Securities Administrators.
<b>“NI 52-110”</b>	means National Instrument 52-110 “ <i>Audit Committees</i> ” of the Canadian Securities Administrators.
<b>“Non-Registered Holder”</b>	means a Shareholder who is not a Registered Shareholder.
<b>“Non-Resident Shareholders”</b>	has the meaning attributed to that term in this Circular under “ <i>Certain Canadian Federal Income Tax Considerations – Non-Residents of Canada</i> ”.
<b>“Notice of Dissent”</b>	means a notice given in respect of the Dissent Rights as contemplated in the Plan of Arrangement and the Interim Order.
<b>“Notice of Meeting”</b>	means the notice to the Securityholders which accompanies this Circular.
<b>“NVMC”</b>	means Nevada Vanadium Mining Corp. a wholly-owned subsidiary of the Company existing under the BCBCA.
<b>“NVMC Shares”</b>	means common shares without part value in the capital of NVMC.
<b>“NVMC US”</b>	means Nevada Vanadium LLC, a wholly-owned subsidiary of NVMC.
<b>“Options”</b>	means the outstanding options to purchase Silver Elephant Shares.



<b>“Paid-up Capital”</b>	has the meaning ascribed to such term for the purposes of the Tax Act.
<b>“Permits”</b>	means any license, permit, certificate, consent, order, grant, means any license, permit, certificate, consent, order, grant, approval, agreement, classification, restriction, registration or other Authorization of, from or required by any Governmental Entity.
<b>“Person”</b>	includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, trustee, executor, administrator or other legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status.
<b>“Plan of Arrangement”</b>	means the plan of arrangement of the Company, NVMC and the SpinCos, and any amendments or variations thereto made in accordance with the Plan of Arrangement or upon the direction of the Court in the Final Order with the consent of the Company, NVMC and the SpinCos, each acting reasonably.
<b>“Record Date”</b>	means November 3, 2021.
<b>“Registered Shareholder”</b>	means a registered holder of Silver Elephant Shares.
<b>“Registered Plan”</b>	means a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a deferred profit sharing plan, a tax-free savings account or a registered education savings plan.
<b>“Registrar”</b>	means the Registrar of Companies under the BCBCA.
<b>“Regulation S”</b>	means Regulation S under the U.S. Securities Act.
<b>“Regulatory Approvals”</b>	means those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the waiver or lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities.
<b>“Related Assets”</b>	means all Contracts, Permits, Environmental Permits, intellectual property, business information (other than financial books and records), geological, geophysical and other technical information, data, records, reports and studies exclusively related to any Spinout 1 Property and Spinout 2 Property.
<b>“Resident Shareholders”</b>	has the meaning ascribed thereto in this Circular under “ <i>Certain Canadian Federal Income Tax Considerations</i> ”.
<b>“Royalties”</b>	means the royalty interests to be transferred to SpinCo 3 as part of the Spinout 3 Assets.
<b>“Rule 144”</b>	means Rule 144 under the U.S. Securities Act.
<b>“Securityholder Approval”</b>	means approval of at least two-thirds of the votes cast on the Arrangement Resolution by Shareholders.
<b>“Securityholders”</b>	means the Shareholders.
<b>“Shareholders”</b>	means the holders of Silver Elephant Shares.
<b>“Silver Elephant Shares”</b>	means the issued and outstanding common shares of the Company, which are on a pre-Consolidation basis prior to completion of the Arrangement, and, following the exchange of such common shares for



	Class A Shares and the renaming and redesignating of the Class A Shares in accordance with the Plan of Arrangement, means the New Silver Elephant Shares, which shall be on a post-Consolidation basis following the Effective Date of the Plan of Arrangement.
<b>“SpinCo Incentive Plans”</b>	means collectively, the SpinCo 1 Incentive Plan, the SpinCo 2 Incentive Plan and the SpinCo 3 Incentive Plan.
<b>“SpinCo Options”</b>	means, collectively, SpinCo 1 Options, SpinCo 2 Options and SpinCo 3 Options.
<b>“SpinCo Properties”</b>	means, collectively, Spinout 1 Properties and Spinout 2 Properties.
<b>“SpinCo Shares”</b>	means, collectively, the SpinCo 1 Shares, the SpinCo 2 Shares, and the SpinCo 3 Shares and each a <b>“SpinCo Share”</b> .
<b>“SpinCo 1” or “NickelCo”</b>	means Flying Nickel Mining Corp., a wholly-owned subsidiary of the Company existing under the BCBCA.
<b>“SpinCo 1 Financing”</b>	means the financing of SpinCo 1 Subscription Receipts for aggregate gross proceeds of up to \$8,600,000, including the agent’s option to increase the size of the financing.
<b>“SpinCo 1 FT Subscription Receipts”</b>	means the subscription receipts of SpinCo 1 to be issued as part of the SpinCo 1 Financing at a price of \$0.77 per subscription receipt, each such subscription receipt to be converted into one SpinCo 1 Share issued as a ‘flow-through share’ without any further action on the part of the holder.
<b>“SpinCo 2” or “VanadiumCo”</b>	means 1324825 B.C. Ltd., a wholly-owned subsidiary of the Company existing under the BCBCA.
<b>“SpinCo 3” or “RoyaltyCo”</b>	means Battery Metals Royalties Corp. a wholly-owned subsidiary of the Company existing under the BCBCA.
<b>“SpinCo 1 NFT Subscription Receipts”</b>	means the subscription receipts of SpinCo 1 to be issued as part of the SpinCo 1 Financing at a price of \$0.70 per subscription receipt, each such subscription receipt to be converted into one SpinCo 1 Share and one-half of one SpinCo 1 Share purchase warrant, without any further action on the part of the holder.
<b>“SpinCo 1 Options”</b>	means the stock options of SpinCo 1 to be issued pursuant to the SpinCo 1 Incentive Plan.
<b>“SpinCo 2 Options”</b>	means the stock options of SpinCo 2 to be issued pursuant to the SpinCo 2 Incentive Plan.
<b>“SpinCo 3 Options”</b>	means the stock options of SpinCo 3 to be issued pursuant to the SpinCo 3 Incentive Plan.

<b>“SpinCo 1 Incentive Plan”</b>	means the incentive plan of SpinCo 1 on substantially the same terms and conditions as the Incentive Plan.
<b>“SpinCo 2 Incentive Plan”</b>	means the incentive plan of SpinCo 2 on substantially the same terms and conditions as the Incentive Plan.
<b>“SpinCo 3 Incentive Plan”</b>	means the incentive plan of SpinCo 3 on substantially the same terms and conditions as the Incentive Plan.
<b>“SpinCo 1 SARs”</b>	means stock appreciation rights of SpinCo 1 to be issued pursuant to the SpinCo 1 Incentive Plan.
<b>“SpinCo 2 SARs”</b>	means stock appreciation rights of SpinCo 2 to be issued pursuant to the SpinCo 2 Incentive Plan.
<b>“SpinCo 3 SARs”</b>	means stock appreciation rights of SpinCo 3 to be issued pursuant to the SpinCo 3 Incentive Plan.
<b>“SpinCo 1 Shares”</b>	means the common shares in the capital of SpinCo 1.
<b>“SpinCo 2 Shares”</b>	means the common shares in the capital of SpinCo 2.
<b>“SpinCo 3 Shares”</b>	means the common shares in the capital of SpinCo 3.
<b>“SpinCo 1 Subscription Receipts”</b>	means the SpinCo 1 FT Subscription Receipts and the SpinCo 1 NFT Subscription Receipts
<b>“SpinCos”</b>	means, collectively, SpinCo 1, SpinCo 2 and SpinCo 3, and individually, a <b>“SpinCo”</b> .
<b>“Spinout 1 Assumption Agreement”</b>	means the agreement to be entered into between the Company and SpinCo 1 pursuant to which SpinCo 1 will assume the Spinout 1 Assumed Liability.
<b>“Spinout 2 Assumption Agreement”</b>	means the agreement to be entered into between the Company and NVMC pursuant to which NVMC will assume the Spinout 2 Assumed Liability.
<b>“Spinout 1 Assumed Liability”</b>	means all other outstanding debts and amounts owing by the Company in respect of the Spinout 1 Properties on the day prior to the effective date of the Plan of Arrangement.
<b>“Spinout 2 Assumed Liability”</b>	means all other outstanding debts and amounts owing by the Company in respect of the Spinout 2 Properties on the day prior to the effective date of the Plan of Arrangement.
<b>“Spinouts”</b>	means, collectively, the transactions contemplated by the Arrangement, including the distribution of the SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to the Shareholders.
<b>“Spinout 1 Asset Contribution Agreement”</b>	means the agreement to be entered into between the Company and SpinCo 1 pursuant to which SpinCo 1 receives the Company’s interest in the Spinout 1 Assets in consideration of the issuance of SpinCo 1 Shares.
<b>“Spinout 2 Asset Contribution Agreement”</b>	means the agreement to be entered into between the Company and NVMC pursuant to which NVMC (or its affiliate NVMC US) shall receive as a contribution to capital the Company’s interest in the Spinout 2 Assets in consideration of the issuance of NVMC Shares.
<b>“Spinout 1 Assets”</b>	means the assets purchased by SpinCo 1 pursuant to the Spinout 1 Asset Contribution Agreement and which shall include the Spinout 1 Properties and the Spinout 1 Related Assets.

<b>“Spinout 2 Assets”</b>	means the assets to be purchased by NVMC pursuant to the Spinout 2 Asset Contribution Agreement and which shall include the Spinout 2 Properties and the Spinout 2 Related Assets.
<b>“Spinout 3 Assets”</b>	means those royalty interests in certain mineral properties listed in Exhibit 2 to the Plan of Arrangement.
<b>“Spinout 3 Assignment Agreement”</b>	means the agreement to be entered into between the Company and SpinCo 3 pursuant to which the Company will assign to SpinCo 3 its interest in the Spinout 3 Assets in consideration for the issuance of SpinCo 3 Shares.
<b>“Spinout 1 Properties”</b>	means those interests in mineral exploration properties listed in Exhibit 1 to the Plan of Arrangement.
<b>“Spinout 2 Properties”</b>	means those interests in mineral exploration properties listed in Exhibit III to the Plan of Arrangement.
<b>“Spinout 1 Related Assets”</b>	means all Contracts, Permits, Environmental Permits, intellectual property, business information (other than financial books and records), geological, geophysical and other technical information, data, records, reports and studies exclusively related to any Spinout 1 Property.
<b>“Spinout 2 Related Assets”</b>	means all Contracts, Permits, Environmental Permits, intellectual property, business information (other than financial books and records), geological, geophysical and other technical information, data, records, reports and studies exclusively related to any Spinout 2 Property.
<b>“Spinout 2 Share Contribution Agreement”</b>	means the share contribution agreement to be entered into between SpinCo 2 and the Company pursuant to which the Company shall contribute to SpinCo 2 and SpinCo 2 shall receive from the Company all of the outstanding NVMC Shares in consideration of the issuance of SpinCo 2 Shares.
<b>“U.S. Shareholders”</b>	means Shareholders in the United States.
<b>“SEC”</b>	means the United States Securities and Exchange Commission.
<b>“Securities Act”</b>	means the <i>Securities Act</i> (British Columbia) and the regulations made thereunder.
<b>“Securities Authority”</b>	means, collectively, the BCSC and the applicable securities commissions and other securities regulatory authorities in each of the other provinces and Territories of Canada and the TSX and TSXV.
<b>“Securities Laws”</b>	means the Securities Act and the U.S. Securities Act, together with all other applicable state, federal and provincial securities Laws, rules and regulations and published policies thereunder, as now in effect and as they may be promulgated or amended from time to time.
<b>“SEDAR”</b>	means the System for Electronic Document Analysis and Retrieval as outlined in NI 13-101, which can be accessed online at <a href="http://www.sedar.com">www.sedar.com</a> .
<b>“Subsidiary”</b>	has the meaning ascribed to that term in the National Instrument 45-106 – Prospectus and Registration Exemptions.
<b>“Tax Act”</b>	means the <i>Income Tax Act</i> (Canada).
<b>“Tax Regulations”</b>	has the meaning ascribed to that term in this Circular under “ <i>Certain</i>

*Canadian Federal Income Tax Considerations*".

<b>"Taxes"</b>	means all taxes, duties, fees, premiums, assessments, imposts, levies, expansion fees and other charges of any kind whatsoever imposed by any Governmental Entity, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, windfall, royalty, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all licence, franchise and registration fees and all employment insurance, health insurance and Canada, Québec and other pension plan premiums or contributions imposed by any Governmental Entity, and any transferee liability in respect of any of the foregoing.
<b>"TSX"</b>	means the Toronto Stock Exchange.
<b>"TSXV"</b>	means the TSX Venture Exchange.
<b>"U.S. Holder"</b>	has the meaning ascribed to that term in this Circular under " <i>Certain United States Federal Income Tax Considerations</i> ".
<b>"U.S. Securities Act"</b>	means the United States Securities Act of 1933, as amended and the rules and regulations promulgated thereunder.
<b>"U.S. Tax Laws"</b>	means the provisions of the Code, currently applicable U.S. Treasury Regulations promulgated thereunder, administrative pronouncements, judicial decisions and the U.S. Treaty.
<b>"U.S. Treaty"</b>	means the Canada-United States Income Tax Convention (1980), as amended.
<b>"United States" or "U.S."</b>	means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.
<b>"Updated Valuation Report"</b>	means the updated valuation report dated November 18, 2021 prepared by the Advisors for the Company and SpinCo 1 in respect of the Minago Project.
<b>"Warrants"</b>	means the outstanding warrants to purchase Silver Elephant Shares.
<b>"Warrant Certificates"</b>	means the certificates representing the Warrants.

## SUMMARY

*This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Circular, including the Appendices which are incorporated into and form part of this Circular. Terms with initial capital letters in this summary are defined in the Glossary of Terms immediately preceding this summary.*

### **The Meeting**

The Meeting will take place on December 22, 2021 at 9:00 a.m. (Pacific time) as a virtual meeting online at <https://meetnow.global/MZY2R4D>.

### **Record Date**

Only Shareholders of record at the close of business on November 3, 2021 will be entitled to receive notice of and vote at the Meeting, or any adjournment or postponement thereof.

### **Purpose of the Meeting**

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass, the Arrangement Resolution approving a statutory plan of arrangement. The full text of the Arrangement Resolution is set out in Appendix “A” to this Circular. In order to implement the Arrangement, the Arrangement Resolution must be approved, with or without amendment, by at least two-thirds of the votes cast in respect of the Arrangement Resolution by Shareholders in person or represented by proxy at the Meeting. See “*The Meeting – Approval of Arrangement Resolution*”.

In addition, at the Meeting you will be asked to consider and vote upon: (a) ordinary resolutions approving the incentive plans of each of SpinCo 1, SpinCo 2 and SpinCo 3; and (b) an ordinary resolution approving the SpinCo 1 Financing. In order to pass these ordinary resolutions must be approved by at least: (a) a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting, in the case of the incentive plan approvals; and (b) a majority of the votes cast by Shareholders, excluding the votes of certain Interested Shareholders, present in person or represented by proxy at the Meeting, in the case of the SpinCo 1 Financing approval.

### **The Arrangement**

At the Meeting, the Securityholders will be asked to vote on the Arrangement pursuant to terms of the Arrangement Agreement and the Plan of Arrangement.

Beginning in the Spring of 2021, due to favourable market conditions, management of the Company began to consider restructuring the Company in order to allow the Company to focus on the development of its flagship Pulacayo silver project in Bolivia and to unlock the value in its Minago nickel project in Manitoba and its Gibellini vanadium project in Nevada. On May 14, 2021, the Company announced its intentions in a news release. During the summer of 2021, the Company continued to work on achieving this objective. On August 20, 2021, the Company filed a technical report containing a mineral resource estimate on the Minago project, which project comprises part of the Spinout 1 Assets. On August 26, 2021, the Company announced the grant of the Royalties which will form part of the Spinout 3 Assets. On the same date, after considering financial, technical and legal advice, the Company entered into and announced the Arrangement Agreement. On August 30, 2021, the Company announced the results of a preliminary economic assessment in respect of the Gibellini project, which project comprises part of the Spinout 2 Assets. The preliminary economic assessment for the Gibellini project was filed on October 8, 2021.

On October 26, 2021, the Company announced the terms of the SpinCo 1 Financing. Pursuant to the SpinCo 1 Financing, NickelCo will raise proceeds of up to \$8,600,000 through the issuance of a combination of: (i) up to 10,000,000 SpinCo 1 NFT Subscription Receipts and (ii) up to 3,000,000 SpinCo 1 FT Subscription Receipts. The SpinCo 1 Financing shall be undertaken on a fully marketed basis, with Red Cloud Securities Inc. acting as lead agent on behalf of a syndicate of agents, including Canaccord Genuity Corp. Upon satisfaction of the escrow release conditions set forth in a subscription receipt agreement, each SpinCo 1 NFT Subscription Receipt, without any further action on the part of the holder, will be converted into one SpinCo 1 Share and one-half of one SpinCo 1

Share purchase warrant, with each whole such warrant being exercisable to purchase a SpinCo 1 Share at a price of \$1.00 for a period of two years. Upon satisfaction of the escrow release conditions set forth in a subscription receipt agreement, each SpinCo 1 FT Subscription Receipt, without any further action on the part of the holder, will be converted into one SpinCo 1 Share issued as a ‘flow-through’ common share. The gross proceeds of the SpinCo 1 Financing will be held in escrow pending satisfaction of certain release conditions, which include Securityholder Approval and TSX approval of the Arrangement. The SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts will convert in accordance with their terms pursuant to the Arrangement without further action on the part of the holder. If the escrow release conditions for the SpinCo 1 FT Subscription Receipts are not satisfied on or before December 31, 2021, the proceeds from the SpinCo 1 FT Subscription Receipts will be returned to subscribers and the securities will be null and void. If the escrow release conditions for the SpinCo 1 NFT Subscription Receipts are not satisfied on or before January 15, 2022, or such later date as may be agreed upon, the proceeds from the SpinCo 1 NFT Subscription Receipts will be returned to subscribers and the securities will be null and void. It is anticipated that the SpinCo 1 Financing will be completed during November 2021 and in any event prior to the Meeting. In addition, the agents for the SpinCo 1 Financing, will be entitled to receive that number of broker warrants equal to 6% of the number of SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts sold. Each broker warrant will be exercisable to acquire one SpinCo 1 Share for a period of 2 years at an exercise price of \$0.70.

See “*The Meeting – Background to Arrangement*” and “*The Meeting –The Arrangement*”.

### **Principal Steps to the Arrangement**

Under the Plan of Arrangement, commencing at the Effective Time, the following principal steps shall occur and shall be deemed to occur without any further act or formality, in the order and timing set out in the Plan of Arrangement:

- (a) At the Effective Time each Silver Elephant Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all liens, claims and encumbrances, to the Company and the Company shall thereupon be obliged to pay the amount therefor determined and payable in accordance with terms and conditions of the Arrangement, and the name of each such holder shall be removed from the securities register as a holder of the Company and such Silver Elephant Shares so transferred to the Company shall thereupon be cancelled;
- (b) the following consolidation of outstanding share capital (the “**Consolidation**”) shall occur:
  - i. in respect of the Company, on the basis of one post-consolidation Silver Elephant Share for each 10 pre-consolidation Silver Elephant Shares;and the number of Silver Elephant Shares issuable upon exercise of the Options and Warrants and the exercise price therefor shall be adjusted to reflect the Consolidation.
- (c) SpinCo 1 shall purchase the Spinout 1 Assets from the Company pursuant to the Spinout 1 Asset Contribution Agreement in consideration for: (i) the issuance of 50,000,000 SpinCo 1 Shares; and (ii) the assumption of the Spinout 1 Assumed Liability, which assumption shall be governed by the Spinout 1 Assumption Agreement, the aggregate value of which will have equivalent value to the Spinout 1 Assets. The stated capital of the SpinCo 1 Shares shall be increased by an amount equal to the aggregate fair market value of the Spinout 1 Assets less the amount of the Spinout 1 Assumed Liability;
- (d) SpinCo 3 shall purchase the Spinout 3 Assets from the Company pursuant to the Spinout 3 Assignment Agreement in consideration for the issuance of SpinCo 3 Shares having an equivalent value. The stated capital of the SpinCo Shares shall be increased by an amount equal to the aggregate fair market value of the Spinout 3 Assets.
- (e) NVMC shall purchase the Spinout 2 Assets from the Company pursuant to the Spinout 2 Asset Purchase Agreement in consideration for: (i) the issuance of NVMC Shares; and (ii) the assumption of the Spinout 2 Assumed Liability, which assumption shall be governed by the Spinout 2 Assumption Agreement, the aggregate value of which will have equivalent value to the Spinout 2 Assets. The stated capital of the



NVMC Shares shall be increased by an amount equal to the aggregate fair market value of the Spinout 2 Assets less the amount of the Spinout 2 Assumed Liability;

- (f) SpinCo 2 shall purchase the NVMC Shares from the Company pursuant to the Spinout 2 Share Contribution Agreement in consideration for 50,000,000 SpinCo 2 Shares having equivalent value. The stated capital of the SpinCo 2 Shares shall be increased by an amount equal to the aggregate fair market value of the NVMC Shares;
- (g) the authorized share capital of the Company shall be reorganized and its articles amended by, the creation of an unlimited number of Class A Shares having the same rights, privileges, restrictions and conditions as the Silver Elephant Shares except that they shall provide any holder of Class A Shares owning more than 80% of the issued and outstanding Class A Shares with the right to requisition the directors of the Company to call a meeting of the holders of Class A Shares for the purposes stated in the requisition and should the directors of the Company not call such meeting within two days after receiving such requisition a shareholder who made such requisition may call a meeting in the manner in which such meeting may be called under the BCBCA and the articles of the Company, and the notice of articles and articles of the Company are amended accordingly;
- (h) SpinCo 3 shall purchase: (i) that number of Spinco 1 Shares equal to 50,000,000 less the number of issued and outstanding ParentCo Shares less the number of outstanding ParentCo Options less the number of outstanding ParentCo Warrants; (ii) that number of Spinco 2 Shares equal to 50,000,000 less the number of issued and outstanding ParentCo Shares less the number of outstanding ParentCo Options less the number of outstanding ParentCo Warrants; pursuant to the Spinout 3 Share Contribution Agreement in consideration for the issuance of SpinCo 3 Shares having equivalent value. The stated capital of the SpinCo 3 Shares shall be increased by an amount equal to the aggregate fair market value of the SpinCo 1 Shares and SpinCo 2 Shares received. The aggregate number of SpinCo 3 Shares issuable as consideration under steps (d) and (h) shall be 80,000,000;
- (i) in accordance with the terms of the Warrant Certificates each holder of a Warrant outstanding immediately prior to the Effective Time shall receive (and such holder shall accept) upon the exercise of such holder's Warrant, in lieu of each Silver Elephant Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares to which such holder was theretofore entitled upon exercise of the Warrants and such Warrant shall continue to be governed by and be subject to the terms of the Warrant Certificates;
- (j) in accordance with the terms of the Incentive Plan, each holder of an Option outstanding immediately prior to the Effective Time shall receive (and such holder shall accept) upon the exercise of such holder's Option, in lieu of each Silver Elephant Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares to which such holder was theretofore entitled upon exercise of the Options; and such Option shall continue to be governed by and be subject to the terms of the Incentive Plan;
- (k) each Silver Elephant Share will be exchanged for: (A) one Class A Share; (B) one SpinCo 1 Share; (C) one SpinCo 2 Share and (D) two SpinCo 3 Shares. As a result of the exchange:
  - i. the authorized capital of the Company shall be amended to delete the Silver Elephant Shares, none of which are issued and outstanding, and to delete the rights, privileges, restrictions and conditions attached to the Silver Elephant Shares; and

- ii. the aggregate amount added to the stated capital of the Class A Shares issued pursuant to the Arrangement Agreement shall be equal to the amount if any, by which (A) the aggregate paid-up capital (as that term is defined for the purposes of the Tax Act) of the Silver Elephant Shares (other than Silver Elephant Shares held by the Dissenting Shareholders) immediately prior to the Effective Time, exceeds (B) the fair market value of the SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares distributed to the Shareholders;

and the notice of articles and articles of the Company are amended accordingly.

The name of each Shareholder who is so deemed to exchange his, her or its Silver Elephant Shares, shall be removed from the securities register of Silver Elephant Shares with respect to the Silver Elephant Shares so exchanged and shall be added to the securities registers of the Class A Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares as the holder of the number of Class A Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares deemed to have been received on the exchange.

- (l) the authorized capital of the Company is amended:

- i. to rename the Class A Shares as “Common Shares” (otherwise known as the New Silver Elephant Shares); and
- ii. to delete those rights, privileges, restrictions attached thereto which provide that any holder of Class A Shares owning more than 80% of the issued and outstanding Class A Shares with the right to requisition the directors of the Company to call a meeting of the holders of Class A Shares for the purposes stated in the requisition and should the directors of the Company not call such meeting within two days after receiving such requisition a shareholder who made such requisition may call a meeting in the manner in which such meeting may be called under the BCBCA and the articles of the Company; and

and the notice of articles and articles of the Company are amended accordingly.

- (m) each then outstanding SpinCo 1 FT Subscription Receipt shall be converted into one SpinCo 1 Share; and
- (n) each then outstanding SpinCo 1 NFT Subscription Receipt shall be converted into one SpinCo 1 Share and one-half of one SpinCo 1 Warrant.

### **Recommendation of the Board**

After taking into consideration, among other things, the Court approval, the directors have concluded that the Arrangement is in the best interests of the Company and is fair to the Shareholders. **Accordingly, the Board recommends that Shareholders vote FOR the Arrangement Resolution.**

### **Reasons for the Arrangement**

The Board has reviewed and considered an amount of information and considered a number of factors relating to the Arrangement with the benefit of advice from the Company’s senior management and its financial and legal advisors. The following is a summary of the principal reasons for the recommendation of the Board that vote FOR the Arrangement Resolution:

- (a) *Continued Participation by Shareholders in the SpinCo Properties Through the SpinCos.* Shareholders, through their ownership of SpinCo Shares, will also participate in the SpinCo Properties and the Royalties. The Shareholders will hold approximately 54% of the issued SpinCo 1 Shares, approximately 54% of the issued SpinCo 2 Shares and approximately 67% of the issued SpinCo 3 Shares upon completion of the Arrangement before taking into account the SpinCo 1 Financing. The Shareholders will indirectly hold an interest in the remaining outstanding SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares by virtue of their continued shareholdings in the Company as upon completion of the Arrangement, the Company will hold approximately 33% of the issued SpinCo 3 Shares, which in turn will own approximately 46% of the outstanding shares of NickelCo and VanadiumCo, before taking into account the SpinCo 1 Financing.

- (b) *Investment Diversification.* The creation of four separate companies dedicated to the pursuit of their respective businesses will provide Shareholders with diversification and increased liquidity for their investment portfolios, as they will hold a direct interest in four companies, each of which is focused and valued on different objectives. The Companies are as follows:

<u>Company</u>	<u>Principal Asset</u>
Silver Elephant Mining Corp.	Pulacayo (Bolivia) – Silver, lead, zinc Triunfo (Bolivia) – Silver, zinc, gold 33% of RoyaltyCo
NickelCo	Minago (Manitoba) – Nickel
VanadiumCo	Gibellini (Nevada) – Vanadium
RoyaltyCo	Royalties 46% of each of NickelCo and VanadiumCo

- (c) *Approval of Securityholders and the Court are required.* The following required approvals protect the rights of Shareholders: the Arrangement must be approved by at least two-thirds of the votes cast in respect of the Arrangement Resolution by Shareholders, present in person or represented by proxy at the Meeting; and the Arrangement must also be sanctioned by the Court, which will consider the fairness of the Arrangement to Shareholders.
- (d) *Dissent Rights.* Registered Shareholders who oppose the Arrangement may, on strict compliance with the Dissent Procedures, exercise their Dissent Rights and receive the fair value of the Silver Elephant Shares.

See “*Cautionary Note Regarding Forward-Looking Statements and Risks*” and “*The Meeting – Reasons for the Arrangement.*”

### **The Company, SpinCo 1, SpinCo 2 and SpinCo 3**

#### **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, Antonio 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 "IP2N" 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*”.

#### **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.

On October 26, 2021, the Company announced the terms of the SpinCo 1 Financing. Pursuant to the SpinCo 1 Financing, NickelCo will raise proceeds of up to \$8,600,000 through the issuance of a combination of: (i) up to 10,000,000 SpinCo 1 NFT Subscription Receipts and (ii) up to 3,000,000 SpinCo 1 FT Subscription Receipts. The SpinCo 1 Financing shall be undertaken on a fully marketed basis, with Red Cloud Securities Inc. acting as lead agent on behalf of a syndicate of agents, including Canaccord Genuity Corp. Upon satisfaction of the escrow release conditions set forth in a subscription receipt agreement, each SpinCo 1 NFT Subscription Receipt, without any further action on the part of the holder, will be converted into one SpinCo 1 Share and one-half of one SpinCo 1 Share purchase warrant, with each whole such warrant being exercisable to purchase a SpinCo 1 Share at a price of \$1.00 for a period of two years. Upon satisfaction of the escrow release conditions set forth in a subscription receipt agreement, each SpinCo 1 FT Subscription Receipt, without any further action on the part of the holder, will be converted into one SpinCo 1 Share issued as a ‘flow-through’ common share. The gross proceeds of the SpinCo 1 Financing will be held in escrow pending satisfaction of certain release conditions, which include Securityholder Approval and TSX approval of the Arrangement. The SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts will convert in accordance with their terms pursuant to the Arrangement without further action on the part of the holder. If the escrow release conditions for the SpinCo 1 FT Subscription Receipts are not satisfied on or before December 31, 2021, the proceeds from the SpinCo 1 FT Subscription Receipts will be returned to subscribers and the securities will be null and void. If the escrow release conditions for the SpinCo 1 NFT Subscription Receipts are not satisfied on or before January 15, 2022, or such later date as may be agreed upon, the proceeds from the SpinCo 1 NFT Subscription Receipts will be returned to subscribers and the securities will be null and void. It is anticipated that the SpinCo 1 Financing will be completed during November 2021 and in any event prior to the Meeting. In addition, the agents for the SpinCo 1 Financing, will be entitled to receive that number of broker warrants equal to 6% of the number of SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts sold. Each broker warrant will be exercisable to acquire one SpinCo 1 Share for a period of 2 years at an exercise price of \$0.70.

At the Meeting, Shareholders will be asked to consider and vote upon an ordinary resolution approving the SpinCo 1 Financing. In order to pass this ordinary resolution must be approved by at least a majority of the votes cast by Shareholders, excluding the votes of certain Interested Shareholders, present in person or represented by proxy at the Meeting.

The table below summarizes the interests of directors, officers and employees of the Company, as well as Interested Shareholders in the SpinCo 1 Financing.

	Securities Granted To / Subscribed For		Other Payments and Benefits Resulting from the Arrangement	Silver Elephant Shares excluded as holdings of Interested Shareholders
	Number and Class	Subscription Price		
Directors and officers of the Company and SpinCo 1	Nil	Nil	n/a	Nil
Employees	Nil	Nil	n/a	Nil
Private places not related to the Company or SpinCo 1	Number of SpinCo 1 FT Subscription Receipts to be determined <sup>(1)</sup>	\$0.77	n/a	Amount to be determined <sup>(1)</sup>
Private places not related to the Company or SpinCo 1	Number of SpinCo 1 NFT Subscription Receipts to be determined <sup>(1)</sup>	\$0.70	n/a	Amount to be determined <sup>(1)</sup>

(1) Prior to the Meeting, the Company will confirm by issuance of a news release the number of SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts subscribed for by Interested Shareholders and the number of Silver Elephant Shares held by the Interested Shareholders.

Securities of SpinCo 1 issued pursuant to the SpinCo 1 Financing may be issued at a significant discount to the market price, taking into account the maximum discount by the TSX, of the securities of SpinCo 1 once it begins trading on an exchange and there is no assurance that a premium may develop once it begins trading. In addition, the broker warrants issued in connection with the SpinCo 1 Financing have an exercise price of \$0.70 per SpinCo 1 Share and are exercisable for a period of 2 years. The exercise price of these broker warrants may be at a significant discount to the market price of the securities of SpinCo 1 once it begins trading on an exchange and there is no assurance that a premium may develop once it begins trading.

In determining the price of the SpinCo 1 Financing and the value to be ascribed to SpinCo 1, the Company considered the following:

- The book value of the Spinout 1 Assets on the Company's financial statements.
- The value of comparable nickel projects, including:
  - Canada Nickel Company's Crawford Nickel Sulphide Project;
  - Gigametals Corporation's Turnagain Nickel Project;
  - Magna Mining Inc.'s Shakespear Nickel Project;
- The increase in nickel prices since the Company's acquisition of the Minago Project in February 2021;
- The improved nickel grade and increase in the mineral resource estimates for the Minago Project since its acquisition in February 2021;
- The improved certainty in the licencing process for the Minago Project as a result of work undertaken by the Company;
- The implied value of SpinCo 1 demonstrated by market interest from an arm's length investment bank and the arm's length investors participating in the SpinCo 1 Financing; and
- The Updated Valuation Report.

See Appendix "D" - *"Information Concerning SpinCo 1"*.

### **SpinCo 2**

SpinCo 2 is currently a wholly-owned subsidiary of the Company that has been formed to acquire and hold the Spinout 2 Properties. The registered and records office of SpinCo 2 is located at Suite 1610 – 409 Granville Street, Vancouver, BC V6C 1T2. Upon completion of the Arrangement, SpinCo 2 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 2 Properties, which include the Gibellini vanadium project in Nevada. It is expected that an application will be made for listing of the SpinCo 2 Shares on the TSXV. Listing of the SpinCo 2 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 2 will consider applying to list on other securities exchanges, although there is no assurance that a listing will be obtained. At this time there is not currently a financing contemplated for SpinCo 2, although it is expected that a financing will be completed in 2022. There is no assurance that a financing will be completed.

See Appendix "E" - *"Information Concerning SpinCo 2"*.

### **SpinCo 3**

SpinCo 3 is currently a wholly-owned subsidiary of the Company that has been formed to acquire and hold the Spinout 3 Assets. The registered and records office of SpinCo 3 is located at Suite 1610 – 409 Granville Street, Vancouver, BC V6C 1T2. Upon completion of the Arrangement, SpinCo 3 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 3 Assets, which

include the Royalties and approximately 46% of the outstanding NickelCo and VanadiumCo shares, before taking into account the SpinCo 1 Financing. It is expected that an application will be made for listing of the SpinCo 3 Shares on the TSXV. Listing of the SpinCo 3 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 3 will consider applying to list on other securities exchanges, although there is no assurance that a listing will be obtained. At this time there is not currently a financing contemplated for SpinCo 3, although it is expected that a financing will be completed in 2022. There is no assurance that a financing will be completed.

See Appendix “F” - “*Information Concerning SpinCo 3*”.

### **Financial Statements of the Company, SpinCo 1, SpinCo 2 and SpinCo 3**

The financial statements of the SpinCo 1, SpinCo 2 and SpinCo 3, including *pro forma* financial statements that give effect to the Plan of Arrangement, are set forth in Appendices “I”, “J”, “K” and “L” to this Circular.

### **Conditions to Arrangement**

Completion of the Arrangement and the Arrangement is subject to a number of specified conditions being met as of the Effective Time, including, but not limited to:

- (a) no Governmental Entity shall have enacted, issued, promulgated, enforced or entered any Law which is then in effect and has the effect of making the Arrangement illegal or otherwise preventing or prohibiting consummation of the Arrangement;
- (b) all Regulatory Approvals shall have been obtained, including approval of the Court, on terms and conditions satisfactory to the Company, acting reasonably;
- (c) the approval of the TSX shall have been obtained;
- (d) the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to be issued pursuant to the Arrangement, not including shares issued pursuant to the SpinCo 1 Financing, shall be exempt from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof;
- (e) there shall not be pending or threatened in writing any suit, action or proceeding by any Governmental Entity or any other Person that is reasonably likely to result in a:
  - (i) restriction or prohibition of the consummation of the Arrangement or a Person obtaining from the Company any material damages directly or indirectly in connection with the Arrangement; or
  - (ii) prohibition or material limit on the ownership by the Company of any material portion of its business.
- (f) the Arrangement Agreement shall not have been terminated.
- (g) the distribution of the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares shall be exempt from the prospectus requirements of Canadian securities laws and shall be exempt from the registration requirements of the U.S. Securities Act and: (x) there shall be no resale restrictions on such shares under Securities Laws in Canada, except in respect of those holders who are subject to restrictions on resale as a result of being a “control person” under Securities Laws in Canada; and (y) the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares shall not be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act, except in respect of SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares held by Persons who are deemed to be an “affiliate” of the Company as defined in Rule 144 under the U.S. Securities Act and except for the shares being issued pursuant to the SpinCo 1 Financing;
- (h) approval from the Securityholders for the Arrangement shall have been obtained; and



- (i) no more than 5% of the Shareholders shall have exercised Dissent Rights.

See “*The Meeting – The Arrangement Agreement*”.

### **Termination of Arrangement Agreement**

The Arrangement Agreement may be terminated at any time prior to the Effective Time:

- (i) by mutual written agreement of the Company and the SpinCos;
- (ii) by the Company, if the Securityholders do not approve the Arrangement at the Meeting.

See “*The Meeting – The Arrangement Agreement – Termination*”.

### **Exchange Procedure**

#### **Share Certificates**

The Letter of Transmittal is being mailed, together with this Circular, to each person who was a Registered Shareholder on the Record Date. Each person who is a Registered Shareholder immediately prior to the Effective Time must forward the properly completed and signed Letter of Transmittal, along with the accompanying Silver Elephant Share certificate(s), if applicable, to the Depository in order to receive the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to which such Shareholder is entitled under the Arrangement. It is recommended that Registered Shareholders complete, sign and return the Letter of Transmittal, along with the accompanying Silver Elephant Share certificate(s), if applicable, to the Depository as soon as possible.

Shareholders whose Silver Elephant Shares are registered in the name of a nominee (bank, trust company, securities broker or other nominee) should contact that nominee for assistance in depositing their Silver Elephant Shares.

#### **Fractional Shares**

Any fractional shares issuable pursuant to the Arrangement, including on exercise or conversion of Options or Warrants, will be rounded down to the nearest whole number and no consideration will be paid for such fractional interests.

See “*The Meeting – Exchange Procedure*”.

### **Dissent Rights**

There is no mandatory statutory right of dissent and appraisal in respect of plans of arrangement under the BCBCA. However, as contemplated in the Interim Order and the Plan of Arrangement, the Company has granted the Dissent Rights to Dissenting Shareholders.

The Interim Order provides Registered Shareholders with the right to dissent in substantially the same manner as set forth in Sections 237 to 247 of the BCBCA (which provisions have been duplicated in Appendix “C” to this Circular). In general, any Registered Shareholder who dissents from the Arrangement Resolution in compliance with Sections 237 to 247 of the BCBCA (as modified by the Interim Order) will be entitled, in the event that the Arrangement becomes effective, to be paid by the Company the fair value of the Silver Elephant Shares held by such Registered Shareholder.

In order to validly dissent, any such Registered Shareholder must not vote any Silver Elephant Shares in respect of which Dissent Rights have been exercised in favour of the Arrangement Resolution, must provide the Company with written objection to the Arrangement by 9:00 a.m. (Pacific Time) on December 20, 2021 or two business days prior to any adjournment of the Meeting, and must otherwise comply with the Dissent Procedures provided in the Interim

Order. A Non-Registered Shareholder who wishes to exercise Dissent Rights must arrange for the Registered Shareholder(s) holding its Silver Elephant Shares to deliver the dissent notice. See “*The Meeting – Dissent Rights.*”

If a Dissenting Shareholder fails to strictly comply with the requirements the Dissent Rights as set out under the Interim Order, the BCBCA and the Plan of Arrangement, such holder will lose its Dissent Rights. The Dissent Rights are set out in their entirety in the Interim Order, the text of which is set out in Appendix “C” to this Circular.

It is a condition of the Arrangement that holders of no more than 5% of Shareholders shall have exercised Dissent Rights (and not withdrawn such exercise).

## **Income Tax Considerations**

### ***Summary of Certain Canadian Income Tax Considerations***

**Resident Shareholders will generally be deemed for purposes of the Tax Act to receive a dividend from the Company on the distribution to them of the SpinCo Shares**, to the extent that the fair market value of the SpinCo Shares received by the Resident Shareholder exceeds the paid-up capital (as determined for the purposes of the Tax Act) attributable, on a pro rata basis, to the Silver Elephant Shares exchanged. The cost of the New Silver Elephant Shares will be deemed to be equal to the amount, if any, by which the adjusted cost base of the Silver Elephant Shares exceeds the fair market value of the SpinCo Shares received. The cost of the SpinCo Shares will be equal to the fair market value of the SpinCo Shares at the time of the exchange.

On the exchange of Silver Elephant Shares for Class A Shares and SpinCo Shares, a capital gain (or capital loss) may also be realized by a Resident Shareholder equal to the amount by which (a) the aggregate of the cost of the SpinCo Shares and of the Class A Shares received less the amount of any dividend deemed to be received on the exchange exceeds (or is less than) (b) the aggregate of the adjusted cost base of the Silver Elephant Shares exchanged and any reasonable costs of disposition.

As set out above, if the aggregate fair market value of the SpinCo Shares, at the time they are distributed on the exchange of Silver Elephant Shares for Class A Shares and SpinCo Shares, exceeds the aggregate paid-up capital of the Silver Elephant Shares, a dividend will be deemed to be paid by the Company to Non-Resident Shareholders which will be subject to Canadian withholding tax. The Company and any relevant intermediary, may sell SpinCo Shares on behalf of a Shareholder who is subject to this withholding, in order to meet the Company’s withholding tax obligations (including any applicable interest and penalties) arising as a result of any deemed dividend.

Non-Resident Shareholders of Silver Elephant Shares will generally not be taxable in Canada with respect to any capital gains generated on the disposition of Silver Elephant Shares and New Silver Elephant Shares pursuant to the Arrangement so long as such shares do not constitute “taxable Canadian property” as defined in the Tax Act.

A summary of certain Canadian federal income tax considerations in respect of the proposed Arrangement is included under “*Certain Canadian Federal Income Tax Considerations*” and the foregoing is qualified in full by the information in such section.

### ***Summary of Certain United States Income Tax Considerations***

For U.S. federal income tax purposes, it is anticipated that the Arrangement will not be a tax-deferred transaction for Shareholders that are U.S. Holders. The fair market value of the SpinCo Shares received should be taxable as dividend to U.S. Holders, subject to the passive foreign investment company rules. The foregoing is qualified in its entirety by the discussion below under the heading “*Certain United States Federal Income Tax Considerations*”. U.S. Holders are strongly encouraged to read that section in full and to consult their own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences to them, in light of their particular circumstances, of the Arrangement and the ownership and disposition of SpinCo Shares and New Silver Elephant Shares received in the Arrangement.

## **Court Approval**

The Arrangement requires Court approval under the BCBCA. In addition to this approval, the Court will be asked for a declaration following a Court hearing that the Arrangement is fair to the Securityholders. Prior to the mailing of this Circular, the Company submitted, along with other materials, a copy of the Circular to the Court and subsequently obtained the Interim Order providing for the calling and holding of the Meeting, the Dissent Rights and certain other procedural matters. Following receipt of Securityholder Approval, the Company intends to make application to the Court for the Final Order at 9:45 a.m. (Pacific Time), or as soon thereafter as counsel may be heard, on January 11, 2021 at 800 Smithe Street, Vancouver, British Columbia, or at any other date and time as the Court may direct. MLT Aikins LLP, counsel to the Company, has advised that, in deciding whether to grant the Final Order, the Court will consider, among other things, the fairness of the Arrangement to Securityholders.

Any Shareholder who wishes to appear or be represented and to present evidence or arguments at that hearing must file and serve a response to petition no later than 4:00 p.m. (Pacific Time) on January 7, 2022 along with any other documents required, all as set out in the Interim Order and Notice of Petition, the text of which are set out in Appendix “C” to this Circular and satisfy any other requirements of the Court. Such Persons should consult with their legal advisors as to the necessary requirements.

The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, and subject to compliance with such terms and conditions, if any, as the Court sees fit.

The Court will be advised, prior to the hearing, that the Court’s approval of the Arrangement (including the fairness thereof) will form a basis for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof with respect to the Silver Elephant Shares to be received by Shareholders pursuant to the Arrangement. See “*The Meeting – Court Approval of the Arrangement*”.

## **Regulatory Law Matters and Securities Law Matters**

### ***Canadian Securities Law Matters***

The issuance pursuant to the Arrangement of the New Silver Elephant Shares and the SpinCo Shares, as well as all other issuances, trades and exchanges of securities under the Arrangement, will be made pursuant to exemptions from the registration and prospectus requirements contained in applicable Canadian provincial securities legislation or, where required, exemption orders or rulings from various securities regulatory authorities in the provinces and territories of Canada where Shareholders are resident. The Company is currently a “reporting issuer” under the applicable securities legislation in each of the provinces and territories of Canada (other than Quebec). Under National Instrument 45-102 – *Resale of Securities* (and if required, orders and rulings from various securities regulatory authorities in the provinces and territories of Canada where Shareholders are resident), the New Silver Elephant Shares and SpinCo Shares received by Shareholders pursuant to the Arrangement may be resold through registered dealers in Canadian provinces or territories without any “hold period” restriction (provided that no unusual effort is made to prepare the market or create a demand for these securities, no extraordinary commission or consideration is paid in respect of the sale and, if the seller is an insider or officer of the issuer, the seller has no reasonable grounds to believe that the issuer is in default of securities legislation). Resales of New Silver Elephant Shares and SpinCo Shares will, however, be subject to resale restrictions where the sale is made from the holdings of any Person or combination of Persons holding a sufficient number of New Silver Elephant Shares or SpinCo Shares, as the case may be, to affect materially the control of the Company or the SpinCos, respectively.

See “*The Meeting – Regulatory Law Matters and Securities Law Matters*”.

### ***United States Securities Law Matters***

The New Silver Elephant Shares and SpinCo Shares to be issued to Shareholders in exchange for their Silver Elephant Shares pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or applicable state Securities Laws, and are being issued and exchanged in reliance on the exemption from the registration requirements of the U.S. Securities Act set forth in Section 3(a)(10) thereof and other exemptions from registration provided under the securities laws of each state of the United States in which Shareholders reside. The restrictions on resale of the New Silver Elephant Shares and SpinCo Shares issued to Shareholders and outstanding

after the Effective Date imposed by the U.S. Securities Act will depend on whether the holder of the New Silver Elephant Shares or SpinCo Shares is an “affiliate” of the Company or the SpinCos, respectively, after the Effective Date or was an “affiliate” of the Company or the SpinCos within 90 days prior to the Effective Date. As defined in Rule 144 under the U.S. Securities Act, an “affiliate” of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer. Usually this includes the directors, executive officers and principal shareholders of the issuer. See “*The Meeting – Regulatory Law Matters and Securities Law Matters*”.

The solicitation of proxies made pursuant to this Circular is not subject to the requirements of Section 14(a) of the Exchange Act. Accordingly, the solicitation of proxies and transactions contemplated herein are being made in accordance with Canadian corporate and Securities Laws. Securityholders should be aware that requirements under such Canadian laws may differ from requirements of the United States applicable to registration statements under the U.S. Securities Act and to proxy statements under the Exchange Act. The financial statements and other financial information included or incorporated by reference in this Circular have been prepared in accordance with IFRS and thus may not be comparable to financial statements and financial information of United States companies.

NEITHER THE NEW SILVER ELEPHANT SHARES NOR THE SPINCO SHARES TO WHICH SHAREHOLDERS WILL BE ENTITLED PURSUANT TO THE ARRANGEMENT HAVE BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

See “*The Meeting – Regulatory Law Matters and Securities Law Matters*”.

### **Risk Factors**

Shareholders should carefully consider the risk factors relating to the Arrangement. Some of these risks include, but are not limited to: (i) the Arrangement Agreement may be terminated in certain circumstances; (ii) there can be no certainty that all conditions precedent to the Arrangement and Arrangement will be satisfied; (iii) the Company will incur costs even if the Arrangement is not completed; (iv) directors and executive officers of the Company may have interests in the Arrangement that are different from those of the Shareholders; (v) the market price for New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares (if SpinCo Shares are listed) may decline; (vi) the Company and any relevant intermediary may sell Silver Elephant Shares on behalf of a Shareholder to meet the Company’s withholding tax obligations (including any applicable interest and penalties) arising as a result of any deemed dividend and any such sales may negatively impact the trading price of the SpinCo Shares (if listed); (vii) there is no guarantee that the SpinCo Shares will be listed on the TSXV or any other stock exchange or that a market for such shares will develop; (viii) SpinCo Shares may not be qualified investments under the Tax Act for a Registered Plan; and (ix) the issue of New Silver Elephant Shares under the Arrangement and their subsequent sale may cause the market price of New Silver Elephant Shares to decline from current or anticipated levels.

For more information see “*The Meeting - Risks Associated with the Arrangement*”. Additional risks and uncertainties, including those currently unknown or considered immaterial by the Company, may also adversely affect the Silver Elephant Shares, the SpinCo Shares, and/or the businesses of the Company and SpinCos following the Arrangement. In addition to the risk factors relating to the Arrangement set out in this Circular, Shareholders should also carefully consider the risk factors associated with the businesses of the Company and SpinCos included in this Circular, including the documents incorporated by reference therein. See Appendix “D” - “*Information Concerning SpinCo 1 - Risk Factors*”, for a description of these risks. See Appendix “E” - “*Information Concerning SpinCo 2- Risk Factors*”, for a description of these risks. See Appendix “F” - “*Information Concerning SpinCo 3 - Risk Factors*”, for a description of these risks.

## GENERAL PROXY INFORMATION

### Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the management of the Company for use at the Meeting, to be held on December 22, 2021, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the directors and regular employees of the Company at nominal cost paid by the Company.

### How a Vote is Passed

At the Meeting, Shareholders will be asked, among other things, to consider and to vote to approve the Arrangement Resolution approving the Arrangement. To be effective, the Arrangement must be approved by a resolution passed by not less than two-thirds of the votes cast by Shareholders, voting in person or by proxy at the Meeting.

In addition, at the Meeting you will be asked to consider and vote upon: (a) ordinary resolutions approving the incentive plans of each of SpinCo 1, SpinCo 2 and SpinCo 3; and (b) an ordinary resolution approving the SpinCo 1 Financing. In order to pass these ordinary resolutions must be approved by at least: (a) a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting, in the case of the incentive plan approvals; and (b) a majority of the votes cast by Shareholders, excluding the votes of certain Interested Shareholders, present in person or represented by proxy at the Meeting, in the case of the SpinCo 1 Financing approval.

### Who can Vote?

If you are a Registered Shareholder as at November 3, 2021, you are entitled to attend at the Meeting and cast a vote for each Silver Elephant Share registered in your name on the Arrangement Resolution. If the Silver Elephant Shares are registered in the name of a corporation, a duly authorized officer of the corporation may attend on its behalf, but documentation indicating such officer's authority should be presented at the Meeting. If you are a Registered Shareholder but do not wish to, or cannot, attend the Meeting in person you can appoint someone who will attend the Meeting and act as your proxyholder to vote in accordance with your instructions. If your Silver Elephant Shares are registered in the name of a "nominee" (usually a bank, trust company, securities dealer or other financial institution) you should refer to the section entitled "*Non-Registered Holders*" set out below.

It is important that your Silver Elephant Shares be represented at the Meeting regardless of the number of Silver Elephant Shares you hold. If you will not be attending the Meeting in person, we encourage you to complete, date, sign and return your form of proxy as soon as possible so that your Silver Elephant Shares will be represented.

Shareholders and duly appointed proxyholders can attend the meeting online by going to <https://meetnow.global/MZY2R4D>.

- Registered Shareholders and duly appointed proxyholders can participate in the meeting by clicking "**Shareholder**" and entering a Control Number or an Invitation Code before the start of the meeting.
  - Registered Shareholders - The 15-digit control number is located on the form of proxy or in the email notification you received.
  - Duly appointed proxyholders – Computershare will provide the proxyholder with an Invite Code after the voting deadline has passed.
- Voting at the meeting will only be available for Registered Shareholders and duly appointed proxyholders. Non-Registered Shareholders who have not appointed themselves may attend the meeting by clicking "**Guest**" and completing the online form.

Shareholders who wish to appoint a third party proxyholder to represent them at the online meeting **must submit their proxy or voting instruction form (as applicable) prior to registering their proxyholder. Registering the proxyholder is an additional step once a shareholder has submitted their proxy/voting instruction form. Failure to register a duly appointed proxyholder will result in the proxyholder not receiving an Invite Code to participate in the meeting.**

To register a proxyholder, shareholders **MUST** visit <https://www.computershare.com/SilverElephant> by December 20, 2021 at 9:00 a.m. (Pacific Time) and Computershare (as defined below) with their proxyholder's contact information, so that Computershare may provide the proxyholder with an invite code via email.

**It is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences.**

**In order to participate online, shareholders must have a valid 15-digit control number and proxyholders must have received an email from Computershare containing an invite code.**

### **Participating at the Meeting**

The Meeting will be hosted online by way of a live webcast. Shareholders will not be able to attend the meeting in person. A summary of the information shareholders will need to attend the online meeting is provided below. The meeting will begin at 9:00 a.m. (Pacific Time) on December 22, 2021.

- Registered Shareholders (as defined in this Management Information Circular under the heading "Voting at the Meeting") that have a 15-digit control number, along with duly appointed proxyholders who were assigned an Invitation Code by Computershare Trust Company of Canada / Computershare Investor Services Inc. ("Computershare") (see details under the heading "Appointment of Proxies"), will be able to vote and submit questions during the meeting. To do so, please go to <https://meetnow.global/MZY2R4D> prior to the start of the meeting to login. Click on "Shareholder" and enter your 15-digit control number or click on "Invitation" and enter your Invite Code. Non-Registered Shareholders (as defined in this Circular under the heading "Non-Registered Shareholders") who have not appointed themselves to vote at the meeting, may login as a guest, by clicking on "Guest" and complete the online form.
- Beneficial holders: Non-registered Shareholders who have received meeting materials from an Intermediary should, other than as set out herein, follow the directions of their Intermediary with respect to the procedure to be followed for voting at the Meeting. Generally, non-registered Shareholders will either
  - be provided with a Proxy executed by the Intermediary but otherwise uncompleted. The non-registered Shareholder may complete the proxy and return it directly to Computershare; or
  - be provided with a request for voting instructions. The Intermediary is required to send the Company an executed Proxy completed in accordance with any voting instructions received by the Intermediary.

If you are a non-registered Shareholder, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained from your Intermediary in accordance with applicable securities regulatory requirements. By choosing to send Meeting materials to you directly, the Company (and not your Intermediary) has assumed responsibility for (i) delivering the Meeting material to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

- United States Beneficial holders: To attend and vote at the virtual Meeting, you must first obtain a valid legal proxy from your broker, bank or other agent and then register in advance to attend the Meeting. Follow the instructions from your broker or bank included with these proxy materials, or



contact your broker or bank to request a legal proxy form. After first obtaining a valid legal proxy from your broker, bank or other agent, to then register to attend the Meeting, you must submit a copy of your legal proxy to Computershare. Requests for registration should be directed to:

Computershare  
100 University Avenue, 8<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1

OR

Email at [uslegalproxy@computershare.com](mailto:uslegalproxy@computershare.com)

Requests for registration must be labeled as “Legal Proxy” and be received no later than December 20, 2021 at 9:00 a.m. (Pacific Time). You may attend the Meeting and vote your shares at <https://meetnow.global/MZY2R4D> during the meeting. Please note that you are required to register your appointment at [www.computershare.com/SilverElephant](http://www.computershare.com/SilverElephant).

- Non-Registered Shareholders who do not have a 15-digit control number or Invite Code will only be able to attend as a guest which allows them listen to the meeting however will not be able to vote or submit questions. Please see the information under the heading “Non-Registered Shareholders” for an explanation of why certain shareholders may not receive a form of proxy.

If you are eligible to vote at the meeting, it is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the meeting.

### **Voting at the Meeting**

A Registered Shareholder, or a Non- Registered Shareholder who has appointed themselves or a third party proxyholder to represent them at the meeting, will appear on a list of shareholders prepared by Computershare, the transfer agent and registrar for the meeting.

To have their common shares voted at the Meeting, each Registered Shareholder or proxyholder will be required to enter their control number or Invite Code provided by Computershare at <https://meetnow.global/MZY2R4D> prior to the start of the Meeting. In order to vote, Non-Registered Shareholders who appoint themselves as a proxyholder **MUST** register with Computershare at <https://www.computershare.com/SilverElephant> after submitting their voting instruction form in order to receive an Invite Code (please see the information under the headings “Appointment of Proxies” below for details).

If a Shareholder who has submitted a proxy attends the meeting via the webcast and has accepted the terms and conditions when entering the meeting online, any votes cast by such shareholder on a ballot will be counted and the submitted proxy will be disregarded.

### **Appointment of Proxies**

Shareholders who wish to appoint a third party proxyholder to represent them at the online meeting **must submit their proxy or voting instruction form (if applicable) prior to registering your proxyholder. Registering your proxyholder is an additional step once you have submitted your proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving an Invite code to participate in the meeting.** To register a proxyholder, shareholders **MUST** visit <https://www.computershare.com/SilverElephant> by **9:00 a.m. (Pacific Time) on December 20, 2021** and provide Computershare with their proxyholder’s contact information, so that Computershare may provide the proxyholder with an Invite Code via email.

A proxy can be submitted to Computershare either in person, or by mail or courier, to 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, or via the internet at [www.investorvote.com](http://www.investorvote.com). The proxy must be deposited with

Computershare by no later than **9:00 a.m. (Pacific Time) on December 20, 2021**, or if the Meeting is adjourned or postponed, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, before the commencement of such adjourned or postponed meeting. If a shareholder who has submitted a proxy attends the meeting via the webcast and has accepted the terms and conditions when entering the meeting online, any votes cast by such shareholder on a ballot will be counted and the submitted proxy will be disregarded.

**Without an Invite Code, proxyholders will not be able to vote at the meeting.**

### **What is a Proxy?**

A form of proxy is a document that authorizes someone to attend the Meeting and cast your votes for you. We have enclosed a form of proxy with this Circular. You should use it to appoint a proxyholder, although you can also use any other legal form of proxy.

### **Appointing a Proxyholder**

The persons named in the enclosed form of proxy are each either a director or an officer of the Company. A Securityholder who wishes to appoint some other person to represent such Securityholder at the Meeting may do so by crossing out the name on the form of proxy and inserting the name of the person proposed in the blank space provided in the enclosed form of proxy. Such other person need not be a Securityholder. To vote your Silver Elephant Shares, your proxyholder must attend the Meeting. If you do not fill a name in the blank space in the enclosed form of proxy, the persons named in the form of proxy are appointed to act as your proxyholder.

### **Instructing your Proxy and Exercise of Discretion by your Proxy**

You may indicate on your form of proxy how you wish your proxyholder to vote your Silver Elephant Shares. To do this, simply mark the appropriate boxes on the form of proxy. If you do this, your proxyholder must vote your Silver Elephant Shares in accordance with the instructions you have given.

If you do not give any instructions as to how to vote on a particular issue to be decided at the Meeting, your proxyholder can vote your shares as he or she thinks fit. If you have appointed the persons designated in the form of proxy as your proxyholder they will, unless you give contrary instructions, vote **FOR** the Arrangement Resolution.

Further details about these matters are set out in this Circular. The enclosed form of proxy gives the persons named on it the authority to use their discretion in voting on amendments or variations to matters identified on the Notice of Meeting. At the time of printing this Circular, the management of the Company is not aware of any other matter to be presented for action at the Meeting. If, however, other matters do properly come before the Meeting, the persons named on the enclosed form of proxy will vote on them in accordance with their best judgment, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters.

### **Changing your mind**

If you want to revoke your proxy after you have delivered it, you can do so at any time before it is used. You may do this by (a) attending the Meeting and voting your Common Shares; (b) voting again online; (c) signing and returning a proxy bearing a later date; (d) signing a written statement which indicates, clearly, that you want to revoke your proxy and delivering this signed written statement to the registered office of the Company at Suite 1610 – 409 Granville Street, Vancouver, British Columbia V6C 1T2; or (e) in any other manner permitted by law.

Your proxy will only be revoked if a revocation is received by 4:00 p.m. (Pacific time) on the last Business Day before the day of the Meeting, or is delivered to the person presiding at the Meeting before it commences. Registered Shareholders that revoke their proxy and do not replace it with another that is deposited before the deadline, can still vote their shares, but to do so they must attend the Meeting in person.

Non-registered Shareholders who wish to change their vote must contact their Intermediary to discuss their options well in advance of the Meeting.

### **Non-Registered Holders**

If your Silver Elephant Shares are not registered in your own name, they will be held in the name of an Intermediary. The Notice of Meeting, the Circular and the proxy-related materials (collectively, the “**Meeting Materials**”) are being sent to both registered and non-registered holders of Silver Elephant Shares

Non-registered shareholders are either “objecting beneficial owners” or “**OBOs**”, who object to intermediaries disclosing information about their identity and ownership in the Company or “non-objecting beneficial owners” or “**NOBOs**”, who do not object to such disclosure.

### **Canadian Non-Objecting Beneficial Owners**

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Company has elected to send the Meeting Materials directly to Canadian NOBOs. If you are a NOBO and we have sent these materials to you directly, your name and address and information about your holdings of Silver Elephant Shares have been obtained in accordance with applicable securities regulatory requirements from the nominee holding the securities on your behalf. By choosing to send these materials to you directly, the Company (and not your nominee) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. NOBOs may vote in the following ways:

- **Mail:** To the offices of Computershare Investor Services Inc. Attention: Proxy Department, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; or
- **Online:** Go to the website indicated on the VIF ([www.investorvote.com](http://www.investorvote.com)) and follow the instructions on the screen or

Non-registered Shareholders who have received meeting materials from an Intermediary should, other than as set out herein, follow the directions of their Intermediary with respect to the procedure to be followed for voting at the Meeting. Generally, non-registered Shareholders will either

- be provided with a Proxy executed by the Intermediary but otherwise uncompleted. The non-registered Shareholder may complete the proxy and return it directly to Computershare; or
- be provided with a request for voting instructions. The Intermediary is required to send the Company an executed Proxy completed in accordance with any voting instructions received by the Intermediary.

### **U.S. Non-Objecting Beneficial Owners and U.S. and Canadian Objecting Beneficial Owners**

Unless you have previously informed your nominee that you do not wish to receive material relating to shareholders’ meetings, you will have received this Circular from your nominee, together with a form of proxy or a request for voting instruction form (“**VIF**”). If that is the case, it is most important that you comply strictly with the instructions that have been given to you by your nominee on the VIF. The Company **does not** intend to pay for intermediaries to deliver the Meeting Materials to OBOs. You will only receive the Meeting Materials if the Intermediary has assumed the cost of delivery.

To attend and vote at the virtual Meeting, you must first obtain a valid legal proxy from your broker, bank or other agent and then register in advance to attend the Meeting. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a legal proxy form. After first obtaining a valid legal proxy from your broker, bank or other agent, to then register to attend the Meeting, you must submit a copy of your legal proxy to Computershare. Requests for registration should be directed to:

Computershare  
100 University Avenue, 8<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1

OR

Email at [uslegalproxy@computershare.com](mailto:uslegalproxy@computershare.com)

Requests for registration must be labeled as “Legal Proxy” and be received no later than December 20, 2021 at 9:00 a.m. (Pacific Time). You may attend the Meeting and vote your shares at <https://meetnow.global/MZY2R4D> during the meeting. Please note that you are required to register your appointment at [www.computershare.com/SilverElephant](http://www.computershare.com/SilverElephant).

### **Voting Securities and Principal Holders**

The authorized voting share capital of the Company consists of an unlimited number of Silver Elephant Shares. Each holder of Silver Elephant Shares is entitled to one vote for each Silver Elephant Share registered in his or her held at the close of business on November 3, 2021, the date fixed by the directors as the record date for determining who is entitled to receive notice of and to vote at the Meeting.

At the close of business on November 3, 2021, there were 228,395,400 Silver Elephant Shares outstanding. To the knowledge of the Company’s directors and officers, no persons or companies beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to all Silver Elephant Shares.

## **THE MEETING**

### **Background to the Arrangement**

Beginning in the Spring of 2021, due to favourable market conditions, management of the Company began to consider restructuring the Company in order to allow the Company to focus on the development of its flagship Pulacayo silver project in Bolivia and to unlock the value in its Minago nickel project in Manitoba and its Gibellini vanadium project in Nevada.

On May 14, 2021, the Company announced its intentions in a news release. During the summer of 2021, the Company continued to work on achieving this objective.

On August 20, 2021, the Company filed a technical report containing an updated mineral resource estimate on the Minago project, which project comprises part of the Spinout 1 Assets.

On August 26, 2021, the Company announced the grant of the Royalties which will form part of the Spinout 3 Assets.

After careful consideration, including a thorough review of the terms of the Arrangement Agreement, and taking into account the best interests of the Company and the impact on the Company’s stakeholders, and consultation with its financial and legal advisors, the Board unanimously resolved: (i) to accept the advice of its legal and financial advisors; (ii) that the Arrangement is fair to the Securityholders and is in the best interests of the Company; and (iii) to approve the Arrangement and to recommend that Shareholders vote in favour of the Arrangement Resolution. Under the terms of the Arrangement Agreement, Shareholders will receive in exchange for each Silver Elephant Share held: (i) one New Silver Elephant Share; (ii) one SpinCo 1 Share; (iii) one SpinCo 2 Share; and (iv) 2 SpinCo 3 Shares. All securities issued under the Arrangement will be on a post-Consolidation basis. The Arrangement Agreement was executed on August 26, 2021 and the Company issued a press release on the same date.

On August 30, 2021, the Company announced the results of a preliminary economic assessment in respect of the Gibellini project, which project comprises part of the Spinout 2 Assets. The preliminary economic assessment for the Gibellini project was filed on October 8, 2021.

On October 26, 2021, the Company announced the terms of the SpinCo 1 Financing. Pursuant to the SpinCo 1 Financing, NickelCo will raise proceeds of up to \$8,600,000 through the issuance of a combination of: (i) up to 10,000,000 SpinCo 1 NFT Subscription Receipts and (ii) up to 3,000,000 SpinCo 1 FT Subscription Receipts. The SpinCo 1 Financing shall be undertaken on a fully marketed basis, with Red Cloud Securities Inc. acting as lead agent on behalf of a syndicate of agents, including Canaccord Genuity Corp. Upon satisfaction of the escrow release conditions set forth in a subscription receipt agreement, each SpinCo 1 NFT Subscription Receipt, without any

further action on the part of the holder, will be converted into one SpinCo 1 Share and one-half of one SpinCo 1 Share purchase warrant, with each whole such warrant being exercisable to purchase a SpinCo 1 Share at a price of \$1.00 for a period of two years. Upon satisfaction of the escrow release conditions set forth in a subscription receipt agreement, each SpinCo 1 FT Subscription Receipt, without any further action on the part of the holder, will be converted into one SpinCo 1 Share issued as a ‘flow-through’ common share. The gross proceeds of the SpinCo 1 Financing will be held in escrow pending satisfaction of certain release conditions, which include Securityholder Approval and TSX approval of the Arrangement. The SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts will convert in accordance with their terms pursuant to the Arrangement without further action on the part of the holder. If the escrow release conditions for the SpinCo 1 FT Subscription Receipts are not satisfied on or before December 31, 2021, the proceeds from the SpinCo 1 FT Subscription Receipts will be returned to subscribers and the securities will be null and void. If the escrow release conditions for the SpinCo 1 NFT Subscription Receipts are not satisfied on or before January 15, 2022, or such later date as may be agreed upon, the proceeds from the SpinCo 1 NFT Subscription Receipts will be returned to subscribers and the securities will be null and void. It is anticipated that the SpinCo 1 Financing will be completed during November 2021 and in any event prior to the Meeting. In addition, the agents for the SpinCo 1 Financing, will be entitled to receive that number of broker warrants equal to 6% of the number of SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts sold. Each broker warrant will be exercisable to acquire one SpinCo 1 Share for a period of 2 years at an exercise price of \$0.70.

On November 8, 2021 the Company entered into the amended and restated Arrangement Agreement in order to amend certain technical provisions of the Arrangement Agreement.

At the Meeting, the Securityholders are being asked to vote on the Arrangement pursuant to which the Company will complete the Spinouts pursuant to terms of the Arrangement Agreement and the Plan of Arrangement.

### **The Arrangement**

At the Meeting, Securityholders will be asked to consider and, if thought advisable, to pass, the Arrangement Resolution to approve the Arrangement under the BCBCA pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement. The Arrangement, the Plan of Arrangement and the terms of the Arrangement Agreement are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which has been filed by the Company under its profile on SEDAR at [www.sedar.com](http://www.sedar.com), and the Plan of Arrangement, which is attached to this Circular as Appendix “B”.

In order to implement the Arrangement, the Arrangement Resolution must be approved by at least two-thirds of the votes cast by the Shareholders present in person or by proxy at the Meeting. A copy of the Arrangement Resolution is set out in Appendix “A” of this Circular.

Unless otherwise directed, it is management’s intention to vote **FOR** the Arrangement Resolution. If you do not specify how you want your Silver Elephant Shares voted, the persons named as proxyholders will cast the votes represented by your proxy at the Meeting **FOR** the Arrangement Resolution.

If the Arrangement is approved at the Meeting and the Final Order approving the Arrangement is issued by the Court and the applicable conditions to the completion of the Arrangement are satisfied or waived, the Arrangement will take effect commencing at the Effective Time (which will be at 12:01 a.m. (Pacific time)) on the Effective Date (which is expected to be on or about January 14, 2022).

### **Principal Steps of the Arrangement**

Under the Plan of Arrangement, commencing at the Effective Time, the following principal steps shall occur and shall be deemed to occur without any further act or formality, in the order and timing set out in the Plan of Arrangement:

- (a) At the Effective Time each Silver Elephant Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all liens, claims and encumbrances, to the Company and the Company shall thereupon be obliged to pay the amount therefor determined and payable in accordance with terms and conditions of the Arrangement, and the

name of each such holder shall be removed from the securities register as a holder of the Company and such Silver Elephant Shares so transferred to the Company shall thereupon be cancelled;

- (b) the following consolidation of outstanding share capital (the “**Consolidation**”) shall occur:
- i. in respect of the Company, on the basis of one post-consolidation Silver Elephant Share for each 10 pre-consolidation Silver Elephant Shares;

and the number of Silver Elephant Shares issuable upon exercise of the Options and Warrants and the exercise price therefor shall be adjusted to reflect the Consolidation.

- (c) SpinCo 1 shall purchase the Spinout 1 Assets from the Company pursuant to the Spinout 1 Asset Contribution Agreement in consideration for: (i) the issuance of 50,000,000 SpinCo 1 Shares; and (ii) the assumption of the Spinout 1 Assumed Liability, which assumption shall be governed by the Spinout 1 Assumption Agreement, the aggregate value of which will have equivalent value to the Spinout 1 Assets. The stated capital of the SpinCo 1 Shares shall be increased by an amount equal to the aggregate fair market value of the Spinout 1 Assets less the amount of the Spinout 1 Assumed Liability;
- (d) SpinCo 3 shall purchase the Spinout 3 Assets from the Company pursuant to the Spinout 3 Assignment Agreement in consideration for the issuance of SpinCo 3 Shares having an equivalent value. The stated capital of the SpinCo Shares shall be increased by an amount equal to the aggregate fair market value of the Spinout 3 Assets.
- (e) NVMC shall purchase the Spinout 2 Assets from the Company pursuant to the Spinout 2 Asset Purchase Agreement in consideration for: (i) the issuance of NVMC Shares; and (ii) the assumption of the Spinout 2 Assumed Liability, which assumption shall be governed by the Spinout 2 Assumption Agreement, the aggregate value of which will have equivalent value to the Spinout 2 Assets. The stated capital of the NVMC Shares shall be increased by an amount equal to the aggregate fair market value of the Spinout 2 Assets less the amount of the Spinout 2 Assumed Liability;
- (f) SpinCo 2 shall purchase the NVMC Shares from the Company pursuant to the Spinout 2 Share Contribution Agreement in consideration for 50,000,000 SpinCo 2 Shares having equivalent value. The stated capital of the SpinCo 2 Shares shall be increased by an amount equal to the aggregate fair market value of the NVMC Shares;
- (g) the authorized share capital of the Company shall be reorganized and its articles amended by, the creation of an unlimited number of Class A Shares having the same rights, privileges, restrictions and conditions as the Silver Elephant Shares except that they shall provide any holder of Class A Shares owning more than 80% of the issued and outstanding Class A Shares with the right to requisition the directors of the Company to call a meeting of the holders of Class A Shares for the purposes stated in the requisition and should the directors of the Company not call such meeting within two days after receiving such requisition a shareholder who made such requisition may call a meeting in the manner in which such meeting may be called under the BCBCA and the articles of the Company, and the notice of articles and articles of the Company are amended accordingly;
- (h) SpinCo 3 shall purchase: (i) that number of Spinco 1 Shares equal to 50,000,000 less the number of issued and outstanding ParentCo Shares less the number of outstanding ParentCo Options less the number of outstanding ParentCo Warrants; (ii) that number of Spinco 2 Shares equal to 50,000,000 less the number of issued and outstanding ParentCo Shares less the number of outstanding ParentCo Options less the number of outstanding ParentCo Warrants; pursuant to the Spinout 3 Share Contribution Agreement in consideration for the issuance of SpinCo 3 Shares having equivalent value. The stated capital of the SpinCo 3 Shares shall be increased by an amount equal to the aggregate fair market value of the SpinCo 1 Shares and SpinCo 2 Shares received. The aggregate number of SpinCo 3 Shares issuable as consideration under steps (d) and (h) shall be 80,000,000;
- (i) in accordance with the terms of the Warrant Certificates each holder of a Warrant outstanding immediately prior to the Effective Time shall receive (and such holder shall accept) upon the exercise of such holder’s



Warrant, in lieu of each Silver Elephant Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares to which such holder was theretofore entitled upon exercise of the Warrants and such Warrant shall continue to be governed by and be subject to the terms of the Warrant Certificates;

- (j) in accordance with the terms of the Incentive Plan, each holder of an Option outstanding immediately prior to the Effective Time shall receive (and such holder shall accept) upon the exercise of such holder's Option, in lieu of each Silver Elephant Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares to which such holder was theretofore entitled upon exercise of the Options; and such Option shall continue to be governed by and be subject to the terms of the Incentive Plan;
- (k) each Silver Elephant Share will be exchanged for: (A) one Class A Share; (B) one SpinCo 1 Share; (C) one SpinCo 2 Share and (D) two SpinCo 3 Shares. As a result of the exchange:
  - i. the authorized capital of the Company shall be amended to delete the Silver Elephant Shares, none of which are issued and outstanding, and to delete the rights, privileges, restrictions and conditions attached to the Silver Elephant Shares; and
  - ii. the aggregate amount added to the stated capital of the Class A Shares issued pursuant to the Arrangement Agreement shall be equal to the amount if any, by which (A) the aggregate paid-up capital (as that term is defined for the purposes of the Tax Act) of the Silver Elephant Shares (other than Silver Elephant Shares held by the Dissenting Shareholders) immediately prior to the Effective Time, exceeds (B) the fair market value of the SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares distributed to the Shareholders;

and the notice of articles and articles of the Company are amended accordingly.

The name of each Shareholder who is so deemed to exchange his, her or its Silver Elephant Shares, shall be removed from the securities register of Silver Elephant Shares with respect to the Silver Elephant Shares so exchanged and shall be added to the securities registers of the Class A Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares as the holder of the number of Class A Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares deemed to have been received on the exchange.

- (l) the authorized capital of the Company is amended:
  - i. to rename the Class A Shares as "Common Shares" (otherwise known as the New Silver Elephant Shares); and
  - ii. to delete those rights, privileges, restrictions attached thereto which provide that any holder of Class A Shares owning more than 80% of the issued and outstanding Class A Shares with the right to requisition the directors of the Company to call a meeting of the holders of Class A Shares for the purposes stated in the requisition and should the directors of the Company not call such meeting within two days after receiving such requisition a shareholder who made such requisition may call a meeting in the manner in which such meeting may be called under the BCBCA and the articles of the Company; and

and the notice of articles and articles of the Company are amended accordingly.

- (o) each then outstanding SpinCo 1 FT Subscription Receipt shall be converted into one SpinCo 1 Share; and

- (p) each then outstanding SpinCo 1 NFT Subscription Receipt shall be converted into one SpinCo 1 Share and one-half of one SpinCo 1 Warrant.

### **Recommendation of the Board**

After taking into consideration, among other things, the Court approval, the directors have concluded that the Arrangement is in the best interests of the Company and is fair to the Shareholders. **Accordingly, the Board recommends that Shareholders vote FOR the Arrangement Resolution.**

### **Reasons for the Arrangement**

The Board has reviewed and considered an amount of information and considered a number of factors relating to the Arrangement with the benefit of advice from the Company’s senior management and its financial and legal advisors. The following is a summary of the principal reasons for the recommendation of the Board that vote FOR the Arrangement Resolution:

- (a) *Continued Participation by Shareholders in the SpinCo Properties Through the SpinCos.* Shareholders, through their ownership of SpinCo Shares, will also participate in the SpinCo Properties and the Royalties. The Shareholders will hold approximately 54% of the issued SpinCo 1 Shares, approximately 54% of the issued SpinCo 2 Shares and approximately 67% of the issued SpinCo 3 Shares upon completion of the Arrangement before taking into account the SpinCo 1 Financing. The Shareholders will indirectly hold an interest in the remaining outstanding SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares by virtue of their continued shareholdings in the Company as upon completion of the Arrangement, the Company will hold approximately 33% of the issued SpinCo 3 Shares, which in turn will own approximately 46% of the outstanding shares of NickelCo and VanadiumCo, before taking into account the SpinCo 1 Financing.
- (b) *Investment Diversification.* The creation of four separate companies dedicated to the pursuit of their respective businesses will provide Shareholders with diversification and increased liquidity for their investment portfolios, as they will hold a direct interest in four companies, each of which is focused and valued on different objectives. The Companies are as follows:

<b><u>Company</u></b>	<b><u>Principal Asset</u></b>
Silver Elephant Mining Corp.	Pulacayo (Bolivia) – Silver, lead, zinc Triunfo (Bolivia) – Silver, zinc, gold 33% of RoyaltyCo
NickelCo	Minago (Manitoba) – Nickel
VanadiumCo	Gibellini (Nevada) – Vanadium
RoyaltyCo	Royalties 46% of each of NickelCo and VanadiumCo

- (c) *Approval of Securityholders and the Court are required.* The following required approvals protect the rights of Shareholders: the Arrangement must be approved by at least two-thirds of the votes cast in respect of the Arrangement Resolution by Shareholders, present in person or represented by proxy at the Meeting; and the Arrangement must also be sanctioned by the Court, which will consider the fairness of the Arrangement to Shareholders.
- (d) *Dissent Rights.* Registered Shareholders who oppose the Arrangement may, on strict compliance with the Dissent Procedures, exercise their Dissent Rights and receive the fair value of the Silver Elephant Shares.

In view of the wide variety of factors and information considered in connection with their evaluation of the Arrangement, the Board did not find it practicable to, and therefore did not, quantify or otherwise attempt to assign any relative weight to each specific factor or item of information considered in reaching their conclusions and recommendations. In addition, individual members of the Board may have given different weights to different factors or items of information.

## **Treatment of Options**

Pursuant to the Arrangement, each holder of an Option outstanding immediately prior to the Effective Time shall receive (and such holder shall accept) upon the exercise of such holder's Option, in lieu of each Silver Elephant Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares to which such holder was theretofore entitled upon exercise of the Options; and (ii) such Option shall continue to be governed by and be subject to the terms of the Incentive Plan.

## **Approval of Arrangement Resolution**

At the Meeting, the Securityholders will be asked to approve the Arrangement Resolution, the full text of which is set out in Appendix "A" to this Circular. In order for the Arrangement to become effective, as provided in the Interim Order and by the BCBCA, the Arrangement Resolution must be approved by at least two-thirds of the votes cast on the Arrangement Resolution by Shareholders present in person or represented by proxy at the Meeting. Should Securityholders fail to approve the Arrangement Resolution by the requisite majority, the Arrangement will not be completed.

**The Board has approved the terms of the Arrangement Agreement and the Plan of Arrangement and recommends that the Securityholders vote FOR the Arrangement Resolution. See "*The Meeting - Recommendation of the Board*" above.**

## **The Arrangement Agreement**

The description of the Arrangement Agreement, both below and elsewhere in this Circular, is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Arrangement Agreement, which is incorporated by reference herein and may be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## ***Effective Date and Conditions of the Arrangement***

If the Arrangement Resolution is passed, the Final Order of the Court is obtained approving the Arrangement, every requirement of the Company relating to the Arrangement has been complied with and all other conditions disclosed under "*The Meeting – The Arrangement Agreement*" are met or waived, the Arrangement will become effective at 12:01 a.m (Pacific Time) on the Effective Date. It is currently expected that the effective date of the Plan of Arrangement will be on or about January 14, 2022.

## ***Representations and Warranties***

The Arrangement Agreement contains representations and warranties made by the Company to NVMC and the SpinCos, representations and warranties made by NVMC to the Company and the SpinCos and representations and warranties made by the SpinCos to the Company and NVMC. Those representations and warranties were made solely for purposes of the Arrangement Agreement. Some of the representations and warranties are subject to a contractual standard of materiality different from that generally applicable to public disclosure to Shareholders, or are used for the purpose of allocating risk between the Parties to the Arrangement Agreement. For the foregoing reasons, you should not rely on the representations and warranties contained in the Arrangement Agreement as statements of factual information at the time they were made or otherwise.

The representations and warranties provided by the Company in favour of the SpinCos relate to, among other things: (a) the due incorporation, existence, authority to own assets and conduct of the business of the Company; (b) the corporate power and authority of the Company to enter into the Arrangement Agreement and perform its obligations thereunder; (c) the execution, delivery and enforceability of the Arrangement Agreement and the completion of the transactions contemplated thereunder will not result in a violation, or breach of or default under the Company's constating documents, material agreements, Laws or license or permit; (d) the subsidiaries of the Company; (e) compliance with applicable Laws; (f) all Authorizations necessary for ownership, development, maintenance or use of material assets of the Company have been obtained; (g) the capitalization of the Company; (h) absence of

shareholder or voting support agreements relating to issued and outstanding shares of the Company; (i) the applicability of U.S. securities laws to the Company; (j) compliance with Environmental Laws; (k) the Company's reporting issuer status and the absence of a cease trade order against its securities; and (l) compliance of the Company with TSX rules and requirements.

The representations and warranties provided by NVMC in favour of the Company and the SpinCos relate to, among other things: (a) the due incorporation, existence, authority to own assets and conduct the business of NVMC; (b) the corporate power and authority of NVMC to enter into the Arrangement Agreement and perform its obligations thereunder; (c) the execution, delivery and enforceability of the Arrangement Agreement and the completion of the transactions contemplated thereunder will not result in a violation, or breach of or default under NVMC's constating documents, material agreements, Laws or Permits; (d) compliance with applicable Laws; and (e) the capitalization of NVMC.

The representations and warranties provided by the SpinCos in favour of the Company and NVMC relate to, among other things: (a) the due incorporation, existence, authority to own assets and conduct the business of the SpinCos; (b) the corporate power and authority of each SpinCo to enter into the Arrangement Agreement and perform its obligations thereunder; (c) the execution, delivery and enforceability of the Arrangement Agreement and the completion of the transactions contemplated thereunder will not result in a violation, or breach of or default under each SpinCo's constating documents, material agreements, Laws or Permits; (d) compliance with applicable Laws; and (e) the capitalization of each SpinCo.

### ***Covenants of the Company***

#### ***Covenants relating to the Conduct of Business***

The Company agreed in the Arrangement Agreement to certain customary covenants relating to conduct of business from the date of the Arrangement Agreement until the Effective Date, as follows:

- use its commercially reasonable efforts to complete the Plan of Arrangement;
- use its commercially reasonable efforts to obtain all required Regulatory Approvals;
- use its commercially reasonable efforts to obtain as soon as practicable following execution of the Arrangement Agreement all third party consents, approvals and notices required under any of the material Contracts;
- defend all lawsuits or other legal, regulatory or other proceedings against the Company challenging or affecting this Agreement or the consummation of the transactions contemplated hereby;
- apply for and use commercially reasonable efforts to obtain approval of TSX for the transactions contemplated by the Arrangement;
- apply for and use commercially reasonable efforts to obtain conditional listing approval of the SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares on the TSXV or TSX; and
- use commercially reasonable efforts to satisfy all conditions precedent in the Arrangement Agreement.

#### ***Conditions to the Arrangement Becoming Effective***

In order for the Arrangement to become effective, certain conditions must have been satisfied or waived which conditions are summarized below.

### *Mutual Conditions*

The obligations of the Parties to complete the Arrangement are subject to the fulfillment of each of the following conditions precedent on or before the Effective Time, each of which may only be waived with the mutual consent of the Parties:

- (a) no Governmental Entity shall have enacted, issued, promulgated, enforced or entered any Law which is then in effect and has the effect of making the Arrangement illegal or otherwise preventing or prohibiting consummation of the Arrangement;
- (b) all Regulatory Approvals shall have been obtained, including approval of the Court, on terms and conditions satisfactory to the Company, acting reasonably;
- (c) the approval of the TSX shall have been obtained;
- (d) the Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to be issued pursuant to the Arrangement, not including the shares issued pursuant to the SpinCo 1 Financing, shall be exempt from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof;
- (e) there shall not be pending or threatened in writing any suit, action or proceeding by any Governmental Entity or any other Person that is reasonably likely to result in a:
  - (i) restriction or prohibition of the consummation of the Arrangement or a Person obtaining from the Company any material damages directly or indirectly in connection with the Arrangement; or
  - (ii) prohibition or material limit on the ownership by the Company of any material portion of its business.
- (f) the Arrangement Agreement shall not have been terminated.
- (g) the distribution of the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares shall be exempt from the prospectus requirements of Canadian securities laws and shall be exempt from the registration requirements of the U.S. Securities Act and: (x) there shall be no resale restrictions on such shares under Securities Laws in Canada, except in respect of those holders who are subject to restrictions on resale as a result of being a “control person” under Securities Laws in Canada; and (y) the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares shall not be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act, except in respect of SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares held by Persons who are deemed to be an “affiliate” of the Company as defined in Rule 144 under the U.S. Securities Act and except for the shares being issued pursuant to the SpinCo 1 Financing;
- (h) approval from the Securityholders for the Arrangement shall have been obtained; and
- (i) no more than 5% of the Shareholders shall have exercised Dissent Rights.

### *Termination*

- (a) The Arrangement Agreement may be terminated at any time prior to the Effective Time:
  - (i) by mutual written agreement of the Company, NVMC and the SpinCos;
  - (ii) by the Company, if the Securityholders do not approve the Arrangement at the Meeting.

## **Completion of the Arrangement**

As described elsewhere in this Circular, completion of the Arrangement is contingent upon the conditions to the Arrangement set forth in the Arrangement Agreement having been satisfied or waived in accordance with the Arrangement Agreement, including receipt of the Securityholder Approval. The Arrangement will become effective at 12:01 a.m. (Pacific Time) on the date following the date upon which all of the conditions to completion of the Arrangement as set out in the Arrangement Agreement have been satisfied or waived in accordance with the Arrangement Agreement, all documents agreed to be delivered thereunder have been delivered to the satisfaction of the recipient, acting reasonably, and the filings required under the BCBCA have been filed with the Registrar. Completion of the Arrangement is expected to occur on or about January 14, 2022; however, it is possible that completion may be delayed beyond this date if the conditions to completion of the Arrangement cannot be met on a timely basis, but in no event shall completion of the Arrangement occur later than the Outside Date, unless extended by mutual agreement between the Company, NVMC and the SpinCos in accordance with the terms of the Arrangement Agreement.

## **Exchange Procedure**

### **Share Certificates**

### **Letter of Transmittal**

The Letter of Transmittal is being mailed, together with this Circular, to each person who was a Registered Shareholder on the Record Date. Each person who is a Registered Shareholder immediately prior to the Effective Time must forward the applicable properly completed and signed Letter of Transmittal, along with the accompanying Silver Elephant Share certificate(s) and such other documents as the Depositary may reasonably require, to the Depositary in order to receive the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to which such Registered Shareholder is entitled under the Arrangement. It is recommended that Registered Shareholders complete, sign and return the Letter of Transmittal, along with the accompanying Silver Elephant Share certificate(s) and any other required documents or instruments to the Depositary as soon as possible.

Shareholders whose Silver Elephant Shares are registered in the name of a nominee (bank, trust company, securities broker or other nominee) should contact that nominee for assistance in depositing their Silver Elephant Shares.

### ***Registered Shareholders***

In order to receive the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to which a Registered Shareholder (other than any Dissenting Shareholder) is entitled if the Arrangement is completed, a Registered Shareholder must complete, sign, date and return the enclosed Letter of Transmittal in accordance with the instructions set out therein and in this Circular.

The Letter of Transmittal is also available from the Depositary, by telephone at: 1-800-564-6253 (North American Toll Free); or under the Company's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Following receipt of the Final Order and no later than one (1) Business Day prior to the Effective Date, the Company will deliver treasury directions to the Depositary with instructions to issue certificates for New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares issuable pursuant to the Arrangement to the Registered Shareholders. The Depositary will act as the agent to the Registered Shareholders who have deposited Silver Elephant Shares pursuant to the Arrangement for the purpose of receiving the applicable New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares and transmitting certificates representing the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares, issuable to such persons, in accordance with the provisions of the Plan of Arrangement.

Upon surrender to the Depositary of the certificate(s) that immediately prior to the Effective Time represented the applicable Silver Elephant Shares, and a duly completed Letter of Transmittal and such other documents as the Depositary may reasonably require, a Registered Shareholder (other than a Dissenting Shareholder) will be entitled to receive in exchange therefor, and as soon as practicable after the Effective Time the Depositary will deliver to such Registered Shareholder, certificates representing the number of New Silver Elephant Shares, SpinCo 1 Shares,



SpinCo 2 Shares and SpinCo 3 Shares that such Registered Shareholder is entitled to receive under the Arrangement.

After the Effective Time, in the event of a transfer of ownership of Silver Elephant Shares which is not registered in the transfer records of the Company certificates representing the proper number of New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares shall be delivered to a transferee if the certificate formerly representing such Silver Elephant Shares is presented to the Depository at its offices, accompanied by the foregoing documents together with all other documents required to evidence and effect such transfer.

Until surrendered, each certificate that immediately prior to the Effective Time represented Silver Elephant Shares will, subject to certain exceptions, be deemed at any time after the Effective Time to represent only the right to receive upon surrender: (a) the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder is entitled to receive in accordance with the Arrangement, and (b) any dividends or distributions with a record date on or after the Effective Date that are paid or payable prior to the date of surrender on any portion of the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder of such Silver Elephant Shares was entitled to receive under the Arrangement.

The Letter of Transmittal contains complete instructions on how to exchange the certificate(s) representing the Silver Elephant Shares and how Registered Shareholders will receive the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares issuable to them under the Arrangement.

Registered Shareholders with questions regarding the deposit of their Silver Elephant Shares should contact the Depository by telephone at: 1-800-564-6253 (North American Toll Free) or 514-982-7555 (Outside North America). Further information with respect to the Depository is set forth in the Letter of Transmittal.

In order for Registered Shareholders to receive the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares issuable to them under the Arrangement as soon as possible after the closing of the Arrangement, Registered Shareholders should submit their Silver Elephant Shares and the Letter of Transmittal as soon as possible.

Registered Shareholders will not actually receive their New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares until the Arrangement is completed and they have returned their properly completed documents, including the Letter of Transmittal and certificates representing their Silver Elephant Shares to the Depository.

In the event any certificate which immediately before the Effective Time represented one or more outstanding Silver Elephant Shares in respect of which the holder was entitled to receive the Consideration pursuant to the Arrangement are lost, stolen or destroyed, upon the making of an affidavit by the holder claiming such certificate to be lost, stolen or destroyed, the Depository will respond with certificate replacement requirements that the holder must satisfy prior to the Depository arranging to deliver in exchange for such lost, stolen or destroyed certificate, the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to which such holder is entitled pursuant to the Arrangement. When authorizing such delivery of the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to which such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder to whom such New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares is to be delivered shall, as a condition precedent to the delivery of such New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares give a bond satisfactory to the Company and the Depository.

Where a certificate representing the Silver Elephant Shares has been destroyed, lost or stolen, the Registered Shareholder of that certificate should immediately contact the Depository by telephone at: 1-800-564-6253 (North American Toll Free) or 514-982-7555 (Outside North America).

### ***Non-Registered Shareholders***

The exchange of Silver Elephant Shares for the New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares in respect of Non-Registered Shareholders is expected to be made with the Non-Registered Shareholders' nominee (bank, trust company, securities broker or other nominee) account through the procedures in

place for such purposes between CDS and such nominee. Non-Registered Shareholders should contact their intermediary if they have any questions regarding this process and to arrange for their nominee to complete the necessary steps to ensure that they receive payment for their New Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares as soon as possible following completion of the Arrangement.

### **Fractional Shares**

Any fractional shares issuable pursuant to the Arrangement, including on exercise or conversion of Options or Warrants, will be rounded down to the nearest whole number and no consideration will be paid for such fractional interests.

### **Effects of the Arrangement on Shareholders' Rights**

Shareholders receiving New Silver Elephant Shares and SpinCo Shares under the Arrangement will remain shareholders of the Company and will also become shareholders of the SpinCos. The SpinCos, like the Company, are companies governed by the BCBCA.

### **Court Approval of the Arrangement**

An arrangement under the BCBCA requires Court approval.

### ***Interim Order***

On November 12, 2021, **the Company** obtained the Interim Order providing for the calling and holding of the Meeting, the Dissent Rights and certain other procedural matters. The text of the Interim Order is set out in Appendix "C" to this Circular.

### ***Final Order***

Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Shareholders at the Meeting in the manner required by the Interim Order, the Company intends to make an application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is currently scheduled for January 11, 2022 at 9:45 a.m., or as soon thereafter as counsel may be heard, at 800 Smithe Street, Vancouver, British Columbia, or at any other date and time as the Court may direct. Any Shareholder or any other interested party who wishes to appear or be represented and to present evidence or arguments at that hearing of the application for the Final Order must file and serve a response to petition no later than 4:00 p.m. (Pacific Time) on January 7, 2022 along with any other documents required, all as set out in the Interim Order and the Notice of Petition, the text of which are set out in Appendix "C" to this Circular, and satisfy any other requirements of the Court. Such Persons should consult with their legal advisors as to the necessary requirements. In the event that the hearing is adjourned, then, subject to further order of the Court, only those Persons having previously filed and served a response to petition will be given notice of the adjournment.

The Court has broad discretion under the when making orders with respect to the Arrangement. The Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, on the terms presented or substantially on those terms. Depending upon the nature of any required amendments, the Company may determine not to proceed with the Arrangement.

The New Silver Elephant Shares and SpinCo Shares to be issued to Shareholders in exchange for their Silver Elephant Shares pursuant to the Arrangement, have not been and will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States and will be issued and exchanged in reliance upon the exemption from registration under the U.S. Securities Act provided by Section 3(a)(10) thereof and exemptions provided under the Securities Laws of each state of the United States in which Shareholders reside. Section 3(a)(10) of the U.S. Securities Act exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration under the U.S. Securities Act where the terms and

conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange to those to whom the securities will be issued, at which all Persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court will be advised prior to the hearing of the application for the Final Order that if the terms and conditions of the Arrangement, and the fairness thereof, are approved by the Court, the New Silver Elephant Shares and SpinCo Shares to be received by Shareholders pursuant to the Arrangement will not require registration under the U.S. Securities Act pursuant to Section 3(a)(10) thereunder. Accordingly, the Final Order of the Court will, if granted, constitute a basis for the exemption from the registration requirements of the U.S. Securities Act with respect to the issuance of the New Silver Elephant Shares and SpinCo Shares in exchange for the Silver Elephant Shares pursuant to the Arrangement. See “*The Meeting – Regulatory Law Matters and Securities Law Matters – United States Securities Law Matters*” below.

For further information regarding the Court hearing and your rights in connection with the Court hearing, see the form of Notice of Hearing of Petition attached at Appendix “C” to this Circular. The Notice of Hearing of Petition constitutes notice of the Court hearing of the application for the Final Order and is your only notice of the Court hearing.

### **Regulatory Approvals**

The Silver Elephant Shares are listed and posted for trading on the TSX. It is a condition of the Arrangement that the TSX conditional approval is obtained.

It is expected that application will be made for the listing of the SpinCo Shares on the TSXV. Any listing will be subject to meeting initial listing requirements of the TSXV. There can be no assurance as to if, or when, the SpinCo Shares will be listed or traded on the TSXV or any other stock exchange. It is not a condition of the Arrangement that the TSXV shall have approved the listing of the SpinCo Shares on the TSXV. As the SpinCo Shares are not listed on a stock exchange, unless and until such a listing is obtained, holders of SpinCo Shares may not have a market for their shares.

### **Regulatory Law Matters and Securities Law Matters**

Other than the Final Order and the approvals of the TSX, the Company is not aware of any material approval, consent or other action by any federal, provincial, state or foreign government or any administrative or regulatory agency that would be required to be obtained in order to complete the Arrangement. In the event that any such approvals or consents are determined to be required, such approvals or consents will be sought. Any such additional requirements could delay the Effective Date or prevent the completion of the Arrangement. While there can be no assurance that any regulatory consents or approvals that are determined to be required will be obtained, the Company currently anticipates that any such consents and approvals that are determined to be required will have been obtained or otherwise resolved by the Effective Date. Subject to receipt of the Securityholder Approval at the Meeting, receipt of the Final Order and the satisfaction or waiver of all other conditions specified in the Arrangement Agreement, the Effective Date is expected to be on or about January 14, 2022.

### ***Canadian Securities Law Matters***

Each Securityholder is urged to consult such Securityholder’s professional advisors to determine the Canadian conditions and restrictions applicable to trades in the New Silver Elephant Shares or SpinCo Shares.

### ***Status under Canadian Securities Laws***

The Company is a reporting issuer in each of the provinces and territories of Canada (other than Quebec) and its shares currently trade on the TSX.

Upon completion of the Arrangement, the SpinCos expect that they will be reporting issuers each of the provinces and territories of Canada (other than Quebec). It is expected that application will be made for the listing of the SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares on the TSXV. Any listing will be subject to meeting the initial listing requirements of the TSXV. There can be no assurance as to if, or when, the SpinCo 1 Shares, SpinCo

2 Shares and/or SpinCo 3 Shares will be listed or traded on the TSXV or any other stock exchange. It is not a condition of the Arrangement that the TSXV shall have approved the listing of the SpinCo 1 Shares, the SpinCo 2 Shares and/or the SpinCo 3 Shares on the TSXV. As the SpinCo 1 Shares, SpinCo 2 Shares and/or SpinCo 3 Shares are not listed on a stock exchange, unless and until such a listing is obtained, holders of SpinCo 1 Shares, SpinCo 2 Shares and/or SpinCo 3 Shares may not have a market for their shares.

*Distribution and Resale of New Silver Elephant Shares and SpinCo Shares under Canadian Securities Laws*

The distribution of the New Silver Elephant Shares and SpinCo Shares pursuant to the Arrangement will constitute a distribution of securities which is exempt from the prospectus requirements of Canadian securities legislation and is exempt from or otherwise is not subject to the registration requirements under applicable securities legislation. The New Silver Elephant Shares and SpinCo Shares (if listed) received pursuant to the Arrangement will not be legended and may be resold through registered dealers in each of the provinces of Canada provided that (i) the trade is not a “control distribution” as defined National Instrument 45-102 “Resale of Securities” of the Canadian Securities Administrators, (ii) no unusual effort is made to prepare the market or to create a demand for the New Silver Elephant Shares or the SpinCo Shares, as the case may be, (iii) no extraordinary commission or consideration is paid to a Person or company in respect of such sale, and (iv) if the selling security holder is an insider or officer of the Company or the SpinCos, as the case may be, the selling security holder has no reasonable grounds to believe that the Company or the SpinCos, as the case may be, is in default of applicable Canadian Securities Laws.

The issuance pursuant to the Arrangement of the New Silver Elephant Shares and the SpinCo Shares, as well as all other issuances, trades and exchanges of securities under the Arrangement, will be made pursuant to exemptions from the registration and prospectus requirements contained in applicable Canadian provincial securities legislation or, where required, exemption orders or rulings from various securities regulatory authorities in the provinces and territories of Canada where Shareholders are resident. The Company is currently a “reporting issuer” under the applicable securities legislation in each of the provinces and territories of Canada (other than Quebec). Under National Instrument 45-102 – *Resale of Securities* (and if required, orders and rulings from various securities regulatory authorities in the provinces and territories of Canada where Shareholders are resident), the New Silver Elephant Shares and SpinCo Shares received by Shareholders pursuant to the Arrangement may be resold through registered dealers in Canadian provinces or territories without any “hold period” restriction (provided that no unusual effort is made to prepare the market or create a demand for these securities, no extraordinary commission or consideration is paid in respect of the sale and, if the seller is an insider or officer of the issuer, the seller has no reasonable grounds to believe that the issuer is in default of securities legislation). Resales of New Silver Elephant Shares and SpinCo Shares will, however, be subject to resale restrictions where the sale is made from the holdings of any Person or combination of Persons holding a sufficient number of New Silver Elephant Shares or SpinCo Shares, as the case may be, to affect materially the control of the Company or the SpinCos, respectively.

*Application of Multilateral Instrument 61-101 (“MI 61-101”)*

The securities regulatory authorities in the Provinces of Alberta and Ontario and the TSX have adopted MI 61-101 which regulates certain transactions, including issuer bids, insider bids, related party transactions and business combinations, with a view to ensuring the protection and fair treatment of minority security holders. As a reporting issuer in the Provinces of Alberta and Ontario and a TSX listed issuer, the Company is subject to MI 61-101 in certain circumstances.

In assessing whether the Arrangement could be considered to be a “business combination” for the purposes of MI 61-101, the Board reviewed all benefits or payments which related parties of the Company are entitled to receive, directly or indirectly, as a consequence of the Arrangement to determine whether any constituted a “collateral benefit” for these purposes of MI 61-101. For this analysis, the only related parties of the Company that are entitled to receive a benefit or payment, directly or indirectly, as a consequence of the Arrangement are certain officers and directors of the Company. The Board determined that no director or officer of the Company will receive a “collateral benefit” within the meaning of MI 61-101 and accordingly the Arrangement is not a “business combination” within the meaning of MI 61-101.

In addition, the Board considered whether the Arrangement would constitute a “related party transaction” within the meaning of MI 61-101 as result of the issuance of SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares to

directors, officers and insiders of the Company who are also Shareholders. Pursuant to subparagraph 5.1(k)(i) of MI 61-101, the Company has determined that MI 61-101 does not apply to the Arrangement as a “related party transaction” because the Arrangement is a transaction in which the general body of holders in Canada of affected securities of the same class are treated identically on a per security basis and the transaction has no “interested party” within the meaning of MI 61-101.

#### *Updated Valuation Report*

Notwithstanding that a formal valuation is not required under MI 61-101, the TSX generally requires that the pricing of a NAV Private Placement (within the meaning of TSX Staff Notice 2005-0003), such as the SpinCo 1 Financing, is supported by an independent valuation that is prepared and disclosed in accordance with the requirements of Part 6 of MI 61-101. Accordingly, the Company engaged the Advisors to prepare the Updated Valuation Report in respect of the Minago Project.

The Company has determined that the Advisors are qualified and independent (with the meaning of MI 61-101).

The Advisors have the required experience and expertise to prepare the opinion. The principals of the Advisors each have extensive senior-level experience in the minerals industry and have mergers & acquisition, valuation, financing and mine financing advisory experience. The Advisors have previously prepared valuation opinions for public resource companies.

The opinions expressed in the Updated Valuation Report are the opinions of the Advisors, and the form and content hereof has been approved for release by a group of professionals of the Advisors, each of whom is experienced in merger, acquisition, divestiture, fairness opinion and valuation matters.

The Advisors have confirmed that they have no past, present or intended interest in the Silver Elephant Shares, the SpinCo 1 Shares, the Company, SpinCo 1, or their respective associates and affiliates, and has no prior association with the Company or SpinCo 1.

In reaching a determination of the independence of the Advisors, the Company considered the following factors set out in Section 6.1(3) of MI 61-101:

- (a) the Advisors are not an associated or affiliated entity or insider of an interested party in the Arrangement or SpinCo 1 Financing (within the meaning of MI 61-101);
- (b) the Advisors do not act as an adviser to an interested party in the Arrangement or SpinCo 1 Financing in respect of the Arrangement or SpinCo 1 Financing
- (c) the compensation of the Advisors do not depend on, in whole or in part, any agreement, arrangement or understanding that gives the Advisors a financial incentive in respect of the conclusion reached in the Updated Valuation Report or the outcome of Arrangement or SpinCo 1 Financing;
- (d) the Advisors are not (i) a manager or co-manager of a soliciting dealer group for the Arrangement or SpinCo 1 Financing, or (ii) a member of a soliciting dealer group for the Arrangement or SpinCo 1 Financing;
- (e) the Advisors are not the external auditor of the Corporation or of an interested party in the Arrangement or SpinCo 1 Financing; and
- (f) the Advisors have no material financial interest in the completion of the Arrangement or SpinCo 1 Financing.

The Advisors will be paid a fixed fee by the Company that does not depend on, in whole or in part, any arrangement, agreement or understanding that gives the Advisors a financial incentive in respect of the conclusion reached in the Updated Valuation Report or the outcome of the Arrangement or the SpinCo 1 Financing.



In preparing the Updated Valuation Report, the Advisors reviewed the Minago Technical Report, among various other publicly available materials relating to the SpinCo 1 Assets, and were provided full access to all information requested from the Company. The Updated Valuation Report is an update from a valuation opinion previously prepared by the Advisors in respect of the Minago Project in January 2021 (the “**Original Valuation**”).

Based upon, and subject to, the Original Valuation and such other information as the Advisors consider relevant, including that which has become available subsequently including an updated Minago Technical Report, it is the Advisors’ opinion that, as of the date hereof:

- based on a range of value of \$0.02- \$0.04/lb Nickel, the Minago Project has a range of value accordingly of \$14 to 40 million, representing an implied value range of \$0.28 per SpinCo 1 Share to \$0.80 per SpinCo 1 Share assuming 50,000,000 SpinCo 1 Shares are issued pursuant to the Arrangement;
- the ascribed valuation of \$35,000,000 proposed in the Arrangement is within the upper range of revised estimated values for the Minago Project.

A copy of the Updated Valuation Report is available at the Company's office located at Suite 1610 – 609 Granville Street, Vancouver, British Columbia. The Company will, upon request, send a copy of the Update Valuation Report to a Shareholder without charge or at a nominal charge sufficient to cover the cost of printing and postage, in the discretion of the Company.

#### ***United States Securities Law Matters***

The following discussion is a general overview of certain requirements of U.S. federal Securities Laws that may be applicable to U.S. Shareholders. All Shareholders in the United States are urged to consult with their own legal counsel to ensure that any subsequent resale of New Silver Elephant Shares or SpinCo Shares to be issued for their Silver Elephant Shares pursuant to the Arrangement complies with applicable securities legislation.

Further information applicable to U.S. Shareholders is disclosed under the heading “*Note to United States Shareholders*”.

The following discussion does not address the Canadian Securities Laws that will apply to the issue of New Silver Elephant Shares and SpinCo Shares or the resale of these securities within Canada by Shareholders in the United States. Shareholders in the United States reselling their New Silver Elephant Shares and SpinCo Shares in Canada must comply with Canadian Securities Laws, as outlined elsewhere in this Circular. The following summary also does not apply to shares being issued pursuant to the SpinCo 1 Financing.

#### ***Exemption from the Registration Requirements of the U.S. Securities Act***

The New Silver Elephant Shares and SpinCo Shares to be issued by Shareholders in exchange for their Silver Elephant Shares pursuant to the Arrangement, have not been and will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States and will be issued and exchanged in reliance upon the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act and exemptions provided under the Securities Laws of each state of the United States in which U.S. Shareholders reside. Section 3(a)(10) of the U.S. Securities Act exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration under the U.S. Securities Act where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange to those to whom the securities will be issued, at which all Persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. Accordingly, the Final Order will, if granted, constitute a basis for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof and comparable exemptions under applicable U.S. state securities laws with respect to the New Silver Elephant Shares and the SpinCo Shares to be issued to Shareholders in exchange for their Silver Elephant Shares pursuant to the Arrangement.



#### *Resales of New Silver Elephant Shares and SpinCo Shares After the Effective Date*

The New Silver Elephant Shares and SpinCo Shares to be issued to Shareholders in exchange for their Silver Elephant Shares pursuant to the Arrangement will be freely transferable under U.S. federal Securities Laws, except by Persons who are “affiliates” of the Company or any of the SpinCos, as applicable, after the Effective Date, or were “affiliates” of the Company or any of the SpinCos, as applicable, within 90 days prior to the Effective Date. Persons who may be deemed to be “affiliates” of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of New Silver Elephant Shares or SpinCo Shares, as applicable, by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such New Silver Elephant Shares or SpinCo Shares, as applicable, outside the United States without registration under the U.S. Securities Act pursuant to Regulation S. In addition, such affiliates (and former affiliates) may also resell New Silver Elephant Shares or SpinCo Shares, as applicable, pursuant to Rule 144, if available.

#### *Resales by Affiliates Pursuant to Rule 144*

In general, pursuant to Rule 144, Persons who are “affiliates” of the Company or any of the SpinCos, as applicable, after the Effective Date, or were “affiliates” of the Company or any of the SpinCos, as applicable, within 90 days prior to the Effective Date, will be entitled to sell, during any three-month period, those New Silver Elephant Shares or SpinCo Shares, as applicable, that they receive pursuant to the Arrangement, provided that the number of such securities sold does not exceed the greater of one percent of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale requirements, aggregation rules, notice filing requirements and the availability of current public information about the issuer. Persons who are affiliates of the Company after the Plan of Arrangement will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of the Company.

#### *Resales by Affiliates Pursuant to Regulation S*

In general, pursuant to Regulation S, Persons who are “affiliates” of the Company or any of the SpinCos, as applicable, after the Effective Date, or were “affiliates” of the Company or any of the SpinCos, as applicable, within 90 days prior to the Effective Date, solely by virtue of their status as an officer or director of the Company or any of the SpinCos, as applicable, may sell their New Silver Elephant Shares or their SpinCo Shares, as applicable, outside the United States in an “offshore transaction” if none of the seller, an affiliate or any Person acting on their behalf engages in “directed selling efforts” in the United States with respect to such securities and provided that no selling concession, fee or other remuneration is paid in connection with such sale other than the usual and customary broker’s commission that would be received by a Person executing such transaction as agent. For purposes of Regulation S, “directed selling efforts” means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered. Also, for purposes of Regulation S, an offer or sale of securities is made in an “offshore transaction” if the offer that is not made to a Person in the United States and either (a) at the time the buy order is originated, the buyer is outside the United States, or the seller reasonably believes that the buyer is outside of the United States, or (b) the transaction is executed in, on or through the facilities of a “designated offshore securities market” (which would include a sale through the TSXV), and neither the seller nor any Person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States. Certain additional restrictions set forth in Rule 903 of Regulation S are applicable to sales outside the United States by a holder of New Silver Elephant Shares or SpinCo Shares, as applicable, who is an “affiliate” of the Company or any of the SpinCos, as applicable, after the Effective Date, or was an “affiliate” of the Company or any of the SpinCos, as applicable, within 90 days prior to the Effective Date, other than by virtue of his or her status as an officer or director of the Company or any of the SpinCos, as applicable.

**The foregoing discussion is only a general overview of certain requirements of United States federal Securities Laws applicable to the resale of New Silver Elephant Shares and SpinCo Shares to be issued to Shareholders pursuant to the Arrangement. All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.**

### **Fees and Expenses**

All expenses incurred in connection with the Arrangement shall be paid by the Party incurring such expense.

### **Interests of Certain Persons in the Arrangement**

In considering the recommendation of the Board with respect to the Arrangement, Shareholders should be aware that certain members of the Company's senior management and the Board have certain interests in connection with the Arrangement that may present them with actual or potential conflicts of interest in connection with the Arrangement.

#### ***Directors***

The directors (other than directors who are also executive officers) hold, in the aggregate, 1,083,025 Silver Elephant Shares, representing approximately 0.47% of the 228,395,400 Silver Elephant Shares outstanding on the Record Date. Such directors hold, in the aggregate, 2,560,000 Options, representing approximately 15.97% of the 16,027,500 Options outstanding on the Record Date. As of the Record Date, the directors hold 59,850 Warrants. All of the Silver Elephant Shares held by the directors will be treated in the same fashion under the Arrangement as Silver Elephant Shares held by every other Shareholder, respectively.

#### ***Executive Officers***

The current responsibility for the general management of the Company is held and discharged by a group of five executive officers. The executive officers of the Company are as follows:

<b>Name</b>	<b>Position</b>	<b>Silver Elephant Shares</b>	<b>Options</b>
John Lee	CEO and Executive Chairman	3,910,401	6,330,000
Irina Plavutska	CFO	Nil	1,107,500
Daniel Oosterman	VP Exploration	101,531	1,270,000
Ronald Espell	VP Environmental Sustainability	150,000	1,200,000
Juaquin Merino-Marquez	VP South American Operation	10,000	1,150,000
Robert Van Drunen	COO	Nil	675,000

The executive officers of the Company hold, in the aggregate, 4,171,932 Silver Elephant Shares and 11,732,500 Options, representing approximately 6.96% of the outstanding Silver Elephant Shares as of the Record Date. Mr. Lee held 606,280 Warrants as of the Record Date. All of the Silver Elephant Shares and Options held by the executive officers of the Company will be treated in the same fashion under the Arrangement as Silver Elephant Shares held by every other Shareholder.

### **Risks Associated with the Arrangement**

In evaluating the Arrangement, Securityholders should carefully consider the following risk factors relating to the Arrangement. The following risk factors are not a definitive list of all risk factors associated with the Arrangement. Additional risks and uncertainties, including those currently unknown or considered immaterial by the Company, may also adversely affect trading price of the New Silver Elephant Shares, the SpinCo Shares and/or the businesses of the Company and SpinCos following the Arrangement. In addition to the risk factors relating to the Arrangement set out below, Securityholders should also carefully consider the risk factors associated with the businesses of the Company and the SpinCos included in this Circular, the Appendices to this Circular and in the documents incorporated by reference herein. If any of the risk factors materialize, the expectations, and the predictions based on them, may need to be re-evaluated. The risks associated with the Arrangement include:

***The Arrangement Agreement may be terminated in certain circumstances.***

The Company has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can the Company provide any assurance, that the Arrangement Agreement will not be terminated by the Company before the completion of the Arrangement.

***There can be no certainty that all conditions precedent to the Arrangement will be satisfied.***

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of the Company, including satisfaction of the conditions precedent to the Arrangement and receipt of the Final Order. There can be no certainty, nor can the Company provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not completed, the market price of the Silver Elephant Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total consideration to be paid pursuant to the Arrangement.

***The Company will incur costs even if the Arrangement is not completed.***

Certain costs related to the Arrangement, such as legal, accounting and certain financial advisor fees, must be paid by the Company even if the Arrangement is not completed. The Company is liable for its costs incurred in connection with the Arrangement.

***The market price for the Silver Elephant Shares may decline.***

If the Arrangement is not approved by the Securityholders, the market price of the Silver Elephant Shares may decline to the extent that the current market price of the Silver Elephant Shares reflects a market assumption that the Arrangement will be completed. If the Arrangement Resolution is not approved and the Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total consideration to be paid pursuant to the Arrangement.

***The Company and each SpinCo may sell SpinCo Shares on behalf of Shareholders to meet the Company's withholding tax obligations (including any applicable interest and penalties) arising as a result of any deemed dividend. Any such sales may negatively impact the trading price of the SpinCo Shares (if listed).***

If the Company determines that a deemed dividend arose as a consequence of the Arrangement, the Company and the SpinCos will be entitled to deduct and withhold from any consideration payable or otherwise deliverable to a Shareholder (including the Silver Elephant Shares) such amounts as the Company or the SpinCos are required or permitted to deduct and withhold under the Tax Act or U.S. Tax Laws. To the extent that the Company or the SpinCos required to deduct and withhold from consideration that is not cash, including the SpinCo Shares, the Company or the SpinCos are entitled to liquidate such consideration to the extent necessary in order to fund its deduction, withholding and remittance obligations (including any applicable interest and penalties). Any such sales may negatively impact the trading price of the SpinCo Shares (if listed). See "Certain Canadian Federal Income Tax Considerations" and "Certain United States Federal Income Tax Considerations".

***SpinCo Shares may not be qualified investments under the Tax Act for a Registered Plan.***

Although it is anticipated that an application will be made to the TSXV for listing of the SpinCo Shares on the TSXV, there is no assurance when, or if, the SpinCo Shares will be listed on the TSXV or on any other stock exchange. If the SpinCo Shares are not listed on a designated stock exchange in Canada before the due date for each of the SpinCos' first income tax return or if the SpinCos do not otherwise satisfy the conditions in the Tax Act to be a "public corporation", the SpinCo Shares will not be considered to be a qualified investment for a Registered Plan from their date of issue. Where a Registered Plan acquires a SpinCo Share in circumstances where the SpinCo Share is not a qualified investment under the Tax Act for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant under the Registered Plan, including that the Registered Plan may become subject to penalty Taxes, the annuitant of such Registered Plan may be deemed to have received income therefrom or be subject to a penalty tax or, in the case of a registered education savings plan, such plan may have its tax

exempt status revoked. See “*Certain Canadian Federal Income Tax Considerations – Residents of Canada - Eligibility for Investment*”.

### **Dissent Rights**

There is no mandatory statutory right of dissent and appraisal in respect of plans of arrangement under the BCBCA. However, as contemplated in the Interim Order and the Plan of Arrangement, the Company has granted the Dissent Rights to Dissenting Shareholders.

The Interim Order provides Registered Shareholders with the right to dissent in substantially the same manner as set forth in Sections 237 to 247 of the BCBCA (which provisions have been duplicated in Appendix “C” to this Circular). In general, any Registered Shareholder who dissents from the Arrangement Resolution in compliance with Sections 237 to 247 of the BCBCA (as modified by the Interim Order) will be entitled, in the event that the Arrangement becomes effective, to be paid by the resulting issuer the fair value of the Silver Elephant Shares held by such Registered Shareholder.

The following summary does not purport to provide comprehensive statements of the procedures to be followed by a Dissenting Shareholder under the BCBCA (as modified by the Interim Order) and reference should be made to the specific provisions of Sections 237 to 247 of the BCBCA, the Plan of Arrangement and the Interim Order. The BCBCA requires strict adherence to the procedures regarding the exercise of rights established therein. The failure to adhere to such procedures (the “**Dissent Procedures**”) may result in the loss of all Dissent Rights. Accordingly, each Shareholder who wishes to exercise Dissent Rights should carefully consider and comply with the provisions of Sections 237 to 247 of the BCBCA (as modified by the Interim Order) and consult a legal advisor.

#### *The Statutory Provisions: Sections 237 to 247 of the BCBCA*

The Interim Order provides that Registered Shareholders who dissent (each a “**Dissenting Shareholder**”) from certain actions being taken by the Company may exercise a right of dissent and require the Company to purchase the Silver Elephant Shares (the “**Dissenting Shares**”) held by the Dissenting Shareholders at the fair value of the shares.

A Shareholder is not entitled to exercise Dissent Rights in respect of the Arrangement Resolution if the Shareholder votes any of the Silver Elephant Shares beneficially held by it in favour of the Arrangement Resolution. A vote against the Arrangement Resolution or a withholding of votes does not constitute a written objection.

A Dissenting Shareholder is required to send a written Notice of Dissent to the Company at least two days before the date of the Meeting. Since the date of the Meeting is December 22, 2021, a Notice of Dissent must be received by the Company no later than 9:00 a.m. (Pacific Time) on December 20, 2021 or two Business Days immediately preceding any date to which the Meeting may be postponed or adjourned. The written notice should be delivered to the Company at the address for notice described below. After the Arrangement Resolution is approved by Securityholders and within one month after the Company notifies the Dissenting Shareholder of the Company’s intention to act upon the Arrangement Resolution in accordance with Section 243 of the BCBCA, the Dissenting Shareholder must send to the Company a written notice that such holder requires the purchase of all of the Silver Elephant Shares in respect of which such holder has given Notice of Dissent, together with the share certificate or certificates representing those Silver Elephant Shares (including a written statement prepared in accordance with Section 244(1)(c) of the BCBCA if the dissent is being exercised by the Shareholder on behalf of a beneficial holder) whereupon the Dissenting Shareholder is deemed to have sold and the Company is deemed to have purchased those Silver Elephant Shares.

Any Dissenting Shareholder who has duly complied with Section 244(1) of the BCBCA, or the Company, may apply to the Court, and the Court may determine the fair value of the Dissenting Shares and make consequential orders and give directions as the Court considers appropriate. There is no obligation on the Company to apply to the Court. The Dissenting Shareholder will be entitled to receive the fair value that the Dissenting Shares had as of the close of business the day before the approval of the Arrangement Resolution.

*Address for Notice*

Dissenting Shareholders should send all written objections with respect to the Arrangement Resolution in accordance with Sections 237 to 247 of the BCBCA to:

Silver Elephant Mining Corp.  
Suite 1610 – 409 Granville Street  
Vancouver, BC V6C 1T2.

Attention: Corporate Secretary

with a copy to:

MLT Aikins LLP  
Suite 2600, 1066 West Hastings Street  
Vancouver, British Columbia V6E 3X1

Attention: Mahdi Shams

**A Notice of Dissent must be received by the Company no later than 9:00 a.m. (Pacific Time) on December 20, 2021.**

*Strict Compliance with Dissent Provisions Required*

The foregoing summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Shareholder. The requirements set out in Sections 237 to 247 of the BCBCA as modified by the Interim Order are complex and technical and failure to comply strictly with them may prejudice the exercise of the Dissent Rights.

**Registered Shareholders wishing to exercise the Dissent Rights should consult their legal advisers with respect to the legal rights available to them in relation to the Arrangement and the Dissent Rights. Registered Shareholders should note that the exercise of Dissent Rights can be a complex, time-consuming and expensive procedure.**

If, as of the Effective Date, the aggregate number of Silver Elephant Shares in respect of which Shareholders have duly and validly exercised Dissent Rights exceeds 5% of the Silver Elephant Shares then outstanding, the Company is entitled, in its discretion, not to complete the Arrangement. See *“The Meeting – The Arrangement Agreement”*.

**ELIGIBILITY FOR INVESTMENT**

Based on the current provisions of the Tax Act and the regulations thereunder as of the date hereof, provided that the New Silver Elephant Shares and Spinco Shares are listed on a “designated stock exchange” for the purposes of the Tax Act and the regulations thereunder (which currently includes the TSX and the TSXV), the shares will, on the date of issue, be qualified investments under the Tax Act for trusts governed by a “registered retirement savings plan” (“RRSP”), a “registered retirement income fund” (“RRIF”), a “registered disability savings plan” (“RDSP”), a “deferred profit sharing plan”, a “tax-free savings account” (“TFSA”) and a “registered education savings plan” (“RESP”), each as defined in the Tax Act. If the SpinCo Shares are not listed on a designated stock exchange at the time they are issued pursuant to the Arrangement, but such shares become listed on a designated stock exchange in Canada before the due date for each of the SpinCos’ first income tax return and the SpinCos make the appropriate election under the Tax Act in that return, such shares will be considered qualified investments for a trust governed by a RRSP, RRIF, RDSP, TFSA or RESP, an annuitant under a RRSP or RRIF, a holder of a TFSA or RDSP or a subscriber of a RESP, as the case may be, from the date of issuance.

Notwithstanding that the New Silver Elephant Shares and Spinco Shares may be qualified investments for a trust governed by a RRSP, RRIF, RDSP, TFSA or RESP, an annuitant under a RRSP or RRIF, a holder of a TFSA or RDSP or a subscriber of a RESP, as the case may be, will be subject to a penalty tax under the Tax Act if the shares held by the RRSP, RRIF, RDSP, TFSA or RESP are “prohibited investments” for purposes of the Tax Act. A New



Silver Elephant Share or Spinco Share will not be a prohibited investment if the annuitant under the RRSP or RRIF, the holder of the TFSA or RDSP or the subscriber of the RESP, as the case may be, deals at arm's length with the Company for purposes of the Tax Act, and does not have a "significant interest" (as defined in the Tax Act) in the Company for purposes of the Tax Act. In addition, a New Silver Elephant Share or Spinco Share will not be a prohibited investment if the shares are "excluded property," as defined in the Tax Act, for trusts governed by a RRSP, RRIF, RDSP, TFSA or RESP. Prospective investors who intend to hold New Silver Elephant Shares or Spinco Shares in a RRSP, RRIF, RDSP, TFSA or RESP should consult their own tax advisors with respect to whether the New Silver Elephant Shares or Spinco Shares would be "prohibited investments" in their particular circumstances.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a Shareholder who at all relevant times and for purposes of the Tax Act: (a) holds Silver Elephant Shares and will hold New Silver Elephant Shares and SpinCo Shares acquired pursuant to the Arrangement as capital property; (b) deals at arm's length with each of the Company and the SpinCos; and (c) is not and will not be affiliated with the Company or the SpinCos (a "**Holder**").

Silver Elephant Shares, New Silver Elephant Shares and Spinco Shares generally will be considered capital property to a Holder for purposes of the Tax Act unless the Holder holds such shares in the course of carrying on a business of buying and selling securities or the Holder has acquired or holds them in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "**Tax Regulations**") in force on the date hereof, and counsel's understanding of the current published administrative policies and assessing practices of the CRA publicly available prior to the date hereof. The summary also takes into account all specific proposals to amend the Tax Act and the Tax Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and assumes that all Tax Proposals will be enacted in the form proposed. However, there is no certainty that the Tax Proposals will be enacted in the form currently proposed, if at all. The summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, or other changes in administrative policies or assessing practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may materially differ from Canadian federal income tax legislation or considerations.

This summary does not apply to a Holder that: (a) is a "financial institution" for purposes of the mark-to-market rules in the Tax Act; (b) an interest in which would be, or whose Silver Elephant Shares are, a "tax shelter investment," as defined in the Tax Act; (c) is a "specified financial institution," as defined in the Tax Act; (d) has made a functional currency reporting election under the Tax Act to report its "Canadian tax results" as defined in the Tax Act in a currency other than Canadian currency; (e) has entered into or will enter into a "derivative forward agreement" or a "synthetic disposition arrangement," as defined in the Tax Act, in respect of the Silver Elephant Shares, New Silver Elephant Shares or Spinco Shares; or (f) receives dividends on the Silver Elephant Shares under or as part of a "dividend rental arrangement," as defined in the Tax Act. Such Holders should consult their own tax advisors.

This summary also does not apply to holders of Warrants and Options.

Further, this summary is not applicable to a person that (i) is a corporation resident in Canada and (ii) is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of Silver Elephant Shares, New Silver Elephant Shares or SpinCo Shares, controlled by a non-resident person (or, if no single non-resident person has or acquires control, a group of persons (comprised of any combination of non-resident corporations, non-resident individuals or non-resident trusts) that do not deal at arm's length) for the purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act. Any such Holder should consult its own tax advisor.

**This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal, business or tax advice or**



**representations to any particular Holder. Accordingly, Holders should consult their own tax advisors with respect to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.**

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Silver Elephant Shares, New Silver Elephant Shares or SpinCo Shares, including interest, dividends, adjusted cost base and proceeds of disposition must be converted into Canadian dollars based on the relevant exchange rate applicable on the effective date (as determined in accordance with the Tax Act) of the related acquisition, disposition or recognition of income.

### **Residents of Canada**

This part of the summary is applicable only to Holders, who, for the purposes of the Tax Act and at all relevant times, are resident, or deemed to be resident, in Canada (“**Resident Holders**”).

Certain Resident Holders whose Silver Elephant Shares might not otherwise qualify as capital property may, in certain circumstances, be eligible to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Silver Elephant Shares and every other “Canadian security” (as defined in the Tax Act) owned by such Resident Holder in the taxation year in which the election is made and in all subsequent taxation years, be deemed to be capital property. Resident Holders should consult their own tax advisors as to whether they hold or will hold their Silver Elephant Shares as capital property and whether such election can or should be made in respect of their Silver Elephant Shares.

### ***Consolidation of Silver Elephant Shares***

Under the Tax Act, the Consolidation of the Silver Elephant Shares will not be taxable event.

### ***Exchange of Silver Elephant Shares for Class A Shares and SpinCo Shares***

If the aggregate fair market value of the SpinCo Shares received by a Resident Holder on the exchange of the Silver Elephant Shares for Class A Shares and SpinCo Shares exceeds the paid-up capital as determined for purposes of the Tax Act of the Silver Elephant Shares exchanged then the Company would be deemed to have paid a dividend on the Silver Elephant Shares equal to the amount of the excess, and each Resident Holder of Silver Elephant Shares would be deemed to have received a pro rata portion of the dividend, based on the proportion of Silver Elephant Shares held. See “*Dividends on Shares*” below for a general description of the treatment of dividends under the Tax Act including amounts deemed under the Tax Act to be received as dividends. A determination of whether a Resident Holder will be deemed to receive a dividend and the amount of any such dividend cannot be made at this time because it will be dependent on the fair market value, on the Effective Date, of the SpinCo Shares distributed by the Company pursuant to the Arrangement and the paid-up capital of the Silver Elephant Shares on the Effective Date. Subsequent to the Effective Date, The Company will advise Holders as to whether it believes a deemed dividend arose and the amount of any such deemed dividend by having such information posted on the Company’s website at [www.silverelef.com](http://www.silverelef.com). However, this information will not be binding on the CRA.

In the event the fair market value of all SpinCo Shares at the time of distribution does not exceed the paid-up capital of all Silver Elephant Shares immediately before that time, a Resident Holder whose Silver Elephant Shares are exchanged for Class A Shares and SpinCo Shares will be considered to have disposed of the Silver Elephant Shares for proceeds of disposition equal to the greater of the adjusted cost base (“ACB”) to the shareholder of the Silver Elephant Shares immediately before the exchange and the fair market value of the SpinCo Shares at the time of their distribution. Consequently, the Resident Holder will realize a capital gain to the extent that the fair market value of the SpinCo Shares received exceeds the ACB of the shareholder’s Silver Elephant Shares. If the fair market value of all SpinCo Shares at the time of distribution were to exceed the paid-up capital of all Silver Elephant Shares immediately before the distribution, the proceeds of disposition of the shareholder’s Silver Elephant Shares would be reduced by the amount of the deemed dividend referred to in the previous paragraph that the shareholder is deemed to have received. See “*Taxation of Capital Gains and Losses*” below.

The cost to a Resident Holder of SpinCo Shares acquired on the exchange of Silver Elephant Shares for Class A Shares and SpinCo Shares will be equal to the fair market value of the SpinCo Shares at the time of the exchange. The cost to a Resident Holder of Class A Shares acquired on the exchange will be equal to the amount, if any, by which the ACB of the Resident Holder's Silver Elephant Shares immediately before the exchange exceeds the fair market value of the SpinCo Shares received on the exchange.

### ***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 Resident Holder of New Silver Elephant Shares received on the redesignation will be equal to the Resident Holder's ACB of the redesignated Class A Shares.

### ***Dividends on Shares***

A Resident Holder who is an individual will be required to include in income any dividends received or deemed to be received on the Resident Holder's Class A Shares, New Silver Elephant Shares or SpinCo Shares, and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated by the Company or the SpinCos, as the case may be, as "eligible dividends", as defined in the Tax Act.

A Resident Holder that is a corporation will be required to include in income any dividend received or deemed to be received on the Resident Holder's Class A Shares, New Silver Elephant Shares or SpinCo Shares, but generally will be entitled to deduct an equivalent amount in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act may deem some or all of a taxable dividend to be proceeds of disposition or a gain from the disposition of capital property rather than a dividend, in which case the rules described below under "*Taxation of Capital Gains and Losses*" would apply. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances. A Resident Holder that is a "private corporation" or a "subject corporation" (as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax of 38½% on any dividend that it receives or is deemed to receive on Class A Shares, New Silver Elephant Shares or SpinCo Shares to the extent that the dividend is deductible in computing the corporation's taxable income.

Taxable dividends received by an individual or trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act.

### ***Disposition of New Silver Elephant Shares and SpinCo Shares***

A Resident Holder that disposes or is deemed to dispose of a New Silver Elephant Share or a SpinCo Share in a taxation year generally will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the New Silver Elephant Share or SpinCo Share, as the case may be, exceed (or are less than) the sum of the Resident Holder's ACB of such New Silver Elephant Share or SpinCo Share, determined immediately before the disposition and any reasonable costs of disposition. See "*Taxation of Capital Gains and Losses*" below.

### ***Taxation of Capital Gains and Losses***

Generally, a Resident Holder will be required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized by it in that year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder will generally be entitled to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years to the extent and under the circumstances specified in the Tax Act.

Where a Resident Holder is a corporation, the amount of any capital loss arising on a disposition or deemed disposition of any share may be reduced by the amount of dividends received or deemed to have been received by it

on such share to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns shares, or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any shares. Such Resident Holders should consult their own tax advisors in this regard.

A Resident Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be required to pay an additional tax, which may be refundable in certain circumstances, on “aggregate investment income” (as defined in the Tax Act), which includes taxable capital gains.

Capital gains realized by an individual or trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act.

### ***Dissenting Shareholders***

A Resident Holder who is a Dissenting Shareholder (a “**Dissenting Resident Holder**”) who, consequent upon the exercise of Dissent Rights, disposes of Silver Elephant Shares in consideration for a cash payment from the Company will be deemed to have received a dividend from the Company equal to the amount by which the cash payment (other than any portion of the payment that is interest awarded by a court) exceeds the paid-up capital (computed for the purpose of the Tax Act) of the Dissenting Resident Holder’s Silver Elephant Shares. The balance of the payment (equal to the paid-up capital of the Dissenting Resident Holder’s Silver Elephant Shares), if any, will be treated as proceeds of disposition. The Dissenting Resident Holder will also realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the ACB of the Dissenting Resident Holder’s Silver Elephant Shares. In certain circumstances, the full payment received by a Dissenting Resident Holder that is a corporation resident in Canada may be treated under the Tax Act as proceeds of disposition.

Any deemed dividend received by a Dissenting Resident Holder and any capital gain or capital loss realized by the Dissenting Resident Holder, will be treated in the same manner as described above under the headings “*Dividends on Shares*” and “*Taxation of Capital Gains and Losses*” above.

Interest awarded by a court to a Dissenting Resident Holder will be included in the holder’s income for purposes of the Tax Act.

### **Non-Residents of Canada**

This part of the summary is applicable to Holders who, for purposes of the Tax Act, have not been and will not be resident or deemed to be resident in Canada at any time while they have held or will hold Silver Elephant Shares, Class A Shares, New Silver Elephant Shares or SpinCo Shares and who do not use or hold, will not use or hold and are not and will not be, deemed to use or hold such Silver Elephant Shares, Class A Shares, New Silver Elephant Shares or SpinCo Shares in carrying on a business in Canada (a “**Non-Resident Holder**”). This summary does not apply to a Non-Resident Holder that carries on an insurance business in Canada and elsewhere or that is an “authorized foreign bank” (as defined in the Tax Act) and such holders should consult their own tax advisors.

### ***Consolidation of Silver Elephant Shares***

Under the Tax Act, the Consolidation of the Silver Elephant Shares will not be taxable event.

### ***Exchange of Silver Elephant Shares for Class A Shares and SpinCo Shares***

If the aggregate fair market value of the SpinCo Shares received by a Non-Resident Holder on the exchange of the Silver Elephant Shares for Class A Shares and SpinCo Shares exceeds the paid-up capital as determined for purposes of the Tax Act of the Silver Elephant Shares exchanged then the excess will generally be deemed to be a dividend received by the Non-Resident Holder from the Company subject to withholding tax. See “*Dividends on Shares*” below for a general description of the treatment of dividends under the Tax Act including amounts deemed under the Tax Act to be received as dividends. A determination of whether a Non-Resident Holder will be deemed to receive a dividend and the amount of any such dividend cannot be made at this time because it will be dependent

on the fair market value, on the effective date Plan of Arrangement, of the SpinCo Shares distributed by the Company pursuant to the Arrangement and the paid-up capital of the Silver Elephant Shares on the effective date of the Plan of Arrangement. Subsequent to the effective date, the Company will advise Holders as to whether it believes a deemed dividend arose and the amount of any such deemed dividend by having such information posted on the Company's website at [www.silverelef.com](http://www.silverelef.com). However, this information will not be binding on the CRA.

If the Company determines that a deemed dividend arose as a consequence of the Arrangement, the Company and the SpinCos will be entitled to deduct and withhold from any consideration payable or otherwise deliverable to a Holder (including the SpinCo Shares) such amounts as the Company or the SpinCos are required or permitted to deduct and withhold under the Tax Act. To the extent that the Company or the SpinCos are required to deduct and withhold from consideration that is not cash, including the SpinCo Shares, the Company or the SpinCos are entitled to liquidate such consideration to the extent necessary in order to fund its deduction, withholding and remittance obligations (including any applicable interest and penalties). Any such sales may negatively impact the trading price of the SpinCo Shares (if listed). Any SpinCo Shares that are withheld and are not sold to realize sufficient net proceeds to fund withholding tax obligations (if any) will be distributed to the Non-Resident Holders.

In the event the fair market value of all SpinCo Shares at the time of distribution does not exceed the paid-up capital of all Silver Elephant Shares immediately before that time, a Non-Resident Holder whose Silver Elephant Shares are exchanged for Class A Shares and SpinCo Shares will be considered to have disposed of the Silver Elephant Shares for proceeds of disposition equal to the greater of the ACB to the shareholder of the Silver Elephant Shares immediately before the exchange and the fair market value of the SpinCo Shares at the time of their distribution. Consequently, the Non-Resident Holder will realize a capital gain to the extent that the fair market value of the SpinCo Shares received exceeds the ACB of the shareholder's Silver Elephant Shares. If the fair market value of all SpinCo Shares at the time of distribution were to exceed the paid-up capital of all Silver Elephant Shares immediately before the distribution, the proceeds of disposition of the shareholder's Silver Elephant Shares would be reduced by the amount of the deemed dividend referred to in the previous paragraph that the shareholder is deemed to have received. A Non-Resident Holder who participates in the Arrangement will not be subject to tax under the Tax Act on any capital gain realized on the exchange of Silver Elephant Shares for Class A Shares and SpinCo Shares, provided that the Silver Elephant Shares are not "taxable Canadian property" (as defined in the Tax Act), as discussed below, to the Non-Resident Holder at the time of the exchange or an applicable income tax treaty or convention exempts the capital gain from tax under the Tax Act.

Generally, as long as the Silver Elephant Shares are listed on a "designated stock exchange" (which currently includes the TSX and the TSXV), at the time of disposition, the Silver Elephant Shares will not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition or deemed disposition of the Silver Elephant Shares, the following two conditions have been met concurrently: (a) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm's length, or (iii) partnerships in which the Non-Resident Holder or persons described in (i) hold a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class of the capital stock of the Company, and (b) more than 50% of the fair market value of the Silver Elephant Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or an option in respect of, an interest in, or for civil law or a right in, any such property, whether or not such property exists. Notwithstanding the foregoing, a Silver Elephant Share may also be deemed under the Tax Act to be taxable Canadian property of a Non-Resident Holder in certain circumstances.

If the Silver Elephant Shares are, or are deemed to be, taxable Canadian property to a Non-Resident Holder (and are not "treaty protected property" as defined in the Tax Act) any capital gain or loss realized on the disposition or deemed disposition of such Silver Elephant Shares will generally be computed in the manner described above under the heading "*Residents of Canada - Taxation of Capital Gains and Losses.*"

Non-Resident Holders should consult their own advisors regarding whether their Silver Elephant Shares constitute taxable Canadian property.

The cost to a Non-Resident Holder of SpinCo Shares acquired on the exchange of Silver Elephant Shares for Class A Shares and SpinCo Shares will be equal to the fair market value of the SpinCo Shares at the time of the exchange. The cost to a Non-Resident Holder of Class A Shares acquired on the exchange will be equal to the amount, if any, by which the ACB of the Non-Resident Holder's Silver Elephant Shares immediately before the exchange exceeds the fair market value of the SpinCo Shares received on the exchange.

### ***Dividends on Shares***

Dividends paid or credited, or deemed to be paid or credited, on a Non-Resident Holder's Class A Shares, New Silver Elephant Shares or SpinCo Shares will be subject to withholding tax under the Tax Act at a rate of 25% unless the rate is reduced under the provisions of an applicable income tax treaty or convention. In the case of a beneficial owner of dividends who is a resident of the United States for purposes of the *Canada-US Tax Convention (1980)* and who is entitled to the benefits of that treaty, the rate of withholding will generally be reduced to 15%. Non-Resident Holders should consult their own tax advisors in this regard.

### ***Disposition of New Silver Elephant Shares and Spinco Shares***

As discussed above, a Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of a New Silver Elephant Share or SpinCo Share and capital losses arising on a disposition or deemed disposition of a New Silver Elephant Share or SpinCo Share will not be recognized under the Tax Act unless such share constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, as long as the New Silver Elephant Share and SpinCo Share are listed on a "designated stock exchange" (which currently includes the TSX and the TSXV), at the time of disposition, the New Silver Elephant Share or SpinCo Share, as the case may be, will not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition or deemed disposition of the share, the following two conditions have been met concurrently: (a) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm's length, or (iii) partnerships in which the Non-Resident Holder or persons described in (i) hold a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class of the capital stock of the Company, SpinCo 1, SpinCo 2 or SpinCo 3, as the case may be, and (b) more than 50% of the fair market value of the shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or an option in respect of, an interest in, or for civil law or a right in, any such property, whether or not such property exists. Notwithstanding the foregoing, a New Silver Elephant Share or SpinCo Share may also be deemed under the Tax Act to be taxable Canadian property of a Non-Resident Holder in certain circumstances.

If the New Silver Elephant Share or SpinCo Share are, or are deemed to be, taxable Canadian property to a Non-Resident Holder (and are not "treaty protected property" as defined in the Tax Act) any capital gain or loss realized on the disposition or deemed disposition of such shares will generally be computed in the manner described above under the heading "*Taxation of Capital Gains and Capital Losses*."

Non-Resident Holders should consult their own advisors regarding whether their New Silver Elephant Share or Spinco Shares constitute taxable Canadian property.

### ***Dissenting Shareholders***

A Non-Resident Holder who exercises Dissent Rights and disposes of Silver Elephant Shares to the Company in consideration for a cash payment from the Company will realize a dividend and a capital gain or loss in the same manner as discussed above under "*Residents of Canada – Dissenting Shareholders*".

A Non-Resident Holder who is a Dissenting Shareholder will not be subject to tax under the Tax Act on any capital gain realized on the disposition of Silver Elephant Shares to the Company, provided that the Silver Elephant Shares



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](http://sedar.com) on May 13, 2021, the Company's annual report filed on Form 20F filed at [sedar.com](http://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](http://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.

On October 26, 2021, the Company announced the terms of the SpinCo 1 Financing. Pursuant to the SpinCo 1 Financing, NickelCo will raise proceeds of up to \$8,600,000 through the issuance of a combination of: (i) up to 10,000,000 SpinCo 1 NFT Subscription Receipts and (ii) up to 3,000,000 SpinCo 1 FT Subscription Receipts. The SpinCo 1 Financing shall be undertaken on a fully marketed basis, with Red Cloud Securities Inc. acting as lead agent on behalf of a syndicate of agents, including Canaccord Genuity Corp. Upon satisfaction of the escrow release conditions set forth in a subscription receipt agreement, each SpinCo 1 NFT Subscription Receipt, without any further action on the part of the holder, will be converted into one SpinCo 1 Share and one-half of one SpinCo 1 Share purchase warrant, with each whole such warrant being exercisable to purchase a SpinCo 1 Share at a price of \$1.00 for a period of two years. Upon satisfaction of the escrow release conditions set forth in a subscription receipt agreement, each SpinCo 1 FT Subscription Receipt, without any further action on the part of the holder, will be converted into one SpinCo 1 Share issued as a ‘flow-through’ common share. The gross proceeds of the SpinCo 1 Financing will be held in escrow pending satisfaction of certain release conditions, which include Securityholder Approval and TSX approval of the Arrangement. The SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts will convert in accordance with their terms pursuant to the Arrangement without further action on the part of the holder. If the escrow release conditions for the SpinCo 1 FT Subscription Receipts are not satisfied on or before December 31, 2021, the proceeds from the SpinCo 1 FT Subscription Receipts will be returned to subscribers and the securities will be null and void. If the escrow release conditions for the SpinCo 1 NFT Subscription Receipts are not satisfied on or before January 15, 2022, or such later date as may be agreed upon, the proceeds from the SpinCo 1 NFT Subscription Receipts will be returned to subscribers and the securities will be null and void. It is anticipated that the SpinCo 1 Financing will be completed during November 2021 and in any event prior to the Meeting. In addition, the agents for the SpinCo 1 Financing, will be entitled to receive that number of broker warrants equal to 6% of the number of SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts sold. Each broker warrant will be exercisable to acquire one SpinCo 1 Share for a period of 2 years at an exercise price of \$0.70. At the Meeting, Shareholders will be asked to consider and vote upon an ordinary resolution approving the SpinCo 1 Financing. In order to pass this ordinary resolution must be approved by at least a majority of the votes cast by Shareholders, excluding the votes of certain Interested Shareholders, present in person or represented by proxy at the Meeting.

The table below summarizes the interests of directors, officers and employees of the Company, as well as Interested Shareholders in the SpinCo 1 Financing.

	Securities Granted To / Subscribed For		Other Payments and Benefits Resulting from the Arrangement	Silver Elephant Shares excluded as holdings of Interested Shareholders
	Number and Class	Subscription Price		
Directors and officers of the Company and SpinCo 1	Nil	Nil	n/a	Nil
Employees	Nil	Nil	n/a	Nil
Private places not related to the Company or SpinCo 1	Number of SpinCo 1 FT Subscription Receipts to be determined <sup>(1)</sup>	\$0.77	n/a	Amount to be determined <sup>(1)</sup>
Private places not related to the Company or SpinCo 1	Number of SpinCo 1 NFT Subscription Receipts to be determined <sup>(1)</sup>	\$0.70	n/a	Amount to be determined <sup>(1)</sup>

(1) Prior to the Meeting, the Company will confirm by issuance of a news release the number of SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts subscribed for by Interested Shareholders and the number of Silver Elephant Shares held by the Interested Shareholders.

Securities of SpinCo 1 issued pursuant to the SpinCo 1 Financing may be issued at a significant discount to the market price, taking into account the maximum discount by the TSX, of the securities of SpinCo 1 once it begins



trading on an exchange and there is no assurance that a premium may develop once it begins trading. In addition, the broker warrants issued in connection with the SpinCo 1 Financing have an exercise price of \$0.70 per SpinCo 1 Share and are exercisable for a period of 2 years. The exercise price of these broker warrants may be at a significant discount to the market price of the securities of SpinCo 1 once it begins trading on an exchange and there is no assurance that a premium may develop once it begins trading.

In determining the price of the SpinCo 1 Financing and the value to be ascribed to SpinCo 1, the Company considered the following:

- The book value of the Spinout 1 Assets on the Company's financial statements.
- The value of comparable nickel projects, including:
  - Canada Nickel Company's Crawford Nickel Sulphide Project;
  - Gigametals Corporation's Turnagain Nickel Project;
  - Magna Mining Inc.'s Shakespear Nickel Project;
- The increase in nickel prices since the Company's acquisition of the Minago Project in February 2021;
- The improved nickel grade and increase in the mineral resource estimates for the Minago Project since its acquisition in February 2021;
- The improved certainty in the licencing process for the Minago Project as a result of work undertaken by the Company;
- The Updated Valuation Report.

The implied value of SpinCo 1 demonstrated by market interest from an arm's length investment bank and the arm's length investors participating in the SpinCo 1 Financing.

See Appendix "D" - *"Information Concerning SpinCo 1"*.

## **INFORMATION CONCERNING SPINCO 2**

SpinCo 2 is currently a wholly-owned subsidiary of the Company that has been formed to acquire and hold the Spinout 2 Properties. The registered and records office of SpinCo 2 is located at Suite 1610 – 409 Granville Street, Vancouver, BC V6C 1T2. Upon completion of the Arrangement, SpinCo 2 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 2 Properties, which include the Gibellini vanadium project in Nevada. It is expected that an application will be made for listing of the SpinCo 2 Shares on the TSXV. Listing of the SpinCo 2 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 2 will consider applying to list on other securities exchanges, although there is no assurance that a listing will be obtained. At this time there is not currently a financing contemplated for SpinCo 2, although it is expected that a financing will be completed in 2022. There is no assurance that a financing will be completed.

See Appendix "E" - *"Information Concerning SpinCo "2"*.

## **INFORMATION CONCERNING SPINCO 3**

SpinCo 3 is currently a wholly-owned subsidiary of the Company that has been formed to acquire and hold the Spinout 3 Assets. The registered and records office of SpinCo 3 is located at Suite 1610 – 409 Granville Street, Vancouver, BC V6C 1T2. Upon completion of the Arrangement, SpinCo 3 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 3 Assets, which include the Royalties and approximately 46% of the outstanding NickelCo and VanadiumCo shares, before taking into account the SpinCo 1 Financing. It is expected that an application will be made for listing of the SpinCo 3



Shares on the TSXV. Listing of the SpinCo 3 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 3 will consider applying to list on other securities exchanges, although there is no assurance that a listing will be obtained. At this time there is not currently a financing contemplated for SpinCo 3, although it is expected that a financing will be completed in 2022. There is no assurance that a financing will be completed.

See Appendix “F” - “*Information Concerning SpinCo “3”*”.

## **PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

### **Approvals of SpinCo 1 Incentive Plan, SpinCo 2 Incentive Plan and SpinCo 3 Incentive Plan**

As the Incentive Plan will not carry forward to the SpinCos, and in contemplation of the Arrangement becoming effective, the directors of the SpinCos have adopted each of the SpinCo Incentive Plans. At the Meeting, Shareholders will be asked to approve and ratify the SpinCo Incentive Plans. The SpinCo Incentive Plans were each approved by the board of directors of SpinCo 1, SpinCo 2 and SpinCo 3, respectively, on November 8, 2021.

#### ***Summary of Incentive Plan***

The SpinCos have each adopted the Incentive Plan in order to provide incentive compensation to directors, officers, employees and consultants of as well as to assist the SpinCos in attracting, motivating and retaining qualified directors, management personnel and consultants. The purpose of the Incentive Plan is to provide additional incentive for participants’ efforts to promote the growth and success of the businesses of the SpinCos. The SpinCo Incentive Plans will be administered by the SpinCos’ directors, or committee thereof, which will designate, from time to time, the recipients of grants and the terms and conditions of each grant, in each case in accordance with applicable Securities Laws and stock exchange requirements.

The terms of the SpinCo Incentive Plans are substantially the same as those of the Incentive Plan. For a full description of the SpinCo 1 Incentive Plan, see Appendix “D” – *Information Concerning SpinCo 1*. For a full description of the SpinCo 2 Incentive Plan, see Appendix “E” – *Information Concerning SpinCo 2*. For a full description of the SpinCo 3 Incentive Plan, see Appendix “F” – *Information Concerning SpinCo 3*. The description is qualified in its entirety by reference to the full text of the SpinCo 1 Incentive Plan, SpinCo 2 Incentive Plan and SpinCo 3 Incentive Plan which are available for review at the Meeting and prior thereto at the Company’s offices.

Upon completion of the Arrangement, no SpinCo 1 Options, SpinCo 2 Options, SpinCo 3 Options, SpinCo 1 SARs, SpinCo 2 SARs and SpinCo 3 SARs, will have been granted under the SpinCo Incentive Plans. If the SpinCo Incentive Plans are approved by Shareholders, it is expected that approximately 6,198,571 SpinCo 1 Options and SpinCo 1 SARs (assuming completion of the SpinCo 1 Financing in its entirety), 5,000,000 SpinCo 2 Options and SpinCo 2 SARs and 8,000,000 SpinCo 3 Options and SpinCo 3 SARs will be available for grant, which will represent 10% of the issued and outstanding SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares at the time of completion of the Arrangement.

At the Meeting, Shareholders will be asked to pass an ordinary resolution in substantially the following form in respect of the SpinCo 1 Incentive Plan:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. subject to regulatory approval, the SpinCo 1 Incentive Plan, in the form presented to this Meeting, be and is hereby approved;
2. the Company is authorized to make such amendments to the SpinCo 1 Incentive Plan from time to time as the board of directors of the Company may, in its discretion, consider to be appropriate, provided that such amendments will be subject to the approval of applicable regulatory authorities and must be in accordance with the terms of the SpinCo 1 Incentive Plan; and
3. the approval of the SpinCo 1 Incentive Plan by the board of directors of the Company is hereby ratified and confirmed and any one or more directors or officers of SpinCo 1 be and is hereby

authorized to execute any other documents as such one or more directors or officers deems necessary to give effect to the foregoing resolutions.”

At the Meeting, Shareholders will be asked to pass an ordinary resolution in substantially the following form in respect of the SpinCo 2 Incentive Plan:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. subject to regulatory approval, the SpinCo 2 Incentive Plan, in the form presented to this Meeting, be and is hereby approved;
2. the Company is authorized to make such amendments to the SpinCo 2 Incentive Plan from time to time as the board of directors of the Company may, in its discretion, consider to be appropriate, provided that such amendments will be subject to the approval of applicable regulatory authorities and must be in accordance with the terms of the SpinCo 2 Incentive Plan; and
3. the approval of the SpinCo 2 Incentive Plan by the board of directors of the Company is hereby ratified and confirmed and any one or more directors or officers of SpinCo 2 be and is hereby authorized to execute any other documents as such one or more directors or officers deems necessary to give effect to the foregoing resolutions.”

At the Meeting, Shareholders will be asked to pass an ordinary resolution in substantially the following form in respect of the SpinCo 3 Incentive Plan:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. subject to regulatory approval, the SpinCo 3 Incentive Plan, in the form presented to this Meeting, be and is hereby approved;
2. the Company is authorized to make such amendments to the SpinCo 3 Incentive Plan from time to time as the board of directors of the Company may, in its discretion, consider to be appropriate, provided that such amendments will be subject to the approval of applicable regulatory authorities and must be in accordance with the terms of the SpinCo 3 Incentive Plan; and
3. the approval of the SpinCo 3 Incentive Plan by the board of directors of the Company is hereby ratified and confirmed and any one or more directors or officers of SpinCo 3 be and is hereby authorized to execute any other documents as such one or more directors or officers deems necessary to give effect to the foregoing resolutions.”

In order to pass each of these ordinary resolutions must be approved by at least a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

#### *Recommendation of the Directors*

The board of directors of SpinCo 1, SpinCo 2 and SpinCo 3 have reviewed the SpinCo 1 Incentive Plan, the SpinCo 2 Incentive Plan and the SpinCo 3 Incentive Plan and concluded that the SpinCo 1 Incentive Plan, the SpinCo 2 Incentive Plan and the SpinCo 3 Incentive Plan are fair and reasonable to the Shareholders and in the best interests of the Company and the SpinCos. Management of the Company recommends that Shareholders vote in favour of the foregoing resolutions to approve the SpinCo 1 Incentive Plan, SpinCo 2 Incentive Plan and SpinCo 3 Incentive Plan. Unless such authority is withheld, the Persons named in the enclosed Proxy intend to vote in favour of the approval of the foregoing resolutions.

#### **Approvals of SpinCo 1 Financing**

At the Meeting, Shareholders will be asked to consider and vote upon an ordinary resolution approving the SpinCo 1 Financing. In order to pass this ordinary resolution must be approved by at least a majority of the votes cast by

Shareholders, excluding the votes of certain Interested Shareholders, present in person or represented by proxy at the Meeting.

The table below summarizes the interests of directors, officers and employees of the Company, as well as Interested Shareholders in the SpinCo 1 Financing.

	Securities Granted To / Subscribed For		Other Payments and Benefits Resulting from the Arrangement	Silver Elephant Shares excluded as holdings of Interested Shareholders
	Number and Class	Subscription Price		
Directors and officers of the Company and SpinCo 1	Nil	Nil	n/a	Nil
Employees	Nil	Nil	n/a	Nil
Private places not related to the Company or SpinCo 1	Number of SpinCo 1 FT Subscription Receipts to be determined <sup>(1)</sup>	\$0.77	n/a	Amount to be determined <sup>(1)</sup>
Private places not related to the Company or SpinCo 1	Number of SpinCo 1 NFT Subscription Receipts to be determined <sup>(1)</sup>	\$0.70	n/a	Amount to be determined <sup>(1)</sup>

(1) Prior to the Meeting, the Company will confirm by issuance of a news release the number of SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts subscribed for by Interested Shareholders and the number of Silver Elephant Shares held by Interested Shareholders.

Securities of SpinCo 1 issued pursuant to the SpinCo 1 Financing may be issued at a significant discount to the market price, taking into account the maximum discount by the TSX, of the securities of SpinCo 1 once it begins trading on an exchange and there is no assurance that a premium may develop once it begins trading. In addition, the broker warrants issued in connection with the SpinCo 1 Financing have an exercise price of \$0.70 per SpinCo 1 Share and are exercisable for a period of 2 years. The exercise price of these broker warrants may be at a significant discount to the market price of the securities of SpinCo 1 once it begins trading on an exchange and there is no assurance that a premium may develop once it begins trading.

At the Meeting, Shareholders will be asked to pass an ordinary resolution of disinterested Shareholders in substantially the following form in respect of the SpinCo 1 Financing:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The issuance of up to \$8,600,000 through the issuance of: (i) up to 10,000,000 SpinCo 1 NFT Subscription Receipts at a price of \$0.70 per SpinCo 1 NFT Subscription Receipt and (ii) up to 3,000,000 SpinCo 1 FT Subscription Receipts at a price of \$0.77 per SpinCo 1 FT Subscription Receipt, (the “**SpinCo 1 Financing**”), under the terms of subscription agreements to be entered into between SpinCo 1 and purchasers under the SpinCo 1 Financing, as more particularly set out in the information circular of the Company dated November 14, 2021 (the “**Circular**”), is hereby authorized, approved and adopted.
2. The issuance of up to 719,143 Spinco 1 Shares upon exercise of up to 719,143 broker warrants issuable in connection with the SpinCo 1 Financing, as more particularly set out in the Circular, is hereby authorized, approved and adopted.
3. Notwithstanding that these resolutions have been passed, the SpinCo 1 Financing is conditional upon receipt of final approval by the Toronto Stock Exchange, the directors of the Company are hereby authorized and empowered, without further notice to, or approval of, any securityholders of

the Company, to abandon all or any part of these resolutions at any time prior to giving effect thereto.

4. Any one or more directors or officers of the Company is hereby authorized, for and on behalf and in the name of the Company, to execute and deliver, all such agreements, applications, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions and the SpinCo 1 Financing, including: (a) all actions required to be taken by or on behalf of the Company, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and (b) the signing of the certificates, consents and other documents or declarations required in connection with the SpinCo 1 Financing or otherwise to be entered into by the Company, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

#### *Recommendation of the Directors*

The board of directors of the Company and SpinCo 1 have reviewed the terms of the SpinCo 1 Financing and have concluded that the SpinCo 1 Financing is fair and reasonable to the Shareholders and in the best interests of the Company and SpinCo 1. Management of the Company recommends that Shareholders vote in favour of the foregoing resolutions to approve the SpinCo 1 Financing. Unless such authority is withheld, the Persons named in the enclosed Proxy intend to vote in favour of the approval of the foregoing resolutions.

#### **OTHER MATTERS**

Management of the Company is not aware of any matters to come before the Meeting other than as set forth in the Notice of Meeting that accompanies this Circular. If any other matter properly comes before the Meeting, it is the intention of the Persons named in the enclosed Form of Proxy to vote the Silver Elephant Shares represented thereby in accordance with their best judgment on such matter.

#### **INTEREST OF EXPERTS**

The following persons have been named as having prepared or certified a report, valuation, statement or opinion in this Circular either directly or in a document incorporated by reference and whose profession gives authority to the report, valuation, statement or opinion made by the person or company:

- (a) the technical report prepared by Michael Cullen, P.Geo, Paul Ténrière, P.Geo, Matthew Harrington, P.Geo, William A. Turner, P.Geo, John Eggert, P.Eng. and Lawrence Elgert, P.Eng (the “**Minago Authors**”), on behalf of Mercator Geological Services Limited. (“**Mercator**”), entitled “Technical Report on the Mineral Resource Estimate for the Minago Nickel Project” (the “**Minago Technical Report**”) dated as of August 20, 2021 and effective as of July 2, 2021. and
- (b) the technical report prepared by Kirk Hanson, P.E., Todd Wakefield, RM SME, and Alan Drake, P.L.Eng. (the “**Gibellini Authors**”), on behalf of Wood Group USA, Inc. (“**Wood**”) and Mine Technical Services Ltd. (“**MTS**”), entitled “Gibellini Vanadium Project Eureka County, Nevada NI 43-101 Technical Report on Preliminary Economic Assessment Update” (the “**Gibellini Vanadium Technical Report**”) dated as of October 8, 2021 and effective as of August 30, 2021,

each having been filed with Canadian securities regulatory authorities on SEDAR (available at [www.sedar.com](http://www.sedar.com)).

All scientific and technical information contained in this Circular and the documents incorporated by reference herein have been reviewed and approved in accordance with NI 43-101 by Danniell Oosterman, P. Geo., Vice President, Exploration of the Company, who is a “Qualified Person” under NI 43-101. As of the date hereof,

Danniel Oosterman held 101,531 Common Shares, nil Warrants, 1,270,000 stock options and nil other securities of the Company.

Other than Daniel Oosterman, none of the aforementioned Persons nor any directors, officers, employees and partners, as applicable, of each of the aforementioned companies and partnerships, is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or the SpinCos or any associate or affiliate of the Company or the SpinCos.

Davidson & Company LLP are the auditors for the Company and the SpinCos. Davidson & Company LLP has confirmed that they are independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

Flabbi & Associates LLP are the auditor in respect of the Minago Project for the years ended December 31, 2020, December 31, 2019 and December 31, 2018. Flabbi & Associates LLP has confirmed that they are independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

McKnight Mineral Advisor Services are the authors of the Updated Valuation Report. As of the date hereof, the partners and associates of McKnight Mineral Advisor Services are independent of the Company and each of the SpinCos. As a group, the Advisor, beneficially own, directly or indirectly, no Silver Elephant Shares and no SpinCo Shares.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com),

**APPROVAL OF DIRECTORS**

The contents and sending of this Circular, including the Notice of Meeting, have been approved and authorized by the Board.

November 14, 2021

**BY ORDER OF THE BOARD OF DIRECTORS**

*(Signed) “John Lee”*  
CEO, Executive Chairman and Director



## APPENDIX “A”

### ARRANGEMENT RESOLUTION

#### BE IT RESOLVED THAT:

1. The arrangement (the “**Arrangement**”) under Section 288 of the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) involving Silver Elephant Mining Corp. (the “**Company**”), all as more particularly described and set forth in the Management Proxy Circular (the “**Circular**”) of the Company dated November 14, 2021, accompanying the notice of this meeting (as the Arrangement may be, or may have been, modified or amended in accordance with its terms), is hereby authorized, approved and adopted.
2. The plan of arrangement (the “**Plan of Arrangement**”), involving the Company and implementing the Arrangement, the full text of which is set out in Appendix “B” to the Circular (as the Plan of Arrangement may be, or may have been, modified or amended in accordance with its terms), is hereby authorized, approved and adopted.
3. The amended and restated arrangement agreement (the “**Arrangement Agreement**”) between the Company, Nevada Vanadium Mining Corp., Flying Nickel Mining Corp., 1324825 B.C. Ltd. and Battery Metals Royalties Corp. dated November 8, 2021, and all the transactions contemplated therein, the actions of the directors of the Company in approving the Arrangement and the actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and any amendments thereto are hereby ratified and approved.
4. Notwithstanding that this resolution has been passed (and the Arrangement approved) by the securityholders of the Company or that the Arrangement has been approved by the Supreme Court of British Columbia (the “**Court**”), the directors of the Company are hereby authorized and empowered, without further notice to, or approval of, the securityholders of the Company:
  - (a) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; or
  - (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. Any director or officer of Company is hereby authorized and directed for and on behalf of the Company to make application to the Court for an order approving the Arrangement and to execute, whether under corporate seal of the Company or otherwise, and to deliver articles of arrangement and such other documents as are necessary or desirable to the Director under the BCBCA in accordance with the Arrangement Agreement for filing.
6. Any one or more directors or officers of the Company is hereby authorized, for and on behalf and in the name of the Company, to execute and deliver, whether under corporate seal of the Company or otherwise, all such agreements, forms waivers, notices, certificate, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement and the completion of the Plan of Arrangement in accordance with the terms of the Arrangement Agreement, including:
  - (a) all actions required to be taken by or on behalf of the Company, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
  - (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by the Company;

- (c) such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**APPENDIX “B”**

**PLAN OF ARRANGEMENT UNDER  
SECTION 288 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)**

(see attached)

**SCHEDULE B  
PLAN OF ARRANGEMENT**

**UNDER SECTION 288 OF THE  
BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)**

**ARTICLE 1  
DEFINITIONS AND INTERPRETATION**

**1.1 Definitions.** In this plan of arrangement, unless there is something in the subject matter or context inconsistent therewith, the following capitalized words and terms shall have the following meanings:

- (a) “**Arrangement**” means an arrangement under section 288 of the BCBCA on the terms and conditions set forth in this Plan of Arrangement, subject to any amendment or variation thereto made in accordance with the terms of the Arrangement Agreement, the Plan of Arrangement, or at the direction of the Court in the Final Order;
- (b) “**Arrangement Agreement**” means the amended and restated arrangement agreement dated as of November 8, 2021 between ParentCo, BatteryCo, VanadiumCo, SpinCo 1 and SpinCo 2 to which this Plan of Arrangement is attached as Schedule B, as may be supplemented or amended from time to time;
- (c) “**Arrangement Resolution**” means the special resolution of ParentCo Shareholders approving the Arrangement;
- (d) “**BatteryCo**” means Battery Metals Royalties Corp.;
- (e) “**BatteryCo Assignment Agreement**” means the agreement to be entered into between ParentCo and BatteryCo pursuant to which ParentCo will assign to BatteryCo its interest in the BatteryCo Royalty Assets in consideration for the issuance of BatteryCo Shares;
- (f) “**BatteryCo Financing**” means a financing of BatteryCo Subscription Receipts in an amount and at a price to be determined by the Company and BatteryCo;
- (g) “**BatteryCo Share Contribution Agreement**” means the share contribution agreement to be entered into between BatteryCo and ParentCo pursuant to which ParentCo shall transfer to BatteryCo and BatteryCo shall receive from ParentCo certain outstanding Spinco 1 Shares and Spinco 2 Shares held by ParentCo;
- (h) “**BatteryCo Shares**” means the common shares without par value in the capital of BatteryCo;
- (i) “**BatteryCo Subscription Receipts**” means subscription receipts of BatteryCo to be issued as part of a BatteryCo Financing, each such subscription receipt to be converted into one BatteryCo Share and one-half of one BatteryCo Share purchase warrant, without any further action on the part of the holder;
- (j) “**BatteryCo Royalty Assets**” those royalty interests in certain mineral properties listed in Exhibit 2 to the Plan of Arrangement;

- (k) “**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended, and the regulations promulgated thereunder;
- (l) “**Board of Directors**” means the current and existing Board of Directors of ParentCo;
- (m) “**Business Day**” means a day which is not a Saturday, Sunday or a statutory or civic holiday in Vancouver, British Columbia;
- (n) “**Class A Shares**” means a new class of voting common shares without par value which ParentCo will create and issue as described in section 3.1(g) of this Plan of Arrangement and for which the ParentCo Shares are, in part, to be exchanged under the Plan of Arrangement and which, immediately after completion of the transactions comprising the Plan of Arrangement, will be identical in every relevant respect to the ParentCo Shares, other than as set forth in the Plan of Arrangement;
- (o) “**Consolidation**” means the consolidation of the ParentCo Shares as described in section 3.1(b) of this Plan of Arrangement;
- (p) “**Court**” means the Supreme Court of British Columbia;
- (q) “**Depository**” means Computershare Investor Services Inc., the depository for the Arrangement, appointed for the purpose of, among other things, exchanging certificates representing ParentCo Shares for certificates representing New ParentCo Shares, SpinCo 1 Shares, SpinCo 2 Shares and BatteryCo Shares in connection with the Arrangement.
- (r) “**Dissent Rights**” means the rights of dissent in respect to the Arrangement under the BCBCA as described in Article 4;
- (s) “**Dissenting Shareholder**” means a registered ParentCo Shareholder who duly exercises its Dissent Rights pursuant to Article 4 of this Plan of Arrangement and the Interim Order and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;
- (t) “**Effective Date**” means the date upon which the Arrangement becomes effective, being the date shown on the Certificate of Arrangement;
- (u) “**Effective Time**” means 12:01 a.m. (Vancouver Time) on the Effective Date or such other time on the Effective Date as may be determined by ParentCo;
- (v) “**Final Order**” means the final order of the Court approving the Arrangement;
- (w) “**Former ParentCo Shareholders**” means the holders of ParentCo Shares immediately prior to the Effective Time;
- (x) “**Gibellini Assets**” means the assets to be purchased by VanadiumCo pursuant to the Gibellini Asset Contribution Agreement and which shall include the Gibellini Properties and the Gibellini Related Assets;
- (y) “**Gibellini Asset Contribution Agreement**” means the agreement to be entered into between ParentCo and VanadiumCo pursuant to which VanadiumCo (or its affiliate

VanadiumCo US) shall receive as a contribution to capital ParentCo's interest in the Gibellini Assets in consideration of the issuance of VanadiumCo Shares;

- (z) **“Gibellini Assumption Agreement”** means the agreement to be entered into between ParentCo and VanadiumCo pursuant to which VanadiumCo will assume the Gibellini Assumed Liabilities;
- (aa) **“Gibellini Assumed Liabilities”** means all other outstanding debts and amounts owing by ParentCo in respect of the Gibellini Properties on the day prior to the effective date of the Plan of Arrangement;
- (bb) **“Gibellini Properties”** means those interests in mineral exploration listed in Exhibit III to the Plan of Arrangement;
- (cc) **“Gibellini Related Assets”** means all Contracts, Permits, Environmental Permits, intellectual property, business information (other than financial books and records), geological, geophysical and other technical information, data, records, reports and studies exclusively related to any Gibellini Property;
- (dd) **“Governmental Entity”** means: (a) any multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, agency or entity, domestic or foreign; (b) any stock exchange, including the TSXV and the TSX; (c) any subdivision, agent, commission, board or authority of any of the foregoing; or (d) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (ee) **“Interim Order”** means the interim order of the Court relating to the Arrangement and providing for, among other things, the calling and holding of the Meeting, as the same may be amended, supplemented or varied by the Court;
- (ff) **“Law”** or **“Laws”** means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgements, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity or self-regulatory authority (including the TSXV and the TSX), and the term "applicable" with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a Person having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;
- (gg) **“Meeting”** means the special meeting of the ParentCo Shareholders and any adjournments thereof to be held to, among other things, consider and, if deemed advisable, approve the Arrangement;
- (hh) **“New ParentCo Shares”** has the meaning ascribed thereto in section 3.1(j)(i) of this Plan of Arrangement;
- (ii) **“Notice of Dissent”** means a notice given in respect of the Dissent Rights as contemplated in the Interim Order and as described in Article 4;



- (jj) **“ParentCo”** means Silver Elephant Mining Corp., a corporation incorporated under the BCBCA;
- (kk) **“ParentCo Option Plan”** means ParentCo’s incentive stock option plan;
- (ll) **“ParentCo Options”** means outstanding options to purchase ParentCo Shares in accordance with the ParentCo Option Plan;
- (mm) **“ParentCo Shareholders”** means holders of ParentCo Shares;
- (nn) **“ParentCo Shares”** means the voting common shares without par value which ParentCo is authorized to issue as the same are constituted on the date hereof;
- (oo) **“ParentCo Warrants”** means outstanding warrants to purchase ParentCo Shares;
- (pp) **“ParentCo Warrant Certificates”** means the certificates representing the ParentCo Warrants;
- (qq) **“Parties”** means ParentCo, VanadiumCo, BatteryCo, SpinCo 1 and SpinCo 2, and **“Party”** means either of them;
- (rr) **“Person”** or **“person”** means an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, trustee, executor, administrator or other legal representative, government (including any Governmental Entity, as such term is defined in the Arrangement Agreement) or any other entity, whether or not having legal status;
- (ss) **“Plan of Arrangement”** means this plan of arrangement, as the same may be amended from time to time;
- (tt) **“Spinco 1”** means Flying Nickel Mining Corp, a company incorporated under the BCBCA;
- (uu) **“Spinco 1 Asset Contribution Agreement”** means the agreement to be entered into between ParentCo and Spinco 1 pursuant to which Spinco 1 receives ParentCo’s interest in the Spinco 1 Spinout Assets in consideration of the issuance of Spinco 1 Shares;
- (vv) **“Spinco 1 Assumed Liabilities”** means all other outstanding debts and amounts owing by ParentCo in respect of the Spinco1 Properties on the day prior to the effective date of the Plan of Arrangement;
- (ww) **“Spinco 1 Assumption Agreement”** means the agreement to be entered into between ParentCo and Spinco 1 pursuant to which Spinco 1 will assume the Spinco 1 Assumed Liabilities;
- (xx) **“SpinCo 1 Financing”** means the financing of SpinCo 1 Subscription Receipts for aggregate gross proceeds of up to \$8,600,000;
- (yy) **“SpinCo 1 FT Subscription Receipts”** means the subscription receipts of SpinCo 1 to be issued as part of the SpinCo 1 Financing at a price of \$0.77 per subscription receipt,

each such subscription receipt to be converted into one SpinCo 1 Share issued as a ‘flow-through share’ without any further action on the part of the holder;

- (zz) “**SpinCo 1 NFT Subscription Receipts**” means the subscription receipts of SpinCo 1 to be issued as part of the SpinCo 1 Financing at a price of \$0.70 per subscription receipt, each such subscription receipt to be converted into one SpinCo 1 Share and one-half of one SpinCo 1 Share purchase warrant, without any further action on the part of the holder;
- (aaa) “**Spinco 1 Shareholder**” means a holder of Spinco 1 Shares;
- (bbb) “**Spinco 1 Shares**” means the voting common shares without par value which Spinco 1 is authorized to issue as the same are constituted on the date hereof;
- (ccc) “**Spinco 1 Spinout Assets**” means the assets purchased by SpinCo 1 pursuant to the Spinco 1 Asset Contribution Agreement and which shall include the Spinco 1 Properties and the Spinco 1 Related Assets;
- (ddd) “**Spinco 1 Properties**” means those interests in mineral exploration properties listed in Exhibit 1 to the Plan of Arrangement;
- (eee) “**Spinco 1 Related Assets**” means all Contracts, Permits, Environmental Permits, intellectual property, business information (other than financial books and records), geological, geophysical and other technical information, data, records, reports and studies exclusively related to any Spinco 1 Property;
- (fff) “**Spinco 2**” means 1324825 B.C. Ltd., a company to be incorporated under the BCBCA;
- (ggg) “**SpinCo 2 Financing**” means a financing of SpinCo 2 Subscription Receipts in an amount and at a price to be determined by the Company and SpinCo 2;
- (hhh) “**Spinco 2 Share Contribution Agreement**” means the share contribution agreement to be entered into between SpinCo 2 and ParentCo pursuant to which ParentCo shall contribute to SpinCo 2 and SpinCo 2 shall receive from ParentCo all of the outstanding VanadiumCo Shares in consideration of the issuance of Spinco 2 Shares;
- (iii) “**Spinco 2 Shareholder**” means a holder of Spinco 2 Shares;
- (jjj) “**Spinco 2 Shares**” means the voting common shares without par value which Spinco 2 is authorized to issue as the same are constituted on the date hereof;
- (kkk) “**SpinCo 2 Subscription Receipts**” means subscription receipts of SpinCo 2 to be issued as part of a SpinCo 2 Financing, each such subscription receipt to be converted into one SpinCo 2 Share and one-half of one SpinCo 2 Share purchase warrant, without any further action on the part of the holder.
- (III) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations made thereunder, and as the context requires includes reference to any other similar provincial taxation statute and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

- (mmm) “**Transfer Agent**” means Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia;
- (nnn) “**Taxes**” means any taxes, duties, fees, premiums, assessments, imposts, levies, expansion fees and other charges of any kind whatsoever imposed by any Governmental Entity, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, windfall, royalty, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all licence, franchise and registration fees and all employment insurance, health insurance and Canada and other pension plan premiums or contributions imposed by any Governmental Entity, and any transferee liability in respect of any of the foregoing; and
- (ooo) “**TSX**” means the Toronto Stock Exchange;
- (ppp) “**TSXV**” means the TSX Venture Exchange;
- (qqq) “**VanadiumCo**” means Nevada Vanadium Mining Corp.;
- (rrr) “**VanadiumCo Shares**” means common shares in the capital of VanadiumCo;
- (sss) “**VanadiumCo US**” means Nevada Vanadium LLC, a wholly-owned subsidiary of VanadiumCo.

**1.2 Sections and Headings.** The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.

**1.3 Number, Gender and Persons.** In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires, words importing the singular number shall include the plural and vice versa, and words importing gender shall include all genders.

**1.4 Meaning.** Words and phrases used herein and defined in the BCBCA shall have the same meaning herein as in the BCBCA, unless the context otherwise requires.

**1.5 Statutory References.** Any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

**1.6 Currency.** Unless otherwise stated all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

**1.7 Business Day.** In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

**1.8 Governing Law.** This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

**1.9 Binding Effect.** This Plan of Arrangement will become effective at, and be binding at and after, the Effective Time on: (i) ParentCo; (ii) BatteryCo; (iii) VanadiumCo; (iv) Spinco 1; (v) Spinco 2; all registered and beneficial ParentCo Shareholders; and (vi) the Dissenting Shareholders.

## **ARTICLE 2 ARRANGEMENT AGREEMENT**

**2.1 Arrangement Agreement.** This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.

## **ARTICLE 3 THE ARRANGEMENT**

**3.1 The Arrangement.** On the Effective Date, commencing at the Effective Time, the following shall occur and be deemed to occur in the following chronological order without further act or formality notwithstanding anything contained in the provisions attaching to any of the securities of ParentCo, BatteryCo, VanadiumCo, Spinco 1 or Spinco 2, but subject to the provisions of Article 4:

- (a) Each ParentCo Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all liens, claims and encumbrances, to ParentCo and ParentCo shall thereupon be obliged to pay the amount therefor determined and payable in accordance with Section 4.1 hereof, and the name of each such holder shall be removed from the securities register as a holder of ParentCo Shares and such ParentCo Shares so transferred to ParentCo shall thereupon be cancelled;
- (b) A consolidation of outstanding share capital of ParentCo (the “**Consolidation**”) shall occur on the basis of one post-consolidation ParentCo Share for each 10 pre-consolidation ParentCo Shares;
- (c) Spinco 1 shall purchase the Spinco 1 Spinout Assets from ParentCo pursuant to the Spinco 1 Asset Contribution Agreement in consideration for: (i) the issuance of 50,000,000 Spinco 1 Shares; and (ii) the assumption of the Spinco 1 Assumed Liabilities, which assumption shall be governed by the Spinco 1 Assumption Agreement, the aggregate value of which will have equivalent value to the Spinco 1 Spinout Assets. The stated capital of the Spinco 1 Shares shall be increased by an amount equal to the aggregate fair market value of the Spinco 1 Spinout Assets less the amount of the Spinco 1 Assumed Liabilities;
- (d) BatteryCo shall purchase the BatteryCo Royalty Assets from ParentCo pursuant to the BatteryCo Assignment Agreement in consideration for the issuance of BatteryCo Shares having an equivalent value. The stated capital of the BatteryCo Shares shall be increased by an amount equal to the aggregate fair market value of the BatteryCo Royalty Assets;
- (e) VanadiumCo shall purchase the Gibellini Assets from ParentCo pursuant to the Gibellini Asset Purchase Agreement in consideration for: (i) the issuance of VanadiumCo Shares; and (ii) the assumption of the Gibellini Assumed Liabilities, which assumption shall be governed by the Gibellini Assumption Agreement, the aggregate value of which will

have equivalent value to the Gibellini Assets.. The stated capital of the VanadiumCo Shares shall be increased by an amount equal to the aggregate fair market value of the Gibellini Assets less the amount of the Gibellini Assumed Liabilities;

- (f) Spinco 2 shall purchase the VanadiumCo Shares from ParentCo pursuant to the Spinco 2 Share Contribution Agreement in consideration for 50,000,000 Spinco 2 Shares having equivalent value. The stated capital of the Spinco 2 Shares shall be increased by an amount equal to the aggregate fair market value of the VanadiumCo Shares;
- (g) the authorized share capital of ParentCo shall be reorganized and its articles amended by, the creation of an unlimited number of Class A Shares having the same rights, privileges, restrictions and conditions as the ParentCo Shares except that they shall provide any holder of Class A Shares owning more than 80% of the issued and outstanding Class A Shares with the right to requisition the directors of ParentCo to call a meeting of the holders of Class A Shares for the purposes stated in the requisition and should the directors of ParentCo not call such meeting within two days after receiving such requisition a shareholder who made such requisition may call a meeting in the manner in which such meeting may be called under the BCBCA and the articles of ParentCo, and the Notice of Articles and Articles of ParentCo are amended accordingly;
- (h) BatteryCo shall purchase from ParentCo:
  - (i) that number of Spinco 1 Shares equal to 50,000,000 less the number of issued and outstanding ParentCo Shares less the number of outstanding ParentCo Options less the number of outstanding ParentCo Warrants;
  - (ii) that number of Spinco 2 Shares equal to 50,000,000 less the number of issued and outstanding ParentCo Shares less the number of outstanding ParentCo Options less the number of outstanding ParentCo Warrants,

pursuant to the BatteryCo Share Contribution Agreement in consideration for the issuance of BatteryCo Shares having equivalent value. The stated capital of the BatteryCo Shares shall be increased by an amount equal to the aggregate fair market value of the Spinco 1 Shares and Spinco 2 Shares received;

- (i) in accordance with the terms of the ParentCo Warrant Certificates each holder of a ParentCo Warrant outstanding immediately prior to the Effective Time shall receive (and such holder shall accept) upon the exercise of such holder's ParentCo Warrant, in lieu of each ParentCo Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New ParentCo Shares, Spinco1 Shares, Spinco 2 Shares and BatteryCo Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of ParentCo Shares to which such holder was theretofore entitled upon exercise of the ParentCo Warrants and such ParentCo Warrant shall continue to be governed by and be subject to the terms of the ParentCo Warrant Certificates;
- (j) in accordance with the terms of the ParentCo Stock Option Plan, each holder of a ParentCo Option outstanding immediately prior to the Effective Time shall receive (and such holder shall accept) upon the exercise of such holder's ParentCo Option, in lieu of

each ParentCo Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New ParentCo Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of ParentCo Shares to which such holder was theretofore entitled upon exercise of the ParentCo Options; and (ii) such ParentCo Option shall continue to be governed by and be subject to the terms of the ParentCo Stock Option Plan.

- (k) each ParentCo Share will be exchanged for: (A) one Class A Share; (B) one Spinco 1 Share; (C) one Spinco 2 Share and (D) two BatteryCo Shares. As a result of the exchange:
- (i) the authorized capital of ParentCo shall be amended to delete the ParentCo Shares, none of which are issued and outstanding, and to delete the rights, privileges, restrictions and conditions attached to the ParentCo Shares; and
  - (ii) the aggregate amount added to the stated capital of the Class A Shares issued pursuant to Section 3.1(i)(i) above shall be equal to the amount if any, by which (A) the aggregate paid-up capital (as that term is defined for the purposes of the Tax Act) of the ParentCo Shares (other than ParentCo Shares held by the Dissenting Shareholders) immediately prior to the Effective Time, exceeds (B) the fair market value of the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares distributed to the ParentCo Shareholders;

and the Notice of Articles and Articles of ParentCo are amended accordingly.

The name of each ParentCo Shareholder who is so deemed to exchange his, her or its ParentCo Shares, shall be removed from the securities register of ParentCoShares with respect to the ParentCoShares so exchanged and shall be added to the securities registers of the Class A Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares as the holder of the number of Class A Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares deemed to have been received on the exchange.

- (l) the authorized capital of ParentCo is amended:
- (i) to rename the Class A Shares as ‘Common Shares’ (“**New ParentCo Shares**”); and
  - (ii) to delete those rights, privileges, restrictions attached thereto which provide that any holder of Class A Shares owning more than 80% of the issued and outstanding Class A Shares with the right to requisition the directors of ParentCo to call a meeting of the holders of Class A Shares for the purposes stated in the requisition and should the directors of ParentCo not call such meeting within two days after receiving such requisition a shareholder who made such requisition may call a meeting in the manner in which such meeting may be called under the BCBCA and the articles of ParentCo; and

and the Notice of Articles and Articles of ParentCo are amended accordingly.



- (m) each then outstanding SpinCo 1 FT Subscription Receipt shall be converted into one SpinCo 1 Share;
- (n) each then outstanding SpinCo 1 NFT Subscription Receipt shall be converted into one SpinCo 1 Share and one-half of one SpinCo 1 Warrant;
- (o) each then outstanding SpinCo 2 Subscription Receipt shall be converted into one SpinCo 2 Share and one-half of one SpinCo 2 Warrant and;
- (p) each then outstanding BatteryCo Subscription Receipt shall be converted into one BatteryCo Share and one-half of one BatteryCo Warrant.

**3.2 No Fractional Shares.** Notwithstanding any other provision of this Arrangement, no fractional Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares shall be transferred to the ParentCo Shareholders and ParentCo Shareholders will not receive any compensation in lieu thereof.

**3.3 Effective Date.** In Section 3.1 the reference to a ParentCo Shareholder shall mean a person who is a ParentCo Shareholder as of the Effective Time, subject to the provisions of Article 4.

**3.4 Deemed Fully Paid and Non-Assessable Shares.** All ParentCo Shares, Class A Shares, BatteryCo Share, Spinco 1 Shares and Spinco 2 Shares issued pursuant hereto shall be deemed to be validly issued and outstanding as fully paid and non-assessable shares for all purposes.

**3.5 Arrangement Effectiveness.** The Arrangement shall become final and conclusively binding on the ParentCo Shareholders, Spinco 1 Shareholders, Spinco 2 Shareholders, BatteryCo Shareholders and each of ParentCo, Spinco 1, Spinco 2 and BatteryCo on the Effective Date.

**3.6 Supplementary Actions.** Notwithstanding that the transactions and events set out in Section 3.1 shall occur and shall be deemed to occur in the chronological order therein set out without any act or formality, each of ParentCo, VanadiumCo, Spinco 1, Spinco 2 and BatteryCo shall be required to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to give effect to, or further document or evidence, any of the transactions or events set out in Section 3.1, including, without limitation, any resolutions of directors authorizing the issue, transfer or redemption of shares, any share transfer powers evidencing the transfer of shares and any receipt therefor, and any necessary additions to or deletions from share registers.

**3.7 Withholding Rights.** ParentCo, Spinco 1, Spinco 2 and BatteryCo shall be entitled to deduct or withhold from the consideration or other amount payable to any ParentCo Shareholder, including Dissenting Shareholders pursuant to Article 4, and from all dividends, other distributions or other amount otherwise payable to any ParentCo Shareholder, such Taxes or other amounts as ParentCo, Spinco 1, Spinco 2 or BatteryCo is required, entitled or permitted to deduct and withhold with respect to such payment under the Tax Act, the Code, or any other provisions of any applicable Laws. For greater certainty, to the extent that the exchanges in subsection 3.1(k) hereof gives rise to a deemed dividend under the Tax Act or the Code, ParentCo shall be entitled to retain and sell that number of Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares as required to satisfy any withholding requirement under the Tax Act or the Code or any other applicable Laws. To the extent that Taxes or other amounts are so deducted or withheld, such deducted or withheld Taxes or other amounts shall be treated for all purposes under this Plan of Arrangement as having been paid to the Person in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority and the number of Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares retained and sold by ParentCo shall be deemed to have been issued to the ParentCo Shareholder.

## **ARTICLE 4 RIGHTS OF DISSSENT**

**4.1 Dissent Right.** Notwithstanding Section 3.1 hereof, holders of ParentCo Shares may exercise rights of dissent (the “**Dissent Rights**”) in connection with the Arrangement pursuant to the Interim Order and the Final Order and in the manner set forth in Section 238 of the BCBCA, provided that the written notice setting forth the objection of such registered ParentCo Shareholders to the Arrangement and exercise of Dissent Rights must be received by ParentCo not later than 9:00 a.m. (Pacific Time) on the Business Day that is two Business Days before the Meeting or any date to which the Meeting may be postponed or adjourned and provided further that holders who exercise such rights of dissent and who:

- (a) are ultimately entitled to be paid fair value for their ParentCo Shares, which fair value, notwithstanding anything to the contrary contained in the BCBCA, shall be determined immediately prior to the approval of the Arrangement Resolution, shall be deemed to have transferred their ParentCo Shares to ParentCo as of the Effective Time in consideration for a debt claim against ParentCo to be paid the fair value of such ParentCo Shares and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights; and
- (b) are ultimately not entitled, for any reason, to be paid fair value for their ParentCo Shares shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of ParentCo Shares, and shall be entitled to receive only the securities contemplated in Section 3.1 hereof (less any amounts withheld pursuant to Section 3.7 hereof) that such ParentCo Shareholder would have received pursuant to the Arrangement if such ParentCo Shareholder had not exercised Dissent Rights.

**4.2 Recognition of Dissenting Shareholders.** In no circumstances shall ParentCo, Spinco 1, Spinco 2 and BatteryCo or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is a registered holder of those ParentCo Shares in respect of which such rights are sought to be exercised. From and after the Effective Date, neither ParentCo, Spinco 1, Spinco 2 and BatteryCo nor any other Person shall be required to recognize a Dissenting Shareholder as a shareholder of ParentCo or , Spinco 1, Spinco 2 and BatteryCo and the names of the Dissenting Shareholders shall be deleted from the register of holders ParentCo Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares previously maintained or caused to be maintained by ParentCo, , Spinco 1, Spinco 2 or BatteryCo.

**4.3 Reservation of Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares.** If a ParentCo Shareholder exercises the Dissent Right, ParentCo shall on the Effective Date set aside and not transfer that portion of the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares which is attributable to the ParentCo Shares for which Dissent Rights have been exercised. If the dissenting ParentCo Shareholder is ultimately not entitled to be paid for their Dissenting Shares, ParentCo shall distribute to such ParentCo Shareholder his or her pro rata portion of the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares. If a ParentCo Shareholder duly complies with the Dissent Procedures and is ultimately entitled to be paid for their Dissenting Shares, then ParentCo shall retain the portion of the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares attributable to such ParentCo Shareholder and such shares will be dealt with as determined by the Board of Directors of ParentCo in its discretion.

## **ARTICLE 5 CERTIFICATES**

### **5.1 Share Certificates.** Recognizing that

- (a) the ParentCo Shares shall be exchanged for Class A Shares pursuant to section 3.1(k), ParentCo shall not issue replacement share certificates representing the ParentCo Shares; and
- (b) the Class A Shares shall be redesignated and renamed as 'Common Shares', ParentCo shall not issue replacement share certificates representing the Class A Shares;

**5.2 Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares.** Recognizing that the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares issued to ParentCo under Sections 3.1(c), 3.1(d), 3.1(f) and 3.1(h) shall be distributed by ParentCo to the ParentCo Shareholders pursuant to the provisions of Section 3.1(k), Spinco 1, Spinco 2 and BatteryCo shall issue one share certificate representing all of the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares registered in the name of ParentCo, which share certificates shall be held by ParentCo until such shares are distributed by ParentCo to the ParentCo Shareholders and such certificates shall then be cancelled and certificates representing any remaining shares held by ParentCo shall be issued.

**5.3 Certificates for Spinco 1, Spinco 2 and BatteryCo.** As soon as practicable following the Effective Date, Spinco 1, Spinco 2 and BatteryCo shall cause to be issued to the registered holders of Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares as of the Effective Time, share certificates representing the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares of which each such ParentCo Shareholder will be the registered holder at the close of business on the Effective Date, and shall deliver or arrange to be delivered to the Depository certificates representing the SpinCo 1 Shares, SpinCo 2 Shares and BatteryCo Shares required to be issued to registered holders of ParentCo Shares in accordance with the provisions of Section 3.1(k), which certificates shall be held by the Depository as agent and nominee for such registered ParentCo Shareholders for distribution to such registered ParentCo Shareholders in accordance with the provisions of Section Error! Reference source not found. hereof.

**5.4 New ParentCo Share Certificates.** From and after the Effective Time, ParentCo shall deliver or arrange to be delivered to the Depository new share certificates representing the New ParentCo Shares to be issued to registered holders of ParentCo Shares in accordance with the provisions of Section 3.1(k), which certificates shall be held by the Depository as agent and nominee for such registered ParentCo Shareholders for distribution to such registered ParentCo Shareholders in accordance with the provisions of Section Error! Reference source not found. hereof.

## **ARTICLE 6 DELIVERY OF SHARES**

### **6.1 Delivery of ParentCo Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares.**

- (a) Upon surrender to the Depository for cancellation of a certificate that immediately before the Effective Time represented one or more outstanding ParentCo Shares, together with such other documents and instruments as would have been required to effect the transfer of the ParentCo Shares formerly represented by such certificate under the BCBCA and the articles of ParentCo and such additional documents and instruments as the Depository may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depository shall deliver to such holder following

the Effective Time, a certificate representing the New ParentCo Shares and certificates representing the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares that such holder is entitled to receive in accordance with Section 3.1 hereof.

- (b) After the Effective Time and until surrendered for cancellation as contemplated by Section 6.1(a) hereof, each certificate that immediately prior to the Effective Time represented one or more ParentCo Shares shall be deemed at all times to represent only the right to receive in exchange therefor a certificate representing the New ParentCo Shares and certificates representing the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares that the holder of such certificate is entitled to receive in accordance with Section 3.1 hereof.

**6.2 Lost Certificates.** If any certificate that immediately prior to the Effective Time represented one or more outstanding ParentCo Shares that were exchanged for New ParentCo Shares and Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares in accordance with Section 3.1 hereof, shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depository shall deliver, in exchange for such lost, stolen or destroyed certificate, certificates representing the New ParentCo Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares that such holder is entitled to receive in accordance with Section 3.1 hereof. When authorizing such delivery in exchange for such lost, stolen or destroyed certificate, the holder to whom such delivery is to be made shall, as a condition precedent to such delivery, give a bond satisfactory to ParentCo, Spinco 1, Spinco 2, BatteryCo and the Depository in such amount as ParentCo, ParentCo, Spinco 1, Spinco 2, BatteryCo and the Depository may direct, or otherwise indemnify ParentCo, ParentCo, Spinco 1, Spinco 2, BatteryCo and the Depository in a manner satisfactory to ParentCo, ParentCo, Spinco 1, Spinco 2, BatteryCo and the Depository, against any claim that may be made against ParentCo, ParentCo, Spinco 1, Spinco 2, BatteryCo or the Depository with respect to the certificate alleged to have been lost, stolen or destroyed, and shall otherwise take such actions as may be required by the articles of ParentCo.

**6.3 Distributions with Respect to Unsurrendered Certificates.** No dividend or other distribution declared or made after the Effective Time with respect to New ParentCo Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate that, immediately prior to the Effective Time, represented outstanding ParentCo Shares, unless and until the holder of such certificate shall have complied with the provisions of Section 6.1 or Section 6.2 hereof. Subject to applicable Law and to Section 6.4 hereof, at the time of such compliance, there shall, in addition to the delivery of a certificate representing the New ParentCo Shares and a certificate representing the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares to which such holder is entitled in accordance with Section 3.1 hereof, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such New ParentCo Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares.

**6.4 Limitation and Proscription.** To the extent that a Former ParentCo Shareholder shall not have complied with the provisions of Section 6.1 or Section 6.2 hereof on or before the date that is six years after the Effective Date (the “**final proscription date**”), then the New ParentCo Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares that such Former ParentCo Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and:

- (a) the Depository shall deliver the certificates representing such New ParentCo Shares to which such Former ParentCo Shareholder was entitled, to ParentCo and ParentCo shall cancel such share certificates, and the interest of the Former ParentCo Shareholder in such New ParentCo Shares to which it was entitled shall be terminated; and

- (b) the Depositary shall deliver the certificates representing such Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares to which such Former ParentCo Shareholder was entitled to and Spinco 1, Spinco 2 and BatteryCo shall cancel such share certificates, and the interest of the Former ParentCo Shareholder in such Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares to which it was entitled shall be terminated,

as of such final proscription date.

## **ARTICLE 7 AMENDMENT AND FURTHER ASSURANCES**

### **7.1 Amendments to Plan of Arrangement.**

- (a) The Arrangement Agreement and the Plan of Arrangement may be amended at any time and from time to time before or after the holding of the Meeting but not later than the Effective Time; provided that any such amendment (i) is in writing and is agreed to in writing by the Parties; (ii) if required, is filed with the Court; and (iii) if made following the Meeting, is approved by the Court and, if and as required by the Court, is communicated to Former ParentCo Shareholders and/or consented to by Former ParentCo Shareholders.
- (b) Any such amendment may, subject to the Interim Order and the Final Order and applicable Law, without limitation:
  - (i) change the time for performance of any of the obligations or acts of the Parties;
  - (ii) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant to the Arrangement Agreement;
  - (iii) waive compliance with or modify any of the covenants contained in the Arrangement Agreement or waive or modify performance of any of the obligations of the Parties; and/or
  - (iv) waive compliance with or modify any mutual conditions precedent contained in the Arrangement Agreement.
- (c) Any amendment made before the Meeting in accordance with this Section 7.1 may be made with or without any other prior notice or communication and, if accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Agreement and the Plan of Arrangement for all purposes.

**7.2 Further Assurances.** Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur at the time and in the manner set out in this Plan of Arrangement without any further act or formality, ParentCo, Spinco 1, Spinco 2, VanadiumCo and BatteryCo shall make, do and execute, or cause to be made, done or executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

**EXHIBIT I**

	<b>Location</b>	<b>Name (Desc)</b>	<b>ID number</b>	<b>Type</b>	<b>Registered Owner</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 24</b>	<b>MB10193</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 25</b>	<b>MB10194</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 26</b>	<b>MB10195</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 27</b>	<b>MB10196</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 28</b>	<b>MB10197</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 29</b>	<b>MB10198</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 30</b>	<b>MB10199</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 11497</b>	<b>MB11497</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 11498</b>	<b>MB11498</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 11499</b>	<b>MB11499</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 11500</b>	<b>MB11500</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 11536</b>	<b>MB11536</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 11537</b>	<b>MB11537</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 11538</b>	<b>MB11538</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 11539</b>	<b>MB11539</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 11540</b>	<b>MB11540</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>VIC 11541</b>	<b>MB11541</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>



Canada	Minago	VIC 11542	MB11542	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 11543	MB11543	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 11544	MB11544	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 11545	MB11545	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 11546	MB11546	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 11547	MB11547	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 11548	MB11548	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 11549	MB11549	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 11550	MB11550	Mineral	Silver Elephant Mining Corp
Canada	Minago	BARNEY 1	MB5390	Mineral	Silver Elephant Mining Corp
Canada	Minago	BARNEY 2	MB5391	Mineral	Silver Elephant Mining Corp
Canada	Minago	BARNEY 3	MB5392	Mineral	Silver Elephant Mining Corp
Canada	Minago	BARNEY 4	MB5393	Mineral	Silver Elephant Mining Corp
Canada	Minago	BARNEY 5	MB5394	Mineral	Silver Elephant Mining Corp
Canada	Minago	BARNEY 6	MB5395	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 1	MB7027	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 2	MB7028	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 3	MB7029	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 6	MB7030	Mineral	Silver Elephant Mining Corp

Canada	Minago	MIN 7	MB7031	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 9	MB7032	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 8	MB7033	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 10	MB7066	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 11	MB7067	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 12	MB7141	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 13	MB7142	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 14	MB7143	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 15	MB7144	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 16	MB7145	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 17	MB7146	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 18	MB7147	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 19	MB7148	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 20	MB7149	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 21	MB7150	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 22	MB7151	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 23	MB7152	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 24	MB7153	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 25	MB7154	Mineral	Silver Elephant Mining Corp

Canada	Minago	MIN 26	MB7155	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 27	MB7156	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 28	MB7157	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 29	MB7158	Mineral	Silver Elephant Mining Corp
Canada	Minago	DAD	MB8497	Mineral	Silver Elephant Mining Corp
Canada	Minago	TOM F	MB8549	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 1	MB8780	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 2	MB8781	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 3	MB8782	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 4	MB8783	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 5	MB8784	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 6	MB8785	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 7	MB8786	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 8	MB8787	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 9	MB8788	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 10	MB8789	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 11	MB8790	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 12	MB8791	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 13	MB8792	Mineral	Silver Elephant Mining Corp

Canada	Minago	VIC 19	MB8935	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 20	MB8936	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 21	MB8937	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 22	MB8938	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 23	MB8939	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 16	MB8947	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 17	MB8948	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 18	MB8949	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 14	MB8979	Mineral	Silver Elephant Mining Corp
Canada	Minago	VIC 15	MB9000	Mineral	Silver Elephant Mining Corp
Canada	Minago	BRY 18	P235F	Mineral	Silver Elephant Mining Corp
Canada	Minago	BRY 20	P237F	Mineral	Silver Elephant Mining Corp
Canada	Minago	BRY 21	P238F	Mineral	Silver Elephant Mining Corp
Canada	Minago	BRY 22	P239F	Mineral	Silver Elephant Mining Corp
Canada	Minago	KON 1	P2527F	Mineral	Silver Elephant Mining Corp
Canada	Minago	KON 2	P2528F	Mineral	Silver Elephant Mining Corp
Canada	Minago	KON 3	P2529F	Mineral	Silver Elephant Mining Corp
Canada	Minago	KON 4	P2530F	Mineral	Silver Elephant Mining Corp
Canada	Minago	MIN 4	W48594	Mineral	Silver Elephant Mining Corp

<b>Canada</b>	<b>Minago</b>	<b>MIN 5</b>	<b>W48595</b>	<b>Mineral</b>	<b>Silver Elephant Mining Corp</b>
<b>Canada</b>	<b>Minago</b>	<b>ML2</b>	<b>G12659</b>	<b>Mineral</b>	<b>Victory Nickel (Transfer to Silver Elephant in progress)</b>
<b>Canada</b>	<b>Minago</b>	<b>ML3</b>	<b>G5751</b>	<b>Mineral</b>	<b>Victory Nickel (Transfer to Silver Elephant in progress)</b>
<b>Canada</b>	<b>Minago</b>		<b>QL-1853</b>	<b>Quarry</b>	<b>Victory Nickel (Transfer to Silver Elephant in progress)</b>
<b>Canada</b>	<b>Minago</b>		<b>QL-1910</b>	<b>Quarry</b>	<b>Victory Nickel (Transfer to Silver Elephant in progress)</b>
<b>Canada</b>	<b>Minago</b>		<b>QL-1911</b>	<b>Quarry</b>	<b>Victory Nickel (Transfer to Silver Elephant in progress)</b>
<b>Canada</b>	<b>Minago</b>		<b>QL-1912</b>	<b>Quarry</b>	<b>Victory Nickel (Transfer to Silver Elephant in progress)</b>
<b>Canada</b>	<b>Minago</b>		<b>QL-1913</b>	<b>Quarry</b>	<b>Victory Nickel (Transfer to Silver Elephant in progress)</b>
<b>Canada</b>	<b>Minago</b>		<b>QL-2067</b>	<b>Quarry</b>	<b>Victory Nickel (Transfer to Silver Elephant in progress)</b>

## **EXHIBIT II**

Royalty Agreement dated August 25, 2021 between ParentCo and Asia Mining Inc.

Royalty Agreement dated August 25, 2021 between ParentCo and Nevada Vanadium Mining Corp.

Royalty Agreement dated August 25, 2021 between ParentCo and Ilumina Silver Mining Corp.

Royalty Interest Agreement dated August 25<sup>th</sup>,2021 made by ParentCo in respect of the Minago Assets.

Royalty Interest Agreement dated August 25<sup>th</sup>,2021 made by ParentCo in respect of the Titan claims.



**EXHIBIT III**

[See attached]



**APPENDIX "C"**  
**COURT MATERIALS**

INTERIM ORDER

(see attached)



S 219840

No. \_\_\_\_\_  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA



SILVER ELEPHANT MINING CORP.

PETITIONER

IN THE MATTER OF SECTION 288 OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
SILVER ELEPHANT MINING CORP.

BEFORE **MASTER TAYLOR** ) WEDNESDAY, THE <sup>12</sup>~~10~~<sup>th</sup> DAY  
)  
) OF NOVEMBER, 2021

THIS WITHOUT NOTICE APPLICATION of the Petitioner, Silver Elephant Mining Corp. (“Silver Elephant”), pursuant to sections 186 and 288-291 of the *Business Corporations Act*, S.B.C. 2002, c.57, as amended, (the “BCBCA”), for an Interim Order for directions pursuant to its Petition seeking approval of a plan of arrangement (the “Plan of Arrangement”) under Division 5 of Part 9 of the BCBCA, coming on for hearing at Vancouver, British Columbia, on November ~~10~~<sup>12</sup>, 2021 via MS Teams, AND ON HEARING Katelyn J. Jones, counsel for the Petitioner, AND UPON READING the Petition and the Affidavit No. 1 of G. Hall, sworn November 9, 2021 (the “Hall Affidavit”), each filed herein;

AND UPON being advised that it is the intention of Silver Elephant to rely upon Section 3(a)(10) of the United States *Securities Act of 1933*, as amended (the “U.S. Securities

Act”) as a basis for an exemption from the registration requirements of the U.S. Securities Act with respect to the Class A Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares issued under the proposed Plan of Arrangement based on the Court’s approval of the Arrangement;

THIS COURT ORDERS THAT:

### DEFINITIONS

1. As used in this Order, unless otherwise defined, terms beginning with capital letters have the respective meanings set out in the draft Notice of Special Meeting and Management Information Circular dated November 8, 2021 (the “**Circular**”), attached as Exhibit “A” to the Hall Affidavit.

### THE MEETING

2. Silver Elephant is authorized and directed to call, hold and conduct a special meeting (the “**Meeting**”) of its holders of the Common Shares (the “**Securities**”, the holders of which are “**Securityholders**”) to be held on December 14, 2021 at 9:00 a.m. (Pacific Standard Time) virtually via the internet at <https://meetnow.global>:

- a) to consider and, if determined advisable, pass, with or without variation, a special resolution to approve a proposed Plan of Arrangement under Division 5 of Part 9 of the *BCBCA* involving Silver Elephant, substantially in the form set out at Appendix “A” to the Circular (the “**Arrangement Resolution**”); and



- b) to transact such further and other business, including amendments to the foregoing, as may properly come before the Meeting or any postponement or adjournment thereof.
3. The record date for the Meeting for determining the Securityholders entitled to receive notice of, attend and vote at the Meeting shall be November 3, 2021 (the "**Record Date**").
4. The Meeting shall be called, held and conducted in accordance with the *BCBCA*, the articles of Silver Elephant and the Circular, subject to the terms of this Interim Order, and any further Order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order.
5. The only persons entitled to attend or speak at the Meeting shall be:
  - a) the Securityholders as of the Record Date or their respective and duly-appointed proxyholders;
  - b) the officers, directors, auditors and advisors of Silver Elephant; and
  - c) other persons who may receive the permission of the Chair of the Meeting.
6. The only persons entitled to be represented and to vote at the Meeting shall be the registered Securityholders as at the close of business on the Record Date, or their respective and duly-appointed proxyholders.

#### **ADJOURNMENT**

7. Notwithstanding the provisions of the *BCBCA* and the articles of Silver Elephant, and subject to the terms of the Arrangement Agreement, Silver Elephant, if it deems advisable, is



specifically authorized to adjourn or postpone the Meeting, on one or more occasions (whether or not a quorum is present), and for such period or periods of time as Silver Elephant deems advisable, as applicable, without the necessity of first convening the applicable Meeting or first obtaining any vote of the Securityholders respecting any such adjournment or postponement and without the need for approval of the Court. Notice of any such adjournments or postponements shall be given by such method as Silver Elephant may determine is appropriate in the circumstances, including by press release, news release, newspaper advertisement, or by notice sent to the Securityholders by one of the methods specified in paragraph 11 of this Interim Order. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

8. The Record Date shall not change in respect of adjournments or postponements of the Meeting.

9. At any subsequent reconvening of the Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the Meeting.

#### **AMENDMENTS**

10. Prior to the Meeting, Silver Elephant is authorized to make such amendments, revisions and/or supplements to the proposed Arrangement and Plan of Arrangement, subject to the terms of the Agreement, without any additional notice to the Securityholders, and the Arrangement and Plan of Arrangement as so amended, revised and supplemented shall be the Arrangement and Plan of Arrangement submitted to the Meeting, and the subject of the Arrangement

Resolution. Amendments, revisions and/or supplements to the Plan of Arrangement may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Court at the hearing for the final approval of the Plan of Arrangement.

#### NOTICE OF MEETING

11. The Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purpose of section 290(1)(a) of the *BCBCA*, and Silver Elephant shall not be required to send to the Securityholders any other or additional statement pursuant to section 290(1)(a) of the *BCBCA*. Silver Elephant shall mail or deliver the Circular, form of proxy and letter of transmittal in substantially the same form as contained at Exhibits "A", "B" and "C", respectively, to the Hall Affidavit (collectively, the "**Meeting Materials**"), with such deletions, amendments or additions thereto as counsel to Silver Elephant may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order, will be sent to:

- a) to registered holders of the Company's Common Shares, determined as at the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or delivery, by prepaid ordinary mail or by delivery in person or by recognized courier service, addressed to the registered Shareholder at its address as it appears in the Company's central securities register as at the Record Date;
- b) to beneficial holders of the Company's Common Shares (those whose names do not appear in the securities register of the Company), by providing, in accordance with National Instrument 54-101 - Communications with Beneficial



Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators, the requisite number of copies of the Meeting Materials to intermediaries and registered nominees to facilitate the distribution of the Meeting Materials to beneficial Shareholders;

- c) by email transmission to any Securityholder, who is identified to the satisfaction of Silver Elephant, at the email address of each Securityholder as it appears in the books and records of Silver Elephant;
- d) the directors and auditors of Silver Elephant by mailing the Meeting Materials by email transmission, by delivery in person or to such persons at least ten (10) days prior to the date of the Meeting, excluding the date of mailing or transmittal and including the date of the Meeting;

and substantial compliance with this paragraph shall constitute sufficient notice of the Meeting.

12. The Meeting Materials shall not be sent to any registered Securityholders where mail previously sent to such Securityholders by the Company or its registrar and transfer agent has been returned to the Company or its registrar and transfer agent on at least two previous consecutive occasion.

13. Accidental failure of or omission by Silver Elephant to give notice to any one or more Securityholders, its directors or the auditors (collectively, the "**Materials Recipients**") or the non-receipt of such notice by one or more Materials Recipients, or any failure or omission to give such notice as a result of events beyond the reasonable control of Silver Elephant, (including, without limitation, any inability to use postal services), will not constitute a breach

of this Interim Order or a defect in the calling of the Meeting, and shall not invalidate any resolution passed or proceedings taken at the Meeting, but if any such failure or omission is brought to the attention of Silver Elephant, then it shall use reasonable efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

14. No other form of service of the Meeting Materials or Notice Materials or any portion thereof need be made or notice given or other material served in respect of these proceedings or the Meeting, except as may be directed by a further order of this Court. Provided that Notice of the Meeting of Securityholders and the provision of the Meeting Materials and Notice Materials to the Materials Recipients take place in compliance with this Interim Order, the requirement of Section 290(1)(b) of the *BCBCA* to include certain disclosure in any advertisement of the Meeting is waived.

#### **DEEMED RECEIPT OF NOTICE**

15. The Meeting Materials and Notice Materials shall be deemed, for the purposes of this Interim Order, to have been received:

- a) in the case of mailing, the third day, Saturdays and holidays excepted, following the date of mailing;
- b) in the case of delivery in person, upon receipt at the intended recipient's address, or, in the case of delivery by courier, one (1) business day after receipt by the courier; and
- c) in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch;

- d) in the case of advertisement, at the time of publication of the advertisement;
- e) in the case of electronic filing on SEDAR, upon receipt by the Company from SEDAR of confirmation of filing; and
- f) in the case of beneficial Securityholders, three (3) days after delivery thereof to intermediaries and registered nominees

16. Sending of the Meeting Materials in accordance with paragraph 11 of this Interim Order shall constitute good and sufficient service of notice of the within proceedings on all persons who are entitled to be served. No other form of service need be made. No other materials need be served on such persons in respect of these proceedings, and service of the affidavits in support is dispensed with.

#### **UPDATING MEETING MATERIALS**

17. Notice of any amendments, modifications, updates or supplements to any of the information provided in the Meeting Materials may be communicated, at any time prior to the Meeting, to the Securityholders by press release, news release, newspaper advertisement or by notice sent to the Securityholders by any of the means set forth in paragraph 11, as determined to be the most appropriate method of communication by the Board.

#### **QUORUM AND VOTING**

##### **The Meeting**

18. The Chair of the Meeting shall be determined by Silver Elephant.



19. The quorum at the Meeting shall be not less than two persons who are, or represent by proxy, shareholders holding in the aggregate, at least 5% of the issued shares entitled to vote at the Meeting.

20. The vote required to pass the Arrangement Resolution shall be by at least 66<sup>2/3</sup>% of the aggregate votes cast by the holders of the Company Common Shares.

21. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

22. In all other respects, the articles of Silver Elephant will apply in respect of the Meeting.

#### **SCRUTINEER**

23. The scrutineer for the Meeting shall be Computershare Investor Services Inc. (acting through its representatives for that purpose). The duties of the scrutineer shall include:

- a) reviewing and reporting to the Chair on the deposit and validity of proxies;
- b) reporting to the Chair on the quorum of the Meeting;
- c) reporting to the Chair on the polls taken or ballots cast, if any, at the Meeting;  
and
- d) providing to the Company and to the Chair written reports on matters related to their duties.

#### **SOLICITATION OF PROXIES**

24. Silver Elephant is authorized to use the form of proxy and letter of transmittal in connection with the Meeting, in substantially the same form as attached as Exhibits "B" and



“C”, respectively, to the Hall Affidavit, subject to the Company's ability to insert dates and other relevant information in the final form thereof and to make other non-substantive changes and changes legal counsel advise are necessary or appropriate. Silver Elephant may in its sole discretion, but is not required to, waive generally the time limits for deposit of proxies by the Securityholders in the circumstances contemplated by the Arrangement Agreement (as described in the Circular) if Silver Elephant otherwise deems it reasonable to do so. Silver Elephant is authorized, at its expense, to solicit proxies, directly and through their respective officers, directors and employees, and through such agents or representatives as they may retain for the purpose, and by mail or such other forms of personal or electronic communication as they may determine.

25. The procedure for the delivery, revocation and use of proxies at the Meeting shall be as set out in the Meeting Materials.

#### **DISSENT RIGHTS**

26. Each Registered Shareholder as of the Record Date shall be entitled to exercise Dissent Rights in connection with the Arrangement Resolution in the manner set forth in sections 242-247 of the *BCBCA* (all as modified by this Interim Order, the Plan of Arrangement and the Final Order). Registered Company Shareholders shall be the only Securityholders entitled to exercise Dissent Rights. In order for a registered Company Shareholder as of the Record Date who wishes exercise such Dissent Right must provide a written notice of dissent (the “**Notice of Dissent**”) to the Arrangement Resolution, contemplated by section 242 of the *BCBCA* and the Plan of Arrangement. The Notice of Dissent must be sent to and received by Silver Elephant, as applicable, at:

409 Granville Street, Suite 1610

Vancouver BC V6C 1T2  
Attention: Corporate Secretary

with a copy to Silver Elephant's counsel:

MLT Aikins LLP  
1066 West Hastings Street, Suite 2600  
Vancouver BC V6E 3X1  
Attention: Katelyn Jones

not later than 9:00 a.m. (Pacific Standard Time) on December 10, 2021, or in the case of any adjournment or postponement of the Meeting, the day that is two (2) business days immediately preceding the date of the Meeting. The Notice of Dissent must otherwise strictly comply with the requirements of the *BCBCA*. For purposes of these proceedings, the "court" referred to in sections 238-247 of the *BCBCA* means this Honourable Court. A Dissenting Holder must dissent with respect to all of the Securities held by such person. A vote against the Arrangement Resolution or an abstention will not constitute a Notice of Dissent. A Company Shareholder who votes, or who has instructed a proxyholder to vote, in favour of the Arrangement Resolution shall not be entitled to exercise Dissent Rights.

27. Notice to the Company Shareholders of their Dissent Right with respect to the Arrangement Resolution will be given by including information with respect to the Dissent Right in the Circular to be sent to the Securityholders in accordance with the Interim Order.

28. Subject to further order of this Court, the right available to the Securityholders under the *BCBCA* and the Plan of Arrangement to dissent from the Arrangement will constitute full and sufficient Dissent Rights for the Securityholders with respect to the Arrangement.



**APPLICATION FOR FINAL ORDER**

29. Following and subject to the approval, with or without variation by the Securityholders of the Plan of Arrangement in the manner set forth in this Interim Order, the Petitioner may apply to this Court for, *inter alia*, an Order:

- a) approving the Arrangement pursuant to section 291(4)(a) of the *BCBCA*; and
- b) declaring that the terms and conditions of the Arrangement, and the exchange of securities to be effected by the Arrangement, are substantively and procedurally fair and reasonable pursuant to section 291(4)(c) of the *BCBCA*;

(collectively, the "**Final Order**") and that the hearing of the Final Order will be held on December 17, 2021 at 9:45 a.m. (Pacific Standard Time) by telephone (or as determined by the Court), at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or as soon thereafter as the hearing of the Final Order can be heard or at such other date and time as this Court may direct.

30. The form of Notice of Hearing of Petition is hereby approved as the form of Notice of Proceedings for such approval.

31. Any Materials Recipient has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order, subject to the terms of this Interim Order. Any Materials Recipient seeking to appear at the hearing of the application for the Final Order shall:

- a) complete and file with this Court a Response to Petition, in the form prescribed by the British Columbia *Supreme Court Civil Rules*; and

- b) serve a copy of the filed Response to Petition together with a copy of all materials upon which the Materials Recipient intends to rely upon at the hearing for the Final Order, to the Petitioners' solicitors at:

MLT Aikins LLP  
Suite 2600 - 1066 West Hastings Street  
Vancouver, BC V6E 3X1

Attention: Katelyn J. Jones  
Facsimile: 604.682.7131  
Email: [kjones@mltaikins.com](mailto:kjones@mltaikins.com)

by or before 4:00 p.m. (Pacific Standard Time) on December 14, 2021; and

32. Any materials to be filed by the Petitioner in support of the within Application for final approval of the Plan of Arrangement may be filed up to one (1) day prior to the hearing of the application without further order of this Honourable Court.

33. In the event the within application for final approval does not proceed on the date set forth in the Notice of Hearing of Petition, or is adjourned, only those persons who served and filed a Response to Petition in accordance with paragraph 31 shall be entitled to be given notice of the adjourned date.

#### **PRECEDENCE**

34. To the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the Securityholders, or the articles or bylaws of Silver Elephant, this Interim Order shall govern.

#### **EXTRA-TERRITORIAL ASSISTANCE**

35. This Court seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or

administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States, the United Kingdom, or any other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

#### **VARIANCE**

36. The Petitioner shall be entitled, at any time, to apply to vary this Interim Order and apply for such other orders and direction from the Court as may be appropriate.

37. To the extent of any inconsistency or discrepancy between this Interim Order and the Circular, the *BCBCA*, the articles of Silver Elephant and/or the *Supreme Court Civil Rules*, this Interim Order will govern.



38. Endorsement of the Interim Order by counsel appearing on this Petition, except for counsel for the Petitioner, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED AS BEING BY CONSENT:

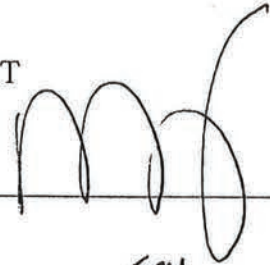
  
\_\_\_\_\_  
Signature of  
Lawyer for the Petitioner

**KATELYN JONES**



BY THE COURT

\_\_\_\_\_  
REGISTRAR



**Certified a true copy according to  
the records of the Supreme Court  
at Vancouver, B.C.**

**DATED: NOV 12 2021**

  
\_\_\_\_\_  
**Authorized Signing Officer**

**CHRIS GILMOUR  
Deputy District Registrar**

**FORM  
CHECKED**  




NOTICE OF PETITION

(see attached)

NOV 10 2021



S 219840

No. \_\_\_\_\_  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

SILVER ELEPHANT MINING CORP.

PETITIONER

IN THE MATTER OF SECTION 288 OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
SILVER ELEPHANT MINING CORP.

**PETITION TO THE COURT**

**This proceeding has been started by the Petitioner for the relief set out in Part 1 below.**

If you intend to respond to this petition, you or your lawyer must

- (a) file a response to petition in Form 67 in the above-named registry of this court within the time for response to petition described below, and
- (b) serve on the Petitioner
  - (i) 2 copies of the filed response to petition, and
  - (ii) 2 copies of each filed affidavit on which you intend to rely at the hearing.

**Orders, including orders granting the relief claimed, may be made against you, without any further notice to you, if you fail to file the response to petition within the time for response.**

**Time for Response to Petition**

A response to petition must be filed and served on the petitioner,

- (a) if you were served with the petition anywhere in Canada, within 21 days after service,
- (b) if you were served with the petition anywhere in the United States of America, within 35 days after that service,
- (c) if you were served with the petition anywhere else, within 49 days after that service,  
or

(d) if the time for response has been set by order of the court, within that time.

(1)	The address of the registry is:  800 Smithe Street Vancouver, BC V6Z 2E1
(2)	The ADDRESS FOR SERVICE of the petitioner(s) is:  MLT Aikins LLP Suite 2600 - 1066 West Hastings Street Vancouver, BC V6E 3X1  Attention: Katelyn J. Jones (Direct Number: (604) 608-4577)
	Fax number address for service (if any) of the petitioner(s):  (604) 682-7131
	E-mail address for service (if any) of the petitioner(s):  <a href="mailto:kjones@mltaikins.com">kjones@mltaikins.com</a>
(3)	The name and office address of the petitioner's lawyers are:  Katelyn J. Jones MLT Aikins LLP Suite 2600 - 1066 West Hastings Street Vancouver, BC V6E 3X1

## CLAIM OF THE PETITIONER

### Part 1: ORDERS SOUGHT

1. An Order abridging the time for service and hearing of the within Petition.
2. The Petitioner, Silver Elephant Mining Corp. ("**Silver Elephant**" or the "**Company**"), applies to this Court pursuant to sections 186 and 288-297 of the *Business Corporations Act*, S.B.C. 2002, Ch. 57, as amended (the "**BCBCA**"), Rules 2-1, 4-4, 4-5 and 16-1 of the *Supreme Court Civil Rules*, and the inherent jurisdiction of the Court for:
  - (a) an order (the "**Interim Order**") for the convening and conduct of a special meeting (the "**Meeting**") of the shareholders (collectively, the "**Securityholders**") of Silver Elephant to take place on December 14, 2021 by virtual meeting substantially in the form set out in the Management Information Circular (the "**Circular**") dated

November 8, 2021, attached as Exhibit “A” to the Affidavit No. 1 of Gregory Hall sworn November 9, 2021 (the “**Hall Affidavit**”) as filed herein;

- (b) an order (the “**Final Order**”) approving the plan of arrangement and its terms and conditions substantially in the form set forth in the plan of arrangement (the “**Plan of Arrangement**”), included at Appendix B to the Circular and attached as Exhibit "A" to the Hall Affidavit and filed herein, and a declaration that the terms and conditions of the Plan of Arrangement are fair and reasonable to the Petitioner and the Securityholders; and
- (c) such further and other relief as counsel for the Petitioner may advise and this Honourable Court may deem just.

## **Part 2: FACTUAL BASIS**

### *Definitions*

1. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Circular attached as Exhibit “A” to the Hall Affidavit filed in this proceeding.

### *The Parties*

2. Silver Elephant Mining Corp. (“**Silver Elephant**” or the “**Company**”) is a company incorporated under the laws of British Columbia with a registered and records office located at Suite 1610 – 409 Granville Street, Vancouver BC V6C 1T2.
3. Silver Elephant is a mineral and exploration and development company with mineral projects located in Canada, the United States of America, Bolivia and Mongolia.
4. Silver Elephant is a reporting issuer in each of the Province and Territories of Canada except Quebec, and files its continuous disclosure documents with the Canadian Securities Authorities in British Columbia. Such documents are available on SEDAR. Silver Elephant shares are listed for trading on the following: the Toronto Stock Exchange, under the symbol “ELEF”; the OTCQX, under the symbol “SILEF”; and the Frankfurt Stock Exchange, under the symbol “1P2N”.
5. As of November 5, 2021, Silver Elephant had a total of 228,395,400 Common Shares issued and outstanding.
6. Flying Nickel Mining Corp. (“**NickelCo**” or “**SpinCo 1**”) is a wholly owned subsidiary of Silver Elephant and was incorporated for the purpose of acquiring and holding the Spinout 1 Properties pursuant to the Plan of Arrangement.
7. 1324825 B.C. Ltd. (“**VanadiumCo**” or “**SpinCo 2**”) is a wholly owned subsidiary of Silver Elephant and was incorporated for the purpose of acquiring and holding the Spinout 2 Properties pursuant to the Plan of Arrangement.

8. Nevada Vanadium Mining Corp. (“**NVMC**”) is a wholly owned subsidiary of Silver Elephant, which will acquire the Spinout 2 Assets from the Company and the common shares of which will then be transferred to SpinCo 2 pursuant to the Plan of Arrangement.
9. Battery Metals Royalties Corp. (“**RoyaltyCo**” or the “**SpinCo 3**”) is a wholly owned subsidiary of Silver Elephant and was incorporated for the purpose of acquiring and holding the Spinout 3 Assets pursuant to the Plan of Arrangement.

***Background to the Plan of Arrangement***

10. The Company’s management and Board of Directors (the “**Board**”) regularly reviews and evaluates, with the assistance of financial and legal advisors, the Company’s operations, financial performance and potential strategic options, with the goal of enhancing shareholder value. As part of this process, the Company and due to favourable market conditions, management and the Board wishes to restructure the Company in order to allow the Company to focus on the development of its flagship Pulacayo silver project in Bolivia and to unlock the value in its Minago nickel project in Manitoba and its Gibellini vanadium project in Nevada.

11. In this context, the Company’s management and the Board conducted diligence on the various options available to the Company and have concluded that the Plan of Arrangement is in the best interests of the Company for the following principled reasons:

- (a) *Continued Participation by Shareholders in the SpinCo Properties Through the SpinCos.* Shareholders, through their ownership of SpinCo Shares, will also participate in the SpinCo Properties and the Royalties. The Shareholders will hold approximately 54% of the issued SpinCo 1 Shares, approximately 54% of the issued SpinCo 2 Shares and approximately 60% of the issued SpinCo 3 Shares upon completion of the Arrangement before taking into account the SpinCo Financings. The Shareholders will indirectly hold an interest in the remaining outstanding SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares by virtue of their continued shareholdings in the Company as upon completion of the Arrangement, the Company will hold approximately 33% of the issued SpinCo 3 Shares, which in turn will own approximately 46% of the outstanding shares of NickelCo and VanadiumCo, before taking into account the SpinCo Financings.
- (b) *Investment Diversification.* The creation of four separate companies dedicated to the pursuit of their respective businesses will provide Shareholders with diversification and increased liquidity for their investment portfolios, as they will hold a direct interest in four companies, each of which is focused and valued on different objectives as follows:

<u>Company</u>	<u>Principal Asset</u>
Silver Elephant Mining Corp.	Pulacayo (Bolivia) – Silver, lead, zinc Triunfo (Bolivia) – Silver, zinc, gold 33% of RoyaltyCo



NickelCo	Minago (Manitoba) – Nickel
VanadiumCo	Gibellini (Nevada) – Vanadium
RoyaltyCo	Royalties 46% of each of NickelCo and VanadiumCo

12. On completion of the Plan of Arrangement, the Company believes that it will be well-positioned to focus on and pursue opportunities for the further expansion and development of its Pulacayo silver project in Bolivia.

*Description of the Plan of Arrangement*

13. The Company proposes to call, hold and conduct the Meeting on December 14, 2021 to allow the Securityholders to consider and vote on the resolution (the “**Arrangement Resolution**”) respecting the proposed Plan of Arrangement.
14. The Plan of Arrangement provides, in brief, for the following:
- (a) the distribution of all outstanding Company Shares, consisting of SpinCo 1 Shares, SpinCo 2 and SpinCo 3 Shares, to Shareholders such that Shareholders will receive in exchange for each Silver Elephant Share held on the effective date of the Arrangement:
    - (i) one New Silver Elephant Share;
    - (ii) one SpinCo 1 Share;
    - (iii) one SpinCo 2 Share; and
    - (iv) two SpinCo 3 Shares, and
  - (b) the approval of the option plans of SpinCo 1, SpinCo 2 and SpinCo 3 (the “**SpinCo Option Plans**”). SpinCo 1, SpinCo 2 and SpinCo 3 have adopted the SpinCo Option Plans in order to provide incentive compensation to directors, officers, employees and consultants of SpinCo 1, SpinCo 2 and SpinCo 3 as well as to assist SpinCo 1, SpinCo 2 and SpinCo 3 in attracting, motivating and retaining qualified directors, management personnel and consultants.
15. The purpose of each of the SpinCo Option Plans is to provide additional incentive for participants’ efforts to promote the growth and success of the businesses of SpinCo 1, SpinCo 2 and SpinCo 3.

*Steps and Mechanics of the Plan of Arrangement*

16. Further information regarding the Plan of Arrangement is included at Appendix B to the Circular at Exhibit “A” of the Hall Affidavit. The arrangement steps and mechanics are also reproduced below.

17. Commencing at the Effective Time, the following principal steps shall occur and shall be deemed to occur without any further act or formality, in the order and timing set out in the Plan of Arrangement:
- (a) Each common share of ParentCo (each, a “**ParentCo Share**”) held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all liens, claims and encumbrances, to ParentCo and ParentCo shall thereupon be obliged to pay the amount therefor determined and payable in accordance with section 4.1 of the Plan of Arrangement, and the name of each such holder shall be removed from the securities register as a holder of ParentCo Shares and such ParentCo Shares so transferred to ParentCo shall thereupon be cancelled;
  - (b) A consolidation of outstanding share capital of ParentCo (the “**Consolidation**”) shall occur on the basis of one post-consolidation ParentCo Share for each 10 pre-consolidation ParentCo Shares;
  - (c) Spinco 1 shall purchase the Spinco 1 Spinout Assets from ParentCo pursuant to the Spinco 1 Asset Contribution Agreement in consideration for: (i) the issuance of 50,000,000 Spinco 1 Shares; and (ii) the assumption of the Spinco 1 Assumed Liabilities, which assumption shall be governed by the Spinco 1 Assumption Agreement, the aggregate value of which will have equivalent value to the Spinco 1 Spinout Assets. The stated capital of the Spinco 1 Shares shall be increased by an amount equal to the aggregate fair market value of the Spinco 1 Spinout Assets;
  - (d) BatteryCo shall purchase the BatteryCo Royalty Assets from ParentCo pursuant to the BatteryCo Assignment Agreement in consideration for the issuance of BatteryCo Shares having an equivalent value. The stated capital of the BatteryCo Shares shall be increased by an amount equal to the aggregate fair market value of the BatteryCo Royalty Assets;
  - (e) VanadiumCo shall purchase the Gibellini Assets from ParentCo pursuant to the Gibellini Asset Purchase Agreement in consideration for: (i) the issuance of VanadiumCo Shares; and (ii) the assumption of the Gibellini Assumed Liabilities, which assumption shall be governed by the Gibellini Assumption Agreement, the aggregate value of which will have equivalent value to the Gibellini Assets.. The stated capital of the VanadiumCo Shares shall be increased by an amount equal to the aggregate fair market value of the Gibellini Assets;
  - (f) Spinco 2 shall purchase the VanadiumCo Shares from ParentCo pursuant to the Spinco 2 Share Contribution Agreement in consideration for 50,000,000 Spinco 2 Shares having equivalent value. The stated capital of the Spinco 2 Shares shall be increased by an amount equal to the aggregate fair market value of the VanadiumCo Shares;
  - (g) the authorized share capital of ParentCo shall be reorganized and its articles amended by, the creation of an unlimited number of Class A Shares having the same rights, privileges, restrictions and conditions as the ParentCo Shares except

that they shall provide any holder of Class A Shares owning more than 80% of the issued and outstanding Class A Shares with the right to requisition the directors of ParentCo to call a meeting of the holders of Class A Shares for the purposes stated in the requisition and should the directors of ParentCo not call such meeting within two days after receiving such requisition a shareholder who made such requisition may call a meeting in the manner in which such meeting may be called under the BCBCA and the articles of ParentCo, and the Notice of Articles and Articles of ParentCo are amended accordingly;

- (h) BatteryCo shall purchase from ParentCo:
  - (i) that number of Spinco 1 Shares equal to 50,000,000 less the number of issued and outstanding ParentCo Shares less the number of outstanding ParentCo Options less the number of outstanding ParentCo Warrants;
  - (ii) that number of Spinco 2 Shares equal to 50,000,000 less the number of issued and outstanding ParentCo Shares less the number of outstanding ParentCo Options less the number of outstanding ParentCo Warrants,

pursuant to the BatteryCo Share Contribution Agreement in consideration for the issuance of BatteryCo Shares having equivalent value. The stated capital of the BatteryCo Shares shall be increased by an amount equal to the aggregate fair market value of the Spinco 1 Shares and Spinco 2 Shares received;

- (i) in accordance with the terms of the ParentCo Warrant Certificates each holder of a ParentCo Warrant outstanding immediately prior to the Effective Time shall receive (and such holder shall accept) upon the exercise of such holder's ParentCo Warrant, in lieu of each ParentCo Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New ParentCo Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of ParentCo Shares to which such holder was theretofore entitled upon exercise of the ParentCo Warrants and such ParentCo Warrant shall continue to be governed by and be subject to the terms of the ParentCo Warrant Certificates;
- (j) in accordance with the terms of the ParentCo Stock Option Plan, each holder of a ParentCo Option outstanding immediately prior to the Effective Time shall receive (and such holder shall accept) upon the exercise of such holder's ParentCo Option, in lieu of each ParentCo Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New ParentCo Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of ParentCo Shares to which such holder was theretofore entitled upon exercise of the

ParentCo Options; and (ii) such ParentCo Option shall continue to be governed by and be subject to the terms of the ParentCo Stock Option Plan.

- (k) each ParentCo Share will be exchanged for: (A) one Class A Share; (B) one Spinco 1 Share; (C) one Spinco 2 Share and (D) two BatteryCo Shares. As a result of the exchange:
- (i) the authorized capital of ParentCo shall be amended to delete the ParentCo Shares, none of which are issued and outstanding, and to delete the rights, privileges, restrictions and conditions attached to the ParentCo Shares; and
  - (ii) the aggregate amount added to the stated capital of the Class A Shares issued pursuant to Section 3.1(k)(i) above shall be equal to the amount if any, by which (A) the aggregate paid-up capital (as that term is defined for the purposes of the Tax Act) of the ParentCo Shares (other than ParentCo Shares held by the Dissenting Shareholders) immediately prior to the Effective Time, exceeds (B) the fair market value of the Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares distributed to the ParentCo Shareholders;

and the Notice of Articles and Articles of ParentCo are amended accordingly.

The name of each ParentCo Shareholder who is so deemed to exchange his, her or its ParentCo Shares, shall be removed from the securities register of ParentCoShares with respect to the ParentCoShares so exchanged and shall be added to the securities registers of the Class A Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares as the holder of the number of Class A Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares deemed to have been received on the exchange.

- (l) the authorized capital of ParentCo is amended:
- (i) to rename the Class A Shares as ‘Common Shares’ (“**New ParentCo Shares**”); and
  - (ii) to delete those rights, privileges, restrictions attached thereto which provide that any holder of Class A Shares owning more than 80% of the issued and outstanding Class A Shares with the right to requisition the directors of ParentCo to call a meeting of the holders of Class A Shares for the purposes stated in the requisition and should the directors of ParentCo not call such meeting within two days after receiving such requisition a shareholder who made such requisition may call a meeting in the manner in which such meeting may be called under the BCBCA and the articles of ParentCo; and

and the Notice of Articles and Articles of ParentCo are amended accordingly.

- (m) each then outstanding SpinCo 1 FT Subscription Receipt shall be converted into one SpinCo 1 Share, issued as a “flow-through share”;

- (n) each then outstanding SpinCo 1 NFT Subscription Receipt shall be converted into one SpinCo 1 Share and one-half of one SpinCo 1 Warrant;
- (o) each then outstanding SpinCo 2 Subscription Receipt shall be converted into one SpinCo 2 Share and one-half of one SpinCo 2 Warrant and;
- (p) each then outstanding SpinCo 3 Subscription Receipt shall be converted into one SpinCo 3 Share and one-half of one SpinCo 3 Warrant.

***Recommendation of the Board and Fairness of the Arrangement***

18. The Board, after careful considering and having received legal advice from its financial and legal advisors, unanimously determined that the Plan of Arrangement is fair to Securityholders and in the best interests of the Company. Accordingly, the Board has unanimously approved the Arrangement Agreement and recommends that Securityholders vote in favour of the Arrangement Resolution.
19. The Board considered a variety of factors in their review of the Plan of Arrangement including, *inter alia*, the following:
  - (a) the business, operations, assets, financial performance and condition, operating results and prospects of the Company;
  - (b) current industry and economic conditions and trends and the Board's expectations of the future of the industry;
  - (c) the likelihood that the conditions to complete the Arrangement will be satisfied, including the nature of the approvals required by the Company to be obtained as a condition to completing the Arrangement;
  - (d) the Arrangement Resolution must be passed by more than 66 2/3% of the votes cast on the Arrangement Resolution at the Meeting by the holders of the Company Common Shares;
  - (e) the Arrangement Resolution must be approved by the Court, which will consider, among other things, the fairness and reasonableness of the Arrangement to Securityholders; and
  - (f) the terms of the Plan of Arrangement, which provide, among other things, that registered Shareholders who oppose the Arrangement may, upon compliance with certain conditions, exercise rights of dissent in accordance with Section 238 of the *BCBCA* and, if ultimately successful, receive fair value for their Shares as determined by the Court;
20. In the course of its deliberations, the Board also identified and considered a variety of risks and potentially negative factors in connection with the Arrangement, including, but not limited to:



- (a) that that the completion of the Arrangement is subject to several conditions that must be satisfied or waived, including, among other things, obtaining Securityholder approval and Court approval. There can be no certainty that these conditions will be satisfied or waived;
  - (b) that the Arrangement Agreement may be terminated by the Company in certain circumstances, in which case the Company may not be able to solicit an alternative transaction;
  - (c) that, whether or not the Arrangement is completed, the Company expects to incur significant costs in respect of the Arrangement;
  - (d) that, whether or not the Arrangement is completed, significant management time and attention will be diverted from the existing business of the Company in order to undertake the Arrangement, which could have an adverse impact on the Company; and
  - (e) that the failure to complete the Arrangement could negatively impact the Company's future business and operations.
21. In view of the variety of factors considered in connection with its evaluation of the Plan of Arrangement, the Board did not find it practicable to and did not quantify or otherwise assign relative weights to the specific factors considered in reaching their decision.
22. The Company will rely on the Court's approval in order to rely on Section 3(a)(10) of the United States *Securities Act of 1933*, as amended, for the issuance of the New Silver Elephant Shares, Spinco 1 Shares, Spinco 2 Shares and Spinco 3 Shares pursuant to the Arrangement, which provides an exemption from the registration requirements otherwise imposed by that act for the issue of securities in exchange for other outstanding securities where the terms and conditions of the issuance and exchange are approved by a court of competent jurisdiction after a hearing upon the fairness of such terms and conditions at which all person to whom it is proposed to issue such securities shall have the right to appear.

### ***The Meeting and Approval***

23. As approved by the Board, the record date (the "**Record Date**") for determining the Securityholders entitled to receive notice of and vote at the Meeting is November 3, 2021.
24. The Meeting will be held on December 14, 2021 at 9:00 a.m. (Pacific Standard Time) via the internet at <https://meetnow.global>. Securityholders may participate in the Meeting using the link to be provided in the Circular.
25. For the Plan of Arrangement to be implemented, the Arrangement Resolution must be passed by more than 66 2/3% of the votes cast on the Arrangement Resolution at the Meeting by the holders of the Company's Common Shares.
26. Notice of the Meeting will be accompanied by a proxy form for use by Securityholders in respect of the Arrangement Resolution. All Securityholders are entitled to vote on the

Arrangement Resolution. All Securityholders will receive a package containing, *inter alia*, the Circular, notice of the Meeting, the form of proxy, a letter of transmittal, and the notice of hearing of petition. The Circular describes the background leading to the Plan of Arrangement, the terms of the Plan of Arrangement, the reasons for and fairness of the Plan of Arrangement, and the steps the Securityholders may take to vote. Particularly, the following material and documentation are substantially in the forms as attached at Exhibits "A", "B" and "C", respectively, to the Hall Affidavit:

- (a) the Circular that includes, *inter alia*:
    - (i) the Notice of Meeting of Securityholders;
    - (ii) information concerning the Meeting;
    - (iii) an explanation of the effect of the Plan of Arrangement;
    - (iv) the text of the Arrangement Resolution (being Appendix A to the Circular);
    - (v) the text of the proposed Plan of Arrangement (being Appendix B to the Circular); and
    - (vi) a copy of the within Petition to the Court, Notice Hearing of Petition and Interim Order (being Appendix C to the Circular).
  - (b) the form of proxy for the registered Securityholders to use in respect of the Arrangement Resolution in connection with the Meeting; and
  - (c) the letter of transmittal for the registered Securityholders in connection with the Meeting.
27. The above materials will be sent to the Securityholders before the Meeting, and will be distributed at least 21 days before the Meeting, by delivery in person or by email, addressed to each such holder at his, her or its address, as shown on the books and records of the Company, as applicable, as of the Record Date.
28. Pursuant to the Interim Order and the Plan of Arrangement, Shareholders are granted the right to dissent in respect of the Plan of Arrangement. This dissent right, and the procedures for its exercise, are described in the Interim Order, and in the Circular under the heading "Dissent Rights". Only registered Company Shareholders are entitled to exercise rights of dissent ("**Dissent Rights**"). To exercise this right, a dissenting Shareholder must (i) provide to the Company's registered address at Suite 1610 – 409 Granville Street, Vancouver BC V6C 1T2, Attention to Corporate Secretary, by no later than 9:00 a.m. (Pacific Standard Time) on the date that is at least two (2) Business Days prior to the Meeting, a written objection to the Arrangement Resolution, and (ii) otherwise comply with the provisions of Division 2 of Part 8 of the *BCBCA* as modified by the Plan of Arrangement and Interim Order.

29. All such documents may contain such amendments thereto as the Petitioner may advise are necessary or desirable, provided such amendments are not inconsistent with the terms of the Interim Order.

### **Part 3: LEGAL BASIS**

#### ***The Approval Process***

1. The Petitioner pleads and relies on sections 186 and 288-291 of the *BCBCA*; Rules 2-1, 4-4, 4-5 and 16-1 of the *Supreme Court Civil Rules*; and the inherent jurisdiction of the Court.
2. Before an arrangement proposed under section 288(1) of the *BCBCA* takes effect, the arrangement must be: (a) adopted in accordance with section 289; and (b) approved by the Court under section 291.
3. Section 291 of the *BCBCA* contemplates that this process proceeds in three steps:
  - (a) the first step is an application for an interim order for directions for calling a security holders' meeting to consider and vote on the proposed arrangement. The first application proceeds *ex parte* because of the administrative burden of serving securityholders;
  - (b) the second step is the meeting of the securityholders, where the proposed arrangement is voted upon, and must be approved by a special resolution; and
  - (c) the third step is the application for final Court approval of the arrangement.

*Mason Capital Management LLC v TELUS Corp.*, 2012 BCSC 1582 at para 30  
*Rapier Gold Inc. (Re)*, 2018 BCSC 539 at para 36

#### ***The Interim Order Hearing***

4. As this Court held in *Mason Capital Management LLC v TELUS Corp.*, the interim order is preliminary in nature and its purpose is simply to "set the wheels in motion for the application process relating to the arrangement and to establish the parameters for the holding of shareholder meetings to consider approval of the arrangement in accordance with the statute":

Consistent with its preliminary nature, in order to grant an interim order a court needs only to satisfy itself that "reasonable grounds exist to regard the proposed transaction as an 'arrangement'". It is at the fairness hearing that the court must fully examine and determine whether the arrangement meets all applicable statutory requirements, including whether it constitutes an "arrangement", and whether it is procedurally and substantively fair and reasonable. [citations omitted]

*Mason Capital Management LLC v TELUS Corp.*, 2012 BCSC 1582 at paras 31-32  
See also, *In Re: Canopy Rivers Inc.*, 2021 ONSC 355 at para 2

5. The steps taken and proposed to be taken by the Petitioner pursuant to the proposed Interim Order include providing:
  - (a) notice of the Meeting to Securityholders so they have an opportunity to consider the Plan of Arrangement and have an opportunity to make submissions on the return of this Petition;
  - (b) that there is sufficient and appropriate approval of the Plan of Arrangement by the Securityholders; and
  - (c) providing Dissent Rights.

The foregoing requirements will enable the Meeting to be called, held and conducted in a procedurally suitable fashion. Moreover, the proposed Interim Order is consistent with previous orders that have been issued by this Court in respect of other plans of arrangement.

***The proposed Plan of Arrangement is an “arrangement” under the BCBCA***

6. The *BCBCA* defines an "arrangement" using broad and inclusive terms. Pursuant to section 288(1) of the *BCBCA*, a company may propose an arrangement with security holders, creditors or other persons and may, in that arrangement, make any proposal it considers appropriate, including proposals for the following:
  - (a) a transfer of all or any part of the money, securities or other property, rights and interests of the company to another corporation in exchange for money, securities or other property, rights and interests of the other corporation;
  - (b) an exchange of securities of the company held by security holders for money, securities or other property, rights and interests of the company or for money, securities or other property, rights and interests of another corporation.
7. The arrangement provisions of the *BCBCA* are very broad. As this Court has held:

I conclude that s. 288 must be construed to permit the development of any proposal affecting shareholders, creditors, or other persons in circumstances where the proposal will or may have real or potential impact upon the rights of any such person or the obligations of the company to any such person, and the results intended by the proposal cannot be effected solely by placing reliance upon any specific provision of the *BCA*. In circumstances where there is concern regarding the question whether any or all aspects of a transaction or transactions can be carried out in accordance with specific statutory provisions, a corporation may resort to s. 288 in order that any doubt about the efficacy of the proposed transaction or transactions can be dispelled, and any possible litigation or opposition avoided, by means of a court order approving all aspects of the proposed transactions. In that sense, the provisions in the *BCA* authorizing arrangements are ameliorative.

They permit beneficial corporate transactions not specifically authorized by statute, subject, of course, to court approval.

*Protiva Biotherapeutics Inc. v Inex Pharmaceuticals Corp*, 2006 BCSC 1729  
at para 27

8. The broad nature of the arrangement provisions of the *BCBCA* is also demonstrated by section 291(2) which permits the Court "in respect of a proposed arrangement, [to] make *any order* it considers appropriate" (emphasis added), and then lists a non-exhaustive set of orders that can be made.
9. The Company is a "company" as defined in section 1(1) of the *BCBCA*. The Plan of Arrangement will result an exchange with shareholders of the Company of Common Shares for new Silver Elephant Shares, SpinCo 1 Shares, SpinCo 2 Shares and SpinCo 3 Shares and the transfer of the Spinout 1 Spinout 1 Asset, Spinout 2 Assets and Spinout 3 Assets to SpinCo 1, SpinCo 2 and SpinCo 3 respectively. These transactions fall within the definitions of "arrangement" in sections 288(1)(e) and 288(1)(g), discussed above.
10. It is respectfully submitted that the Plan of Arrangement constitutes an "arrangement" under the *BCBCA*.

Section 288 of the *BCBCA*  
*Protiva Biotherapeutics Inc. v Inex Pharmaceuticals Corp*, 2006 BCSC 1729  
at paras 20-27

### ***The Final Order Hearing***

11. The question of whether the proposed Plan of Arrangement is procedurally and substantively fair and reasonable overall and meets all applicable statutory requirements will be determined at the return of the Petition on December 17, 2021, at which time the result of the votes by the Securityholders at the Meeting on the Arrangement Resolution will be known. The Petitioner will file with the Court a further affidavit to be sworn on behalf of the Petitioner reporting as to compliance with any Interim Order and the results of the Meeting conducted pursuant to such Interim Order.
12. Final approval of the plan of arrangement should be granted if the Court is satisfied that:
  - (a) the statutory requirements have been met;
  - (b) the application has been put forward in good faith; and
  - (c) the arrangement is fair and reasonable.

*BCE Inc.*, 2008 SCC 69 at para 137

13. In order to determine whether an arrangement is fair and reasonable, a Court must be satisfied that: (a) the arrangement has a valid business purpose; and (b) the objections of those whose legal rights are being arranged are being resolved in a fair and balanced way.

*BCE Inc.*, 2008 SCC 69 at paras 138 and 145

14. The Plan of Arrangement has a valid business purpose, as set out above in Part 2 and in particular paragraphs 10 to 15 which set out a number of factors identified by the Board in respect of their recommendations to vote in favour of the Arrangement Resolution.
15. As for the second prong of the fair and reasonable test, courts have considered a variety of factors, depending on the nature of the case, to determine whether the objections of those whose legal rights are being arranged are being resolved in a fair and balanced way, including, *inter alia*:
  - (a) whether a majority of security holders has voted to approve the arrangement; and
  - (b) the access of shareholders to dissent and appraisal remedies.

*BCE Inc.*, 2008 SCC 69 at paras 149-152

16. At the hearing for the final approval of this Plan of Arrangement, the Petitioner expects to be able to clearly demonstrate the above elements of the test for the granting of the Final Order have been satisfied.

**Part 4: MATERIAL TO BE RELIED ON**

1. At the hearing of this Petition to the Court, the Petitioners will rely upon:
  - (a) Affidavit No. 1 of Gregory Hall sworn November 9, 2021;
  - (b) further affidavit(s) to be sworn on behalf of the Petitioner, reporting as to compliance with any Interim Order and the results of the Meeting conducted pursuant to such Interim Order; and
  - (c) such other documents as counsel may advise.

The Petitioner estimates that the hearing of the petition will take 30 minutes  
[time estimate]

Date: 9/Nov/2021  
[dd/mm/yyyy]

Signature of Katelyn J. Jones  
 Petitioner  Lawyer for petitioner(s)

Katelyn J. Jones  
[type or print name]



***To be completed by the court only:***

Order made

in the terms requested in paragraphs \_\_\_\_\_ of Part 1 of this notice of application

with the following variations and additional terms:

Date: \_\_\_\_\_  
[dd/mm/yyyy]

\_\_\_\_\_  
Signature of  Judge  Master

**ENDORSEMENT ON ORIGINATING PLEADING OR PETITION FOR SERVICE  
OUTSIDE BRITISH COLUMBIA**

The petitioner claim to serve this pleading/petition on the respondents outside of British Columbia on the grounds pursuant to Section 10 (h) of the *Court Jurisdiction and Proceedings Transfer Act*:

(h)concerns a business carried on in British Columbia

SCHEDULE "A"

No. S219840  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

SILVER ELEPHANT MINING CORP.

PETITIONER

IN THE MATTER OF SECTION 288 OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
SILVER ELEPHANT MINING CORP.

BEFORE

) FRIDAY, THE 12<sup>th</sup> DAY OF  
)  
) NOVEMBER, 2021

**THIS WITHOUT NOTICE APPLICATION** of the Petitioner, Silver Elephant Mining Corp. ("**Silver Elephant**"), pursuant to sections 186 and 288-291 of the *Business Corporations Act*, S.B.C. 2002, c.57, as amended, (the "*BCBCA*"), for an Interim Order for directions pursuant to its Petition seeking approval of a plan of arrangement (the "**Plan of Arrangement**") under Division 5 of Part 9 of the *BCBCA*, coming on for hearing at Vancouver, British Columbia, on November 10, 2021 via MS Teams, AND ON HEARING Katelyn J. Jones, counsel for the Petitioner, AND UPON READING the Petition and the Affidavit No. 1 of G. Hall, sworn November 9, 2021 (the "**Hall Affidavit**"), each filed herein;

**AND UPON** being advised that it is the intention of Silver Elephant to rely upon Section 3(a)(10) of the United States *Securities Act of 1933*, as amended (the "**U.S. Securities**");

Act”) as a basis for an exemption from the registration requirements of the U.S. Securities Act with respect to the Class A Shares, Spinco 1 Shares, Spinco 2 Shares and BatteryCo Shares issued under the proposed Plan of Arrangement based on the Court’s approval of the Arrangement;

THIS COURT ORDERS THAT:

**DEFINITIONS**

1. As used in this Order, unless otherwise defined, terms beginning with capital letters have the respective meanings set out in the draft Notice of Special Meeting and Management Information Circular dated November 8, 2021 (the “**Circular**”), attached as Exhibit “A” to the Hall Affidavit.

**THE MEETING**

2. Silver Elephant is authorized and directed to call, hold and conduct a special meeting (the “**Meeting**”) of its holders of the Common Shares (the “**Securities**”, the holders of which are “**Securityholders**”) to be held on December 14, 2021 at 9:00 a.m. (Pacific Standard Time) virtually via the internet at <https://meetnow.global>:

- a) to consider and, if determined advisable, pass, with or without variation, a special resolution to approve a proposed Plan of Arrangement under Division 5 of Part 9 of the *BCBCA* involving Silver Elephant, substantially in the form set out at Appendix “A” to the Circular (the “**Arrangement Resolution**”); and

- b) to transact such further and other business, including amendments to the foregoing, as may properly come before the Meeting or any postponement or adjournment thereof.
3. The record date for the Meeting for determining the Securityholders entitled to receive notice of, attend and vote at the Meeting shall be November 3, 2021 (the "**Record Date**").
4. The Meeting shall be called, held and conducted in accordance with the *BCBCA*, the articles of Silver Elephant and the Circular, subject to the terms of this Interim Order, and any further Order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order.
5. The only persons entitled to attend or speak at the Meeting shall be:
- a) the Securityholders as of the Record Date or their respective and duly-appointed proxyholders;
  - b) the officers, directors, auditors and advisors of Silver Elephant; and
  - c) other persons who may receive the permission of the Chair of the Meeting.
6. The only persons entitled to be represented and to vote at the Meeting shall be the registered Securityholders as at the close of business on the Record Date, or their respective and duly-appointed proxyholders.

#### **ADJOURNMENT**

7. Notwithstanding the provisions of the *BCBCA* and the articles of Silver Elephant, and subject to the terms of the Arrangement Agreement, Silver Elephant, if it deems advisable, is

specifically authorized to adjourn or postpone the Meeting, on one or more occasions (whether or not a quorum is present), and for such period or periods of time as Silver Elephant deems advisable, as applicable, without the necessity of first convening the applicable Meeting or first obtaining any vote of the Securityholders respecting any such adjournment or postponement and without the need for approval of the Court. Notice of any such adjournments or postponements shall be given by such method as Silver Elephant may determine is appropriate in the circumstances, including by press release, news release, newspaper advertisement, or by notice sent to the Securityholders by one of the methods specified in paragraph 11 of this Interim Order. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

8. The Record Date shall not change in respect of adjournments or postponements of the Meeting.

9. At any subsequent reconvening of the Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the Meeting.

#### **AMENDMENTS**

10. Prior to the Meeting, Silver Elephant is authorized to make such amendments, revisions and/or supplements to the proposed Arrangement and Plan of Arrangement, subject to the terms of the Agreement, without any additional notice to the Securityholders, and the Arrangement and Plan of Arrangement as so amended, revised and supplemented shall be the Arrangement and Plan of Arrangement submitted to the Meeting, and the subject of the Arrangement



Resolution. Amendments, revisions and/or supplements to the Plan of Arrangement may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Court at the hearing for the final approval of the Plan of Arrangement.

#### **NOTICE OF MEETING**

11. The Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purpose of section 290(1)(a) of the *BCBCA*, and Silver Elephant shall not be required to send to the Securityholders any other or additional statement pursuant to section 290(1)(a) of the *BCBCA*. Silver Elephant shall mail or deliver the Circular, form of proxy and letter of transmittal in substantially the same form as contained at Exhibits "A", "B" and "C", respectively, to the Hall Affidavit (collectively, the "**Meeting Materials**"), with such deletions, amendments or additions thereto as counsel to Silver Elephant may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order, will be sent to:

- a) to registered holders of the Company's Common Shares, determined as at the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or delivery, by prepaid ordinary mail or by delivery in person or by recognized courier service, addressed to the registered Shareholder at its address as it appears in the Company's central securities register as at the Record Date;
- b) to beneficial holders of the Company's Common Shares (those whose names do not appear in the securities register of the Company), by providing, in accordance with National Instrument 54-101 - Communications with Beneficial

Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators, the requisite number of copies of the Meeting Materials to intermediaries and registered nominees to facilitate the distribution of the Meeting Materials to beneficial Shareholders;

- c) by email transmission to any Securityholder, who is identified to the satisfaction of Silver Elephant, at the email address of each Securityholder as it appears in the books and records of Silver Elephant;
- d) the directors and auditors of Silver Elephant by mailing the Meeting Materials by email transmission, by delivery in person or to such persons at least ten (10) days prior to the date of the Meeting, excluding the date of mailing or transmittal and including the date of the Meeting;

and substantial compliance with this paragraph shall constitute sufficient notice of the Meeting.

12. The Meeting Materials shall not be sent to any registered Securityholders where mail previously sent to such Securityholders by the Company or its registrar and transfer agent has been returned to the Company or its registrar and transfer agent on at least two previous consecutive occasion.

13. Accidental failure of or omission by Silver Elephant to give notice to any one or more Securityholders, its directors or the auditors (collectively, the "**Materials Recipients**") or the non-receipt of such notice by one or more Materials Recipients, or any failure or omission to give such notice as a result of events beyond the reasonable control of Silver Elephant, (including, without limitation, any inability to use postal services), will not constitute a breach

of this Interim Order or a defect in the calling of the Meeting, and shall not invalidate any resolution passed or proceedings taken at the Meeting, but if any such failure or omission is brought to the attention of Silver Elephant, then it shall use reasonable efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

14. No other form of service of the Meeting Materials or Notice Materials or any portion thereof need be made or notice given or other material served in respect of these proceedings or the Meeting, except as may be directed by a further order of this Court. Provided that Notice of the Meeting of Securityholders and the provision of the Meeting Materials and Notice Materials to the Materials Recipients take place in compliance with this Interim Order, the requirement of Section 290(1)(b) of the *BCBCA* to include certain disclosure in any advertisement of the Meeting is waived.

**DEEMED RECEIPT OF NOTICE**

15. The Meeting Materials and Notice Materials shall be deemed, for the purposes of this Interim Order, to have been received:

- a) in the case of mailing, the third day, Saturdays and holidays excepted, following the date of mailing;
- b) in the case of delivery in person, upon receipt at the intended recipient's address, or, in the case of delivery by courier, one (1) business day after receipt by the courier; and
- c) in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch;

- d) in the case of advertisement, at the time of publication of the advertisement;
- e) in the case of electronic filing on SEDAR, upon receipt by the Company from SEDAR of confirmation of filing; and
- f) in the case of beneficial Securityholders, three (3) days after delivery thereof to intermediaries and registered nominees

16. Sending of the Meeting Materials in accordance with paragraph 11 of this Interim Order shall constitute good and sufficient service of notice of the within proceedings on all persons who are entitled to be served. No other form of service need be made. No other materials need be served on such persons in respect of these proceedings, and service of the affidavits in support is dispensed with.

#### **UPDATING MEETING MATERIALS**

17. Notice of any amendments, modifications, updates or supplements to any of the information provided in the Meeting Materials may be communicated, at any time prior to the Meeting, to the Securityholders by press release, news release, newspaper advertisement or by notice sent to the Securityholders by any of the means set forth in paragraph 11, as determined to be the most appropriate method of communication by the Board.

#### **QUORUM AND VOTING**

##### **The Meeting**

18. The Chair of the Meeting shall be determined by Silver Elephant.

19. The quorum at the Meeting shall be not less than two persons who are, or represent by proxy, shareholders holding in the aggregate, at least 5% of the issued shares entitled to vote at the Meeting.

20. The vote required to pass the Arrangement Resolution shall be by at least 66<sup>2/3</sup>% of the aggregate votes cast by the holders of the Company Common Shares.

21. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

22. In all other respects, the articles of Silver Elephant will apply in respect of the Meeting.

#### **SCRUTINEER**

23. The scrutineer for the Meeting shall be Computershare Investor Services Inc. (acting through its representatives for that purpose). The duties of the scrutineer shall include:

- a) reviewing and reporting to the Chair on the deposit and validity of proxies;
- b) reporting to the Chair on the quorum of the Meeting;
- c) reporting to the Chair on the polls taken or ballots cast, if any, at the Meeting;  
and
- d) providing to the Company and to the Chair written reports on matters related to their duties.

#### **SOLICITATION OF PROXIES**

24. Silver Elephant is authorized to use the form of proxy and letter of transmittal in connection with the Meeting, in substantially the same form as attached as Exhibits "B" and

“C”, respectively, to the Hall Affidavit, subject to the Company's ability to insert dates and other relevant information in the final form thereof and to make other non-substantive changes and changes legal counsel advise are necessary or appropriate. Silver Elephant may in its sole discretion, but is not required to, waive generally the time limits for deposit of proxies by the Securityholders in the circumstances contemplated by the Arrangement Agreement (as described in the Circular) if Silver Elephant otherwise deems it reasonable to do so. Silver Elephant is authorized, at its expense, to solicit proxies, directly and through their respective officers, directors and employees, and through such agents or representatives as they may retain for the purpose, and by mail or such other forms of personal or electronic communication as they may determine.

25. The procedure for the delivery, revocation and use of proxies at the Meeting shall be as set out in the Meeting Materials.

#### **DISSENT RIGHTS**

26. Each Registered Shareholder as of the Record Date shall be entitled to exercise Dissent Rights in connection with the Arrangement Resolution in the manner set forth in sections 242-247 of the *BCBCA* (all as modified by this Interim Order, the Plan of Arrangement and the Final Order). Registered Company Shareholders shall be the only Securityholders entitled to exercise Dissent Rights. In order for a registered Company Shareholder as of the Record Date who wishes exercise such Dissent Right must provide a written notice of dissent (the “**Notice of Dissent**”) to the Arrangement Resolution, contemplated by section 242 of the *BCBCA* and the Plan of Arrangement. The Notice of Dissent must be sent to and received by Silver Elephant, as applicable, at:

409 Granville Street, Suite 1610



Vancouver BC V6C 1T2  
Attention: Corporate Secretary

with a copy to Silver Elephant's counsel:

MLT Aikins LLP  
1066 West Hastings Street, Suite 2600  
Vancouver BC V6E 3X1  
Attention: Katelyn Jones

not later than 9:00 a.m. (Pacific Standard Time) on December 10, 2021, or in the case of any adjournment or postponement of the Meeting, the day that is two (2) business days immediately preceding the date of the Meeting. The Notice of Dissent must otherwise strictly comply with the requirements of the *BCBCA*. For purposes of these proceedings, the "court" referred to in sections 238-247 of the *BCBCA* means this Honourable Court. A Dissenting Holder must dissent with respect to all of the Securities held by such person. A vote against the Arrangement Resolution or an abstention will not constitute a Notice of Dissent. A Company Shareholder who votes, or who has instructed a proxyholder to vote, in favour of the Arrangement Resolution shall not be entitled to exercise Dissent Rights.

27. Notice to the Company Shareholders of their Dissent Right with respect to the Arrangement Resolution will be given by including information with respect to the Dissent Right in the Circular to be sent to the Securityholders in accordance with the Interim Order.

28. Subject to further order of this Court, the right available to the Securityholders under the *BCBCA* and the Plan of Arrangement to dissent from the Arrangement will constitute full and sufficient Dissent Rights for the Securityholders with respect to the Arrangement.

## APPLICATION FOR FINAL ORDER

29. Following and subject to the approval, with or without variation by the Securityholders of the Plan of Arrangement in the manner set forth in this Interim Order, the Petitioner may apply to this Court for, *inter alia*, an Order:

- a) approving the Arrangement pursuant to section 291(4)(a) of the *BCBCA*; and
- b) declaring that the terms and conditions of the Arrangement, and the exchange of securities to be effected by the Arrangement, are substantively and procedurally fair and reasonable pursuant to section 291(4)(c) of the *BCBCA*;

(collectively, the "**Final Order**") and that the hearing of the Final Order will be held on December 17, 2021 at 9:45 a.m. (Pacific Standard Time) by telephone (or as determined by the Court), at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or as soon thereafter as the hearing of the Final Order can be heard or at such other date and time as this Court may direct.

30. The form of Notice of Hearing of Petition is hereby approved as the form of Notice of Proceedings for such approval.

31. Any Materials Recipient has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order, subject to the terms of this Interim Order. Any Materials Recipient seeking to appear at the hearing of the application for the Final Order shall:

- a) complete and file with this Court a Response to Petition, in the form prescribed by the British Columbia *Supreme Court Civil Rules*; and

- b) serve a copy of the filed Response to Petition together with a copy of all materials upon which the Materials Recipient intends to rely upon at the hearing for the Final Order, to the Petitioners' solicitors at:

MLT Aikins LLP  
Suite 2600 - 1066 West Hastings Street  
Vancouver, BC V6E 3X1

Attention: Katelyn J. Jones  
Facsimile: 604.682.7131  
Email: [kjones@mltaikins.com](mailto:kjones@mltaikins.com)

by or before 4:00 p.m. (Pacific Standard Time) on December 14, 2021; and

32. Any materials to be filed by the Petitioner in support of the within Application for final approval of the Plan of Arrangement may be filed up to one (1) day prior to the hearing of the application without further order of this Honourable Court.

33. In the event the within application for final approval does not proceed on the date set forth in the Notice of Hearing of Petition, or is adjourned, only those persons who served and filed a Response to Petition in accordance with paragraph 31 shall be entitled to be given notice of the adjourned date.

#### **PRECEDENCE**

34. To the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the Securityholders, or the articles or bylaws of Silver Elephant, this Interim Order shall govern.

#### **EXTRA-TERRITORIAL ASSISTANCE**

35. This Court seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or

administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States, the United Kingdom, or any other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

**VARIANCE**

36. The Petitioner shall be entitled, at any time, to apply to vary this Interim Order and apply for such other orders and direction from the Court as may be appropriate.

37. To the extent of any inconsistency or discrepancy between this Interim Order and the Circular, the *BCBCA*, the articles of Silver Elephant and/or the *Supreme Court Civil Rules*, this Interim Order will govern.

38. Endorsement of the Interim Order by counsel appearing on this Petition, except for counsel for the Petitioner, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED AS BEING BY CONSENT:

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Signature of  
Lawyer for the Petitioner

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**KATELYN JONES**

BY THE COURT

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REGISTRAR

SECTIONS 237 TO 247 OF THE BCBCA  
DISSENT PROCEDURES

(see attached)



connected with the person's election or appointment, and may relieve the person, either wholly or partly, from liability, on the terms the court considers necessary, if it appears to the court that, despite the finding of liability, the person has acted honestly and reasonably and ought fairly to be excused.

### Applications to court under this Act

- 235** (1) Subject to subsection (2), an application to the court under this Act may be brought without notice unless notice is specifically required under subsection (2) or otherwise under this Act.
- (2) The court may direct that notice of any application under this Act be served on those persons the court requires.

### Court may order security for costs

- 236** If a corporation is the plaintiff in a legal proceeding brought before the court, and if it appears that the corporation will be unable to pay the costs of the defendant if the defendant is successful in the defence, the court may require security to be given by the corporation for those costs, and may stay all legal proceedings until the security is given.

## Division 2 — Dissent Proceedings

### Definitions and application

- 237** (1) In this Division:

**"dissenter"** means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

**"notice shares"** means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

**"payout value"** means,

- (a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,
- (b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,
- (c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or
- (d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

- (2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that
- (a) the court orders otherwise, or
  - (b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

## Right to dissent

**238** (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

- (a) under section 260, in respect of a resolution to alter the articles
    - (i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on,
    - (ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company's community purposes within the meaning of section 51.91, or
    - (iii) without limiting subparagraph (i), in the case of a benefit company, to alter the company's benefit provision;
  - (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;
  - (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
  - (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
  - (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
  - (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
  - (g) in respect of any other resolution, if dissent is authorized by the resolution;
  - (h) in respect of any court order that permits dissent.
- (1.1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent under section 51.995 (5) in respect of a resolution to alter its notice of articles to include or to delete the benefit statement.

(2) A shareholder wishing to dissent must

- (a) prepare a separate notice of dissent under section 242 for
  - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
  - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is

dissenting,

- (b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and
  - (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.
- (3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must
- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
  - (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

### **Waiver of right to dissent**

**239** (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

(a) provide to the company a separate waiver for

(i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the

shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

### Notice of resolution

- 240** (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
  - (b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.
- (2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
  - (b) a statement advising of the right to send a notice of dissent.
- (3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,
- (a) a copy of the resolution,
  - (b) a statement advising of the right to send a notice of dissent, and
  - (c) if the resolution has passed, notification of that fact and the date on which it was passed.
- (4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

### Notice of court orders

- 241** If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

### Notice of dissent

**242** (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) or (1.1) must,

- (a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
  - (b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
  - (c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
    - (i) the date on which the shareholder learns that the resolution was passed, and
    - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.
- (2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company
- (a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or
  - (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.
- (3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company
- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or
  - (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.
- (4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:
- (a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;
  - (b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns

other shares of the company as beneficial owner, a statement to that effect and

- (i) the names of the registered owners of those other shares,
  - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
  - (iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;
- (c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and
- (i) the name and address of the beneficial owner, and
  - (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.
- (5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

### Notice of intention to proceed

- 243** (1) A company that receives a notice of dissent under section 242 from a dissenter must,
- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
    - (i) the date on which the company forms the intention to proceed, and
    - (ii) the date on which the notice of dissent was received, or
  - (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.
- (2) A notice sent under subsection (1) (a) or (b) of this section must
- (a) be dated not earlier than the date on which the notice is sent,
  - (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
  - (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

### Completion of dissent

- 244** (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,
- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
  - (b) the certificates, if any, representing the notice shares, and



- (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.
- (2) The written statement referred to in subsection (1) (c) must
    - (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
    - (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
      - (i) the names of the registered owners of those other shares,
      - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
      - (iii) that dissent is being exercised in respect of all of those other shares.
  - (3) After the dissenter has complied with subsection (1),
    - (a) the dissenter is deemed to have sold to the company the notice shares, and
    - (b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.
  - (4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.
  - (5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.
  - (6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

### **Payment for notice shares**

- 245** (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must
- (a) promptly pay that amount to the dissenter, or
  - (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

- (2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may
- (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,
  - (b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and
  - (c) make consequential orders and give directions it considers appropriate.
- (3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must
- (a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or
  - (b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),
- (a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or
  - (b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.
- (5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that
- (a) the company is insolvent, or
  - (b) the payment would render the company insolvent.

### **Loss of right to dissent**

**246** The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice

- of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
  - (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
  - (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
  - (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
  - (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
  - (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
  - (h) the notice of dissent is withdrawn with the written consent of the company;
  - (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

### **Shareholders entitled to return of shares and rights**

**247** If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

## **Division 3 — Investigations**

### **Appointment of inspector by court**

**248** (1) Subject to subsection (3), on the application of one or more shareholders who, in the aggregate, hold at least 1/5 of the issued shares of a company, the court may

- (a) appoint an inspector to conduct an investigation of the company, and
- (b) determine the manner and extent of the investigation.

NOTICE OF HEARING  
(FOR FINAL ORDER)

(see attached)



S 219840

No. \_\_\_\_\_  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

SILVER ELEPHANT MINING CORP.

PETITIONER

IN THE MATTER OF SECTION 288 OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
SILVER ELEPHANT MINING CORP.

**NOTICE OF HEARING  
(for Final Order)**

To: THE HOLDERS OF COMMON SHARES OF SILVER ELEPHANT MINING CORP.

TAKE NOTICE that the Petition of Silver Elephant Mining Corp. dated November 9, 2021 (the "**Petition**") will be heard by MS Teams (as determined by the Court) at the courthouse at 800 Smithe Street, Vancouver, British Columbia, on December 17, 2021 at 9:45 a.m.

The Registry may contact the Petitioner as set out below to confirm the virtual conferencing information:

**Katelyn Jones**  
MLT Aikins LLP  
Telephone: (604) 608-4577  
Email: [kjones@mltaikins.com](mailto:kjones@mltaikins.com)

**1 Date of hearing**

- The parties have agreed as to the date of the hearing of the Petition.
- The parties have been unable to agree as to the date of the hearing but notice of the hearing will be given to the Petition respondents in accordance with Rule 16-1(8)(b) of the Supreme Court Civil Rules.
- The Petition is unopposed, by consent or without notice.



**2 Duration of hearing**

It has been agreed by the parties that the hearing will take **30** minutes.

**3 Jurisdiction**

This matter is within the jurisdiction of a master.

This matter is not within the jurisdiction of a master.

Date: 9/November/2021

[dd/mmm/yyyy]



Signature of Katelyn J. Jones

petitioner  lawyer for petitioner(s)

Katelyn J. Jones

[type or print name]

THIS NOTICE OF HEARING OF PETITION is prepared by Katelyn J. Jones, of the firm of MLT Aikins LLP, Barristers and Solicitors, whose place of business and address for service is Suite 2600 - 1066 West Hastings Street, Vancouver, B.C., V6E 3X1, telephone (604) 608-4577 and whose fax number for delivery is (604) 682-7131.



No. S219840  
Vancouver Registry



**IN THE SUPREME COURT OF BRITISH COLUMBIA**

SILVER ELEPHANT MINING CORP.

PETITIONER

IN THE MATTER OF SECTION 288 OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
SILVER ELEPHANT MINING CORP.

REQUISITION

**REQUIRED:**

Please adjourn the Final Hearing of the Petition of Silver Elephant Mining Corp. dated November 9, 2021 (the "**Final Hearing**") that was to be heard by way of MS Teams at the courthouse at 800 Smithe Street, Vancouver, British Columbia, on December 17, 2021 and reschedule the Final Hearing to January 11, 2022 commencing at 9:45 by MSTeams at the courthouse at 800 Smithe Street, Vancouver, British Columbia

Please see attached Notice of Hearing for Final Order that was filed on November 10, 2021.

Time required: 30 Minutes  
Not within the Jurisdiction of the Master  
Final Order

Dated: November 19, 2021

  
\_\_\_\_\_  
Solicitor for the Plaintiff  
Katelyn Jones

THIS REQUISITION is prepared by Katelyn Jones of MLT Aikins LLP, Barristers & Solicitors, of 2600 – 1066 West Hastings Street, Vancouver, BC V6C 3L2 (Telephone: 604.682.7737) (Fax: 604.682.7131)



S 219840

No. \_\_\_\_\_  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

SILVER ELEPHANT MINING CORP.

PETITIONER

IN THE MATTER OF SECTION 288 OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
SILVER ELEPHANT MINING CORP.

**NOTICE OF HEARING  
(for Final Order)**

To: THE HOLDERS OF COMMON SHARES OF SILVER ELEPHANT MINING CORP.

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MLT Aikins LLP  
Telephone: (604) 608-4577  
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- The parties have agreed as to the date of the hearing of the Petition.
- The parties have been unable to agree as to the date of the hearing but notice of the hearing will be given to the Petition respondents in accordance with Rule 16-1(8)(b) of the Supreme Court Civil Rules.
- The Petition is unopposed, by consent or without notice.

**2 Duration of hearing**

It has been agreed by the parties that the hearing will take **30** minutes.

**3 Jurisdiction**

This matter is within the jurisdiction of a master.

This matter is not within the jurisdiction of a master.

Date: 9/November/2021

[dd/mmm/yyyy]



Signature of Katelyn J. Jones

petitioner  lawyer for petitioner(s)

Katelyn J. Jones

[type or print name]

THIS NOTICE OF HEARING OF PETITION is prepared by Katelyn J. Jones, of the firm of MLT Aikins LLP, Barristers and Solicitors, whose place of business and address for service is Suite 2600 - 1066 West Hastings Street, Vancouver, B.C., V6E 3X1, telephone (604) 608-4577 and whose fax number for delivery is (604) 682-7131.

**APPENDIX "D"**  
**INFORMATION CONCERNING SPINCO 1**

(see attached)

## APPENDIX “D”

### Information Concerning SpinCo 1

The following describes the proposed business of SpinCo 1, following the completion of the Arrangement and the SpinCo 1 Financing and should be read together with the financial statements of SpinCo 1 attached hereto as Appendix “I” and the carve-out financial statements in respect of the Minago Project attached hereto as Appendix “G”. Except where the context otherwise requires, all of the information contained in this Appendix is made on the basis that the Arrangement.

Unless the context otherwise requires, all references in this Appendix to “SpinCo 1” or “NickelCo” means “Flying Nickel Mining Corp.” Certain other terms used in this Appendix that are not otherwise defined herein are defined under “Glossary of Terms” in the Circular to which this Appendix is attached.

### CORPORATE STRUCTURE

#### Name and Incorporation

SpinCo 1 was incorporated as “Flying Nickel Mining Corp.” under the BCBCA on December 21, 2020. Prior to the Effective Date of the Arrangement, SpinCo 1 will not carry on any business except as contemplated by the Arrangement.

SpinCo 1’s head office and registered and records office are located at Suite 1610 – 409 Granville Street, Vancouver, BC V6C 1T2.

### GENERAL DEVELOPMENT OF THE BUSINESS

SpinCo 1 is not currently a reporting issuer and the SpinCo 1 Shares are not listed on any stock exchange. If the Arrangement is completed, SpinCo 1 expects that it will be a reporting issuer in each of the provinces and territories of Canada except Quebec. It is anticipated that application will be made for the listing of the SpinCo 1 Shares on the TSXV. Any listing of the SpinCo 1 Shares will be subject to meeting TSXV initial listing requirements and there is no assurance such a listing will be obtained.

### DESCRIPTION OF THE BUSINESS

#### General

Currently, SpinCo 1 has no assets or operations. After the Effective Date, SpinCo 1 will be engaged in the business of exploration of the Minago Project (as defined below), a mineral property located in the southern part of the Thompson Nickel Belt, approximately 107 kilometres north of the Town of Grand Rapids, Manitoba and 225 kilometres south of the City of Thompson, Manitoba. SpinCo 1 will be an exploration stage company, will own no developing or producing properties and, consequently, will have no operating income or cashflow from the properties it holds.

The Spinout 1 Properties to be acquired by SpinCo 1 pursuant to the Arrangement include the Company’s interest in the claims below, all of which will be transferred from the Company to SpinCo 1 pursuant to the Arrangement Agreement and the Spinout 1 Asset Contribution Agreement in exchange for SpinCo 1 Shares:

1. 100% beneficial and registered interest in 94 mining claims in Minago Property located in the Thompson Nickel Belt on Highway 6, approximately 225 km south of Thompson, Manitoba, Canada;
2. 100%% beneficial and registered interest in 2 mineral leases in the Minago Property located in the Thompson Nickel Belt on Highway 6, approximately 225 km south of Thompson, Manitoba, Canada;

(together, items 1-2, the “**Spinout 1 Properties**” or the “**Minago Property**”).

Pursuant to the Spinout 1 Asset Contribution Agreement, SpinCo 1 will also be transferred all contracts, permits, environmental permits, intellectual property, business information (other than financial books and records)



geological, geophysical and other technical information, dates, records, reports and studies exclusively related to the Spinout 1 Properties (the “**Spinout 1 Related Assets**”). SpinCo 1 will also assume all obligations and liabilities of any type whatsoever (including contingent or absolute obligations, and future obligations) of the Company related to the Spinout 1 Properties and the Spinout 1 Related Assets, including all environmental liabilities.

At the Effective Time, SpinCo 1 will assume the accounts payable and all other outstanding debts and amounts owing by the Company in respect of the Minago Property on the day prior to the Effective Date (the “**Spinout 1 Assumed Liability**”) pursuant to the Spinout 1 Assumption Agreement in consideration for an amount equal thereto.

Pursuant to the Arrangement steps referred to above, it is anticipated that SpinCo 1 will issue 50,000,000 SpinCo 1 Shares.

On October 26, 2021, the Company announced the terms of the SpinCo 1 Financing. Pursuant to the SpinCo 1 Financing, NickelCo will raise proceeds of up to \$8,600,000 through the issuance of a combination of: (i) up to 10,000,000 SpinCo 1 NFT Subscription Receipts and (ii) up to 3,000,000 SpinCo 1 FT Subscription Receipts. The SpinCo 1 Financing shall be undertaken on a fully marketed basis, with Red Cloud Securities Inc. acting as lead agent on behalf of a syndicate of agents, including Canaccord Genuity Corp. Upon satisfaction of the escrow release conditions set forth in a subscription receipt agreement, each SpinCo 1 NFT Subscription Receipt, without any further action on the part of the holder, will be converted into one SpinCo 1 Share and one-half of one SpinCo 1 Share purchase warrant, with each whole such warrant being exercisable to purchase a SpinCo 1 Share at a price of \$1.00 for a period of two years. Upon satisfaction of the escrow release conditions set forth in a subscription receipt agreement, each SpinCo 1 FT Subscription Receipt, without any further action on the part of the holder, will be converted into one SpinCo 1 Share issued as a ‘flow-through’ common share. The gross proceeds of the SpinCo 1 Financing will be held in escrow pending satisfaction of certain release conditions, which include Securityholder Approval and TSX approval of the Arrangement. The SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts will convert in accordance with their terms pursuant to the Arrangement without further action on the part of the holder. If the escrow release conditions for the SpinCo 1 FT Subscription Receipts are not satisfied on or before December 31, 2021, the proceeds from the SpinCo 1 FT Subscription Receipts will be returned to subscribers and the securities will be null and void. If the escrow release conditions for the SpinCo 1 NFT Subscription Receipts are not satisfied on or before January 15, 2022, or such later date as may be agreed upon, the proceeds from the SpinCo 1 NFT Subscription Receipts will be returned to subscribers and the securities will be null and void. It is anticipated that the SpinCo 1 Financing will be completed during November 2021 and in any event prior to the Meeting. In addition, the agents for the SpinCo 1 Financing, will be entitled to receive that number of broker warrants equal to 6% of the number of SpinCo 1 FT Subscription Receipts and SpinCo 1 NFT Subscription Receipts sold. Each broker warrant will be exercisable to acquire one SpinCo 1 Share for a period of 2 years at an exercise price of \$0.70.

## **SpinCo 1 Properties**

### ***The Minago Property***

#### **General**

The Minago Property (also referred to in this Appendix as the “**Minago Project**”) is located in northern Manitoba, Canada within the southern part of the Thompson Nickel Belt, approximately 107 kilometers north of the Town of Grand Rapids, Manitoba and 225 kilometres south of the City of Thompson, Manitoba. Provincial Trunk Highway 6 crosses the eastern portion of the Minago Property.

The Minago Project is comprised of 94 mining claims and two mining leases. The two leases are owned by Victory Nickel Corp. (“**Victory Nickel**”) and are currently in the process of being transferred to the Company. Mining claims MB8497, P235F, P238F and P239F are subject to a net smelter return (“**NSR**”) royalty interest (the “**Glencore Royalty**”) retained by Glencore Canada Corporation (“**Glencore**”). The Glencore Royalty in respect of nickel, shall for any calendar quarter be: (i) 2% NSR royalty when the London Metals Exchange 3-month nickel price is equal to or greater than US\$13,227.74 per tonne in that quarter; and (ii) a 1% NSR when the London Metals Exchange 3-month nickel price is less than US\$13,227.74 per tonne in that quarter. The Glencore Royalty in respect of other minerals, metals and concentrates, shall be a 2% NSR. In the event that the Glencore Royalty consists of a



2% NSR royalty, NickelCo may purchase a portion of the royalty interest which represents in the aggregate no more than 1% of the royalty interest for \$1,000,000. Glencore's royalty interest shall never be less than a 1% NSR.

In addition, pursuant to the Arrangement, the Company will transfer to RoyaltyCo, and RoyaltyCo will retain, a 2% NSR (the "**RoyaltyCo Royalty**") on the Minago Project. The RoyaltyCo Royalty will be calculated quarterly and will be payable in each quarter where the average nickel price on the London Metals Exchange exceeds US\$15.00. The RoyaltyCo Royalty is in addition to the Glencore Royalty.

### **Technical Report**

The following is a summary of the NI 43-101 Technical Report prepared by Michael Cullen, P.Geo, Paul Ténrière, P.Geo, Matthew Harrington, P.Geo, William A. Turner, P.Geo, John Eggert, P.Eng. and Lawrence Elgert, P.Eng (the "**Authors**"), on behalf of Mercator Geological Services Limited. ("**Mercator**"), entitled "Technical Report on the Mineral Resource Estimate for the Minago Nickel Project" (the "**Minago Technical Report**") dated as of August 20, 2021 and effective as of July 2, 2021. Each of the Authors is a qualified person (a "**Qualified Person**") and is independent of SpinCo 1. The summary of the Minago Technical Report is incorporated in this Appendix with the consent of the Authors.

Investors should consult the Minago Technical Report to obtain further particulars regarding the Minago Project. The Minago Technical Report is incorporated by reference herein (except sections 1.8.2 and 13) and will be available for review under Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the summary of technical information in this Appendix should be read in the context of the qualifying statements, procedures and accompanying discussion within the complete Minago Technical Report and the summary provided herein is qualified in its entirety by the Minago Technical Report. Capitalized and abbreviated terms appearing in this section and not otherwise defined herein have the meaning ascribed to such terms in the Minago Technical Report.

### ***Property Description and Location***

The Minago Property is located in northern Manitoba, Canada within the southern part of the Thompson Nickel Belt, approximately 107 kilometers north of the Town of Grand Rapids, Manitoba and 225 kilometres south of the City of Thompson, Manitoba. Provincial Trunk Highway 6 crosses the eastern portion of the Minago Property. The closest international airport is the Winnipeg James Armstrong Richardson International Airport (YWG) located approximately 536 kilometres south of the Minago Property in Winnipeg, Manitoba. Regional airline service is also available from the Thompson Municipal Airport (YTH) with direct flights from Winnipeg, Manitoba. The Minago Project can be easily accessed via Highway 6, a paved, two-lane highway that originates in Winnipeg and serves as a major transportation route to northern Manitoba including Thompson. The closest town to offer full services is Grand Rapids, Manitoba which includes full-service accommodations, grocery stores and restaurants, tool rental, hardware stores, and gas stations.

*Figure 1: Minago Project Location Map*

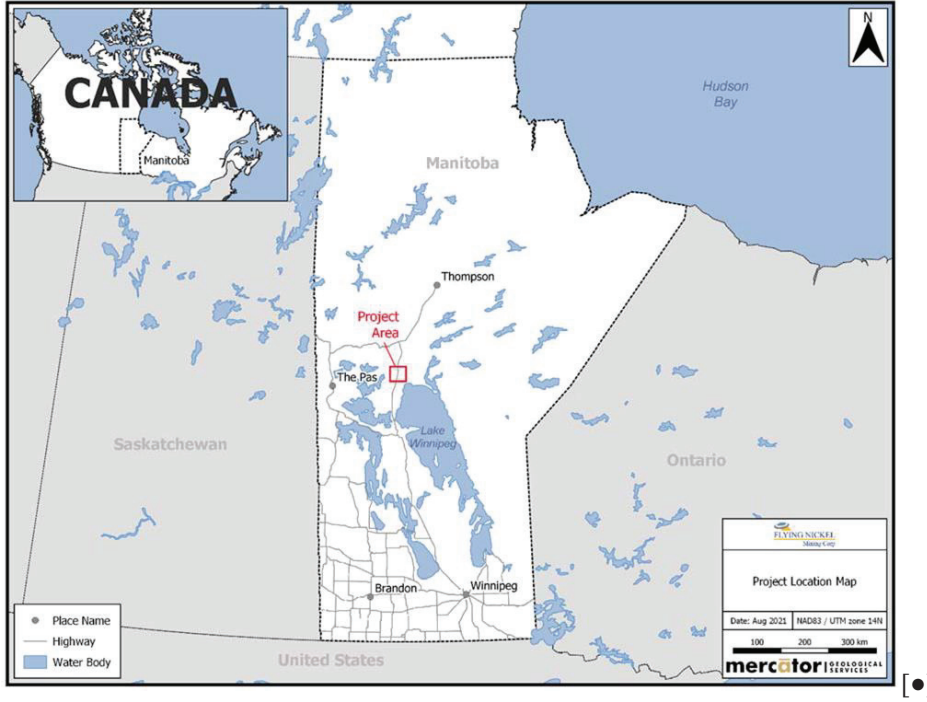
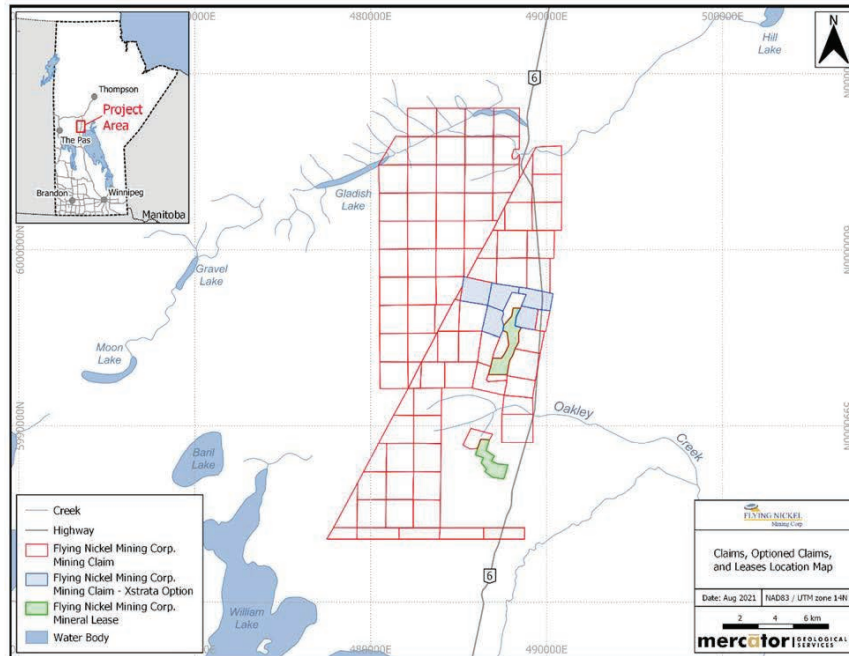


Figure 2: Detailed Location Map of the Minago Property



### Mineral Tenure

The Minago Project is comprised of 94 mining claims totaling 19,236 ha (192.36 km<sup>2</sup>) 100% owned by the Company, and two mining leases (“ML-002” and “ML-003”) totaling 425 ha (4.25 km<sup>2</sup>). ML-002 and ML-003 have been transferred to the Company effective November 9, 2021. These mining claims and leases occur over the Minago Nickel Deposit (or “Deposit”) located in the Thompson Nickel Belt on Highway 6, approximately 225 km south of Thompson, Manitoba, Canada (Table 1). The Minago Project is centred at map coordinates 485,000 m Easting and 5,995,000 m Northing (UTM NAD83 Zone 14N) within NTS Map Sheet 63J/03 (Figure 2).

All claims will be beneficially owned 100% by SpinCo 1 upon completion of the Arrangement.

According to the *Mines and Minerals Act* (Manitoba) (the “Act”), a mineral lease grants to the lease holder:

1. The exclusive rights to the minerals, other than quarry minerals, that are the property of the Crown and are found in place on, in, or under the land covered by the lease; and
2. Mineral access rights that include:
  - (i) The right to open and work a shaft or mine within the limits of the lease area; and
  - (ii) The right to erect buildings or structures upon the subject land for the purpose of exploration and/or mining.

According to the Act, the holder of a mineral claim is granted:

1. The exclusive right to explore for and develop the Crown minerals other than quarry minerals, found in place on, in, or under the lands covered by the claim; and
2. Subject to certain ministerial considerations, the holder of a mineral claim may enter, use, and occupy the surface of the land that is governed by the claim for the purpose of prospecting or exploring or developing, mining or producing minerals on, in, or under the land.

In Manitoba, unpatented mineral claims require annual exploration assessment expenditures of CDN\$12.50 per hectare per year on claims less than 10 years from the date of registration. The amount changes to C\$25.00 per

hectare per year for any claims held past 10 years from the date of registration. Previous exploration work can be banked, grouped and applied as needed to meet assessment requirements. Unpatented mineral claims include access to the mining rights only. No outstanding obligations exist with regard to the claims comprising the Minago Project. The current required exploration assessment expenditures for the Minago Project mining claims is approximately \$423,450.

Future exploration work conducted on the Minago Project mining claims will require work permits from the Manitoba Department of Agriculture and Resource Development (the “**Department**”). The Department also has a duty to consult with First Nations, Métis communities, and other Aboriginal communities prior to granting work permits for mineral exploration and mine development projects. The Company has yet to receive work permits for mineral exploration on the Minago Project claims.

ML-002 held by the Company is a renewable 21-year lease covering 248 ha in the Minago Project area. The lease was issued by the Province of Manitoba on April 1, 1992. The lease was renewed for another 21 years on April 1, 2013 and is set to expire on April 1, 2034. The annual lease rental payment is \$2,976 (\$12/ha) and due on May 1st of each year. As of the effective date of this technical report the annual lease rental payment has been paid and the mineral lease was in good standing until May 1, 2022.

ML-003 held by the Company is a renewable 21-year lease covering 177 ha in the Minago Project area. The lease was issued by the Province of Manitoba on April 1, 1992. The lease was renewed for another 21 years on April 1, 2013 and is set to expire on April 1, 2034. The annual lease rental payment is \$2,124 (\$12/ha) and due on May 1st of each year. As of the effective date of this technical report the annual lease rental payment has been paid and the mineral lease was in good standing until May 1, 2022.

The Department’s integrated mining and quarrying system (“**iMaQs**”) confirms that all mining claims and leases comprising the Minago Project as described in Table 1 were, at the effective date and report date, in good standing, and that no legal encumbrances were registered with the Department against these mining claims. The responsible Qualified Person confirms that payment of claim transfer fees associated with the claims identified in Table 1 have been documented in iMaQs. The Qualified Person makes no further assertion concerning the legal status of the properties. None of the properties have been legally surveyed to date and there is no requirement to do so at this time.

*Table 1: Mineral Claims*

Deposition Number	Disposition Name	Issue Date	Good To Date	Area (ha)
MB10193	VIC 24	2011-04-11	2022-04-11	256
MB10194	VIC 25	2011-04-11	2022-04-11	256
MB10195	VIC 26	2011-04-11	2022-04-11	256
MB10196	VIC 27	2011-04-11	2022-04-11	256
MB10197	VIC 28	2011-04-11	2022-04-11	256
MB10198	VIC 29	2011-04-11	2030-04-11	256
MB10199	VIC 30	2011-04-11	2030-04-11	130
MB11497	VIC 11497	2013-08-30	2022-08-30	256
MB11498	VIC 11498	2013-08-30	2022-08-30	256
MB11499	VIC 11499	2013-08-30	2022-08-30	256
MB11500	VIC 11500	2013-08-30	2028-08-30	102
MB11536	VIC 11536	2013-08-30	2020-08-30	256
MB11537	VIC 11537	2013-08-30	2020-08-30	256
MB11538	VIC 11538	2013-08-30	2020-08-30	256
MB11539	VIC 11539	2013-08-30	2020-08-30	256
MB11540	VIC 11540	2013-08-30	2022-08-30	187
MB11541	VIC 11541	2013-08-30	2022-08-30	256
MB11542	VIC 11542	2013-08-30	2020-08-30	256
MB11543	VIC 11543	2013-08-30	2020-08-30	256
MB11544	VIC 11544	2013-08-30	2020-08-30	231
MB11545	VIC 11545	2013-08-30	2022-08-30	256

Deposition Number	Disposition Name	Issue Date	Good To Date	Area (ha)
MB11546	VIC 11546	2013-08-30	2022-08-30	256
MB11547	VIC 11547	2013-08-30	2022-08-30	256
MB11548	VIC 11548	2013-08-30	2022-08-30	256
MB11549	VIC 11549	2013-08-30	2022-08-30	236
MB11550	VIC 11550	2013-08-30	2022-08-30	256
MB5390	BARNEY 1	2013-08-30	2022-07-26	168
MB5391	BARNEY 2	2004-07-26	2022-07-26	242
MB5392	BARNEY 3	2004-07-26	2022-07-26	170
MB5393	BARNEY 4	2004-07-26	2022-07-26	184
MB5394	BARNEY 5	2004-07-26	2030-07-26	155
MB5395	BARNEY 6	2004-07-26	2022-07-26	76
MB7027	MIN 1	2004-07-26	2021-11-27	235
MB7028	MIN 2	2006-11-27	2030-11-27	214
MB7029	MIN 3	2006-11-27	2021-11-27	252
W48594	MIN 4	2006-11-27	2027-08-04	162
W48595	MIN 5	2006-08-04	2027-08-04	256
MB7030	MIN 6	2006-08-04	2021-11-27	135
MB7031	MIN 7	2006-11-27	2030-11-27	204
MB7033	MIN 8	2006-11-27	2021-11-27	205
MB7032	MIN 9	2006-11-27	2021-11-27	78
MB7066	MIN 10	2006-11-27	2021-01-23	57
MB7067	MIN 11	2007-01-23	2021-01-23	121
MB7141	MIN 12	2007-01-23	2021-01-23	250
MB7142	MIN 13	2007-01-23	2021-01-23	256
MB7143	MIN 14	2007-01-23	2021-01-23	256
MB7144	MIN 15	2007-01-23	2021-01-23	138
MB7145	MIN 16	2007-01-23	2021-01-23	256
MB7146	MIN 17	2007-01-23	2021-01-23	247
MB7147	MIN 18	2007-01-23	2021-01-23	247
MB7148	MIN 19	2007-01-23	2021-01-23	256
MB7149	MIN 20	2007-01-23	2021-01-23	243
MB7150	MIN 21	2007-01-23	2021-01-23	181
MB7151	MIN 22	2007-01-23	2021-01-23	256
MB7152	MIN 23	2007-01-23	2021-01-23	256
MB7153	MIN 24	2007-01-23	2021-01-23	241
MB7154	MIN 25	2007-01-23	2021-01-23	88
MB7155	MIN 26	2007-01-23	2021-01-23	145
MB7156	MIN 27	2007-01-23	2021-01-23	145
MB7157	MIN 28	2007-01-23	2021-01-23	153
MB7158	MIN 29	2007-01-23	2021-01-23	153
MB8497 <sup>1</sup>	DAD	2007-01-23	2023-05-28	132
MB8549	TOM F	2008-05-28	2028-05-12	14
MB8780	VIC 1	2008-05-12	2022-04-17	248
MB8781	VIC 2	2009-04-17	2022-04-17	210
MB8782	VIC 3	2009-04-17	2027-04-17	256
MB8783	VIC 4	2009-04-17	2028-04-17	53
MB8784	VIC 5	2009-04-17	2020-04-17	254
MB8785	VIC 6	2009-04-17	2027-04-17	256
MB8786	VIC 7	2009-04-17	2028-04-17	113
MB8787	VIC 8	2009-04-17	2020-04-17	256
MB8788	VIC 9	2009-04-17	2027-04-17	256

Deposition Number	Disposition Name	Issue Date	Good To Date	Area (ha)
MB8789	VIC 10	2009-04-17	2028-04-17	141
MB8790	VIC 11	2009-04-17	2021-04-17	252
MB8791	VIC 12	2009-04-17	2027-04-17	243
MB8792	VIC 13	2009-04-17	2021-12-21	256
MB8935	VIC 19	2009-12-21	2021-12-21	256
MB8936	VIC 20	2009-12-21	2021-12-21	212
MB8937	VIC 21	2009-12-21	2021-12-21	256
MB8938	VIC 22	2009-12-21	2030-12-21	93
MB8939	VIC 23	2009-12-21	2030-12-21	212
MB8947	VIC 16	2009-12-21	2021-12-21	256
MB8948	VIC 17	2009-12-21	2021-12-21	256
MB8949	VIC 18	2009-12-21	2029-12-21	120
MB8979	VIC 14	2009-12-21	2021-12-21	256
MB9000	VIC 15	2009-12-21	2029-12-21	252
P235F <sup>1</sup>	BRY 18	2009-12-21	2028-04-08	192
P237F <sup>1</sup>	BRY 20	1991-04-08	2027-04-08	195
P238F <sup>1</sup>	BRY 21	1991-04-08	2022-04-08	212
P239F <sup>1</sup>	BRY 22	1991-04-08	2028-04-13	256
P2527F	KON 1	1994-03-18	2022-03-18	108
P2528F	KON 2	1994-03-18	2030-03-18	73
P2529F	KON 3	1994-03-18	2022-03-18	43
P2530F	KON 4	1994-03-18	2022-03-18	105
<b>Total Area in Hectares =</b>				<b>19,236</b>

**Note**

- (1) These claims are subject to Glencore Royalty. For more details, see “Option Agreements and Royalties” below.

*Table 2: Mineral Leases*

Deposition Number	Disposition Name	Issue Date	Good To Date	Area (ha)
ML-002	-	1992-04-01	2022-04-01	248
ML-003	-	1992-04-01	2022-04-01	177
<b>Total Area in Hectares =</b>				<b>425</b>

Option Agreements and Royalties

Mining claims MB8497, P235F, P238F and P239F are subject to the Glencore Royalty retained by Glencore pursuant to the Option Agreement, which has been assumed by the Company. The claims are located northeast of ML-002 and of the current mineral resource boundary (Figure 2).

Pursuant to the Option Agreement, the Glencore Royalty in respect of nickel, for any calendar quarter, shall be: (i) a two percent (2%) NSR royalty when the LME 3-month nickel price is equal or greater than US\$13,227.74 per tonne in that quarter; and (ii) a one percent (1%) NSR royalty when the LME 3-month nickel price is less than US\$13,227.74 per tonne in that quarter. The Glencore Royalty in respect of other metals, minerals and concentrates, is a 2% NSR royalty. In the event that the Glencore Royalty consists of a 2% NSR royalty, the Company may purchase a portion of the royalty interest which represents in the aggregate no more than 1% of the royalty interest for \$1,000,000. The Glencore Royalty shall never be less than 1% NSR royalty.

Permits or Agreements Required for Exploration Activities



The holder of a mineral claim in Manitoba has the exclusive right to explore for and develop the Crown minerals, other than the quarry minerals, found in place on, in or under the lands covered by the claim.

The lessee of a mineral lease has the exclusive right to the Crown minerals, other than quarry minerals, that are the property of the Crown and are found in place or under the land covered by the mineral lease. Furthermore, the lessee has access rights to open and work a shaft or mine and to erect buildings or structures upon the subject land.

Prior to commencing exploration activities on mineral claims and leases, a work permit describing each work activity must be obtained from the Manitoba Agriculture and Resource Development office in Wabowden, Manitoba and a letter of advice is obtained from the Federal Department of Fisheries and Oceans. The Manitoba government has a duty to consult with First Nations, Métis communities and other Aboriginal communities when a mineral exploration permit is submitted for approval by the claim holder.

#### Other Liabilities and Risk Factors

The Authors are not aware of any environmental liabilities on the Minago Project. As noted above, the Company will require permits to conduct recommended future exploration work on the property. The Company has advised the Authors that its liability, at the effective date of this report, was limited to activities carried out under any exploration permits issued by the Government of Manitoba. These permits are for site activities related to diamond drilling and general site access but do not include impacts associated with historical site use. Development of a future mining operation at the Minago Project will require that the issue of site liabilities be addressed in the related mining and environmental permitting process.

The Authors are not aware of any other significant factors and risks that may affect access, title, or the right or ability to perform the recommended work program on the Minago Project that is included in the Minago Technical Report.

#### ***Accessibility, Climate, Local Resources, Infrastructure and Physiography***

##### Accessibility

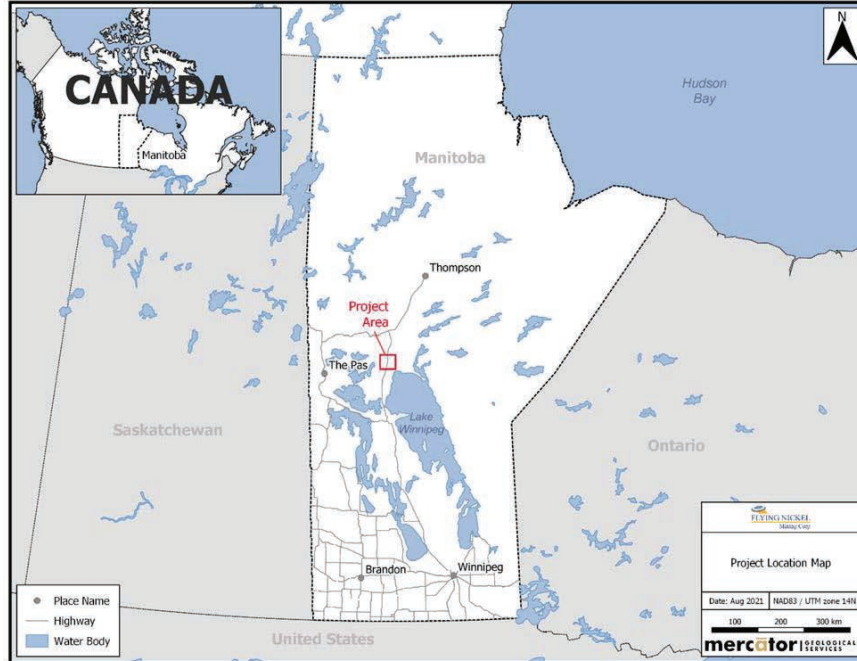
The Minago Project is located in northern Manitoba, Canada within the southern part of the Thompson Nickel Belt, approximately 107 kilometers north of the Town of Grand Rapids and 225 kilometers south of the City of Thompson. Provincial Trunk Highway 6 crosses the eastern portion of the Minago Project (Figure 3). The closest international airport is the Winnipeg James Armstrong Richardson International Airport (YWG) located approximately 536 km south of the Minago Project in Winnipeg, Manitoba. Regional airline service (Calm Air and Perimeter Aviation) is also available from Thompson Municipal Airport (YTH) with direct flights from Winnipeg, Manitoba. The Minago Project can be easily accessed via Highway 6, a paved, two-lane highway that originates in Winnipeg and serves as a major transportation route to northern Manitoba including Thompson, Manitoba. The closest town to offer full services is Grand Rapids, Manitoba, which includes full-service accommodations, grocery stores and restaurants, tool rental, hardware stores, and gas stations.

##### Climate and Physiography

The Minago Project is in the humid continental climate zone of North America with vast seasonal differences. January is the coldest month of the year with a daily temperature averaging -19.7 degrees Celsius (°C). Temperatures range from +7.5°C to -43.0°C. July is the warmest month of the year with daily temperature averaging +18.6°C and a range of +36.5°C to +3.3°C. Total annual precipitation is 473.7 millimetres (mm) comprising 111.5 mm of snow and 362.2 mm of rain with 57.5% of the total precipitation occurring in the four months from June to September. Mineral exploration field programs can efficiently be undertaken from June through to late November in all areas. Programs such as drilling and geophysical surveys can also be implemented year-round but delays due to poor winter weather conditions such as heavy snow fall should be expected.

The Minago Project is located within almost entirely swampy muskeg and topographic relief is less than 3 m. Elevations in the area vary between 220 to 225 metres above sea level. Vegetation consists of sparse black spruce and tamarack. Oakley Creek runs along the south side of the mining claims that host the Deposit and drains into Lake Winnipeg.

*Figure 3: Location Map of the Minago Project*



### Local Resources and Infrastructure

The Minago Project is well positioned with respect to infrastructure. The City of Thompson, Manitoba, offers motels, medical services, hardware stores, grocery stores, gas stations, commercial airport facilities, and industrial services required to support the long-time mining and processing activities that have been carried out in this region since discovery of nickel in the 1950's. Grand Rapids, Manitoba, is served by a Royal Canadian Mounted Police (RCMP) detachment, a nursing station, daily bus and truck transportation to Winnipeg, a 1.02 kilometers grass/turf airstrip, and a number of small supply and service businesses.

The Hudson Bay Railway line owned by Arctic Gateway Group LP connects the southern prairie region of western Canada to Churchill, Manitoba (a seasonal seaport) and crosses Provincial Highway 6 approximately 60 km north of the Minago Project. Manitoba Hydro high voltage alternating and direct current transmission lines parallel Highway 6 and cross a portion of the Minago Property.

The extensive surface drainage systems present in the project area provide readily accessible potential water sources for incidental exploration use such as diamond drilling. They also provide good potential as higher volume sources of water such as those potentially required for future mining and milling operations.

Exploration staff and consultants, as well as heavy equipment and drilling contractors can be sourced from within Manitoba and surrounding provinces such as Ontario and Québec. Mining is the dominant industry in the area. The local rural and urban economies provide a large base of skilled trades, professional, and service sector support that can be accessed for exploration and resource development purposes.

### ***Exploration and Drilling***

The Minago Property has been the subject of extensive past exploration work.

### Summary

The Minago Project began as Geophysical Reservation 34 (GR 34) covering an area of 19.2 km by 38.4 kilometers that was granted to Amax Potash Ltd. (“Amax”) on November 1, 1966 for a period of two years and extended in 1968 to April 30, 1969 (reference to Amax in this technical report includes the subsidiaries and successor companies of Amax Potash Limited, namely Amax of Canada Limited, 121991 Canada Limited and Canamax Resources Inc.).

In March 1969, Amax converted the most prospective area of GR 34 to 844 contiguous claims and in April 1969, an additional 18 claims were staked. In 1973, the claims covering ground deemed to have the most potential for economically viable nickel mineralization were taken to lease status as explored area lease 3 (North Block) and explored area lease 4 (South Block). In an agreement dated December 12, 1973, Granges Exploration Aktiebolag (“**Granges**”) was granted an option on the explored area leases (reference to Granges in this report includes the subsidiaries and successor companies of Granges Exploration Aktiebolag namely Granges Exploration Ltd. and Granges International Ltd.). In 1977, Granges became a passive partner with a 25% interest and a 0.5% NSR royalty in the leases. On May 18, 1989, Black Hawk Mining Inc. (“**Black Hawk**”) purchased the Amax interest in the explored area leases. On August 2, 1989, Black Hawk purchased the Granges interest and NSR royalty in the explored area leases. On April 1, 1992, explored area lease 3 and explored area lease 4 were converted to ML-002 and ML-003 respectively. On March 18, 1994, a portion of ML-002 was converted to mineral claims KON 1, KON 2 and KON 3, and a portion of ML-003 was converted to mineral claim KON 4. On November 3, 1999, Nuinsco Resources Ltd. (“**Nuinsco**”), and its successor Victory Nickel purchased the Black Hawk interest in the Minago Property subject to a graduated NSR royalty based on nickel prices.

#### Amax Exploration Work (1866 to 1972)

Amax conducted a regional scale exploration program on the southern extension of the Thompson Nickel Belt and concluded that the corporate threshold for deposit size justifying production would not be achieved on the Minago Project. A brief summary of work conducted by Amax is as follows:

- audio frequency magnetics airborne survey with nominal 1,609 m line spacing;
- helicopter airborne magnetic survey with nominal 402 m line spacing;
- Turair electromagnetic survey;
- line-cutting at 305 m line spacing with ground geophysical surveys including magnetic (Askania magnetometer), electromagnetic (Radem Vertical Loop Electromagnetic (VLEM)), dipole-dipole induced polarization (McPhar) and gravity surveys;
- eighteen (18) diamond drill hole plus one wedged hole were completed on the Minago Project;
- fourteen (14) diamond drill holes were completed on ML-002;
  - twelve (12) diamond drill holes were completed on ML-003; and
  - completion of a historical mineral resource estimate that did not conform to NI 43-101 and CIM definition standards, which did not exist at the time.

#### Granges Exploration Work (1973 to 1976)

Granges focused their efforts on the Minago Nickel Deposit and completed mineral resource estimates, and mining, metallurgical and milling studies. Eight diamond drill holes and 9 wedge holes were completed by Granges with limited in-hole surveys completed. Granges concluded that the deposit was sufficiently confirmed, and that further delineation and exploration should be conducted from underground workings.

#### Black Hawk Exploration Work (1989 to 1991)

Black Hawk conducted a deep penetrating ground electromagnetic survey, mineral resource estimates, and mining, metallurgical and milling studies. A helicopter-borne electromagnetic and magnetic survey covering the Minago Project was obtained from Falconbridge Limited and interpreted by Black Hawk. Blackhawk also completed a now historical mineral resource estimate that did not conform to NI 43-101 and CIM definition standards, which did not exist at the time. Forty-five core holes were drilled in the vicinity of the Minago Project. Collars were surveyed for location and in-hole orientation surveys were conducted on the majority of holes.

#### Nuinsco and Victory Nickel (2005 to 2012)

Nuinsco and its successor company Victory Nickel completed numerous exploration and diamond drilling programs on the Minago Project from 2005 to 2012. Between January and April 2005, Nuinsco drilled 6 diamond drill holes or 2,948.1 metres (N-05-01 to N-05-06) on ML-002. Between March 4 to April 21, 2006, Nuinsco completed two diamond drill holes (NM-06-01 and NM-06-02) totaling 1,533.6 metres. The drilling was undertaken in order to: (1) confirm and upgrade the resource estimates prepared for the Deposit, (2) enable geotechnical observations and measurements to revise preliminary open pit shell designs, (3) and provide additional material for metallurgical

testing.

Between January and May 2007, Victory Nickel completed 44 diamond drill holes on ML-002 in the Minago River area for a total of 13,284.2 m. The drill holes were drilled to add to and increase confidence in the resource for the Minago/Nose Deposit.

Between January and May 2008, Victory Nickel completed 18 diamond drill holes for a total of 9,082 m, on ML-002 and the adjacent claims in the Minago River area. Ten of the holes (V-08-01 to V-08-10) were drilled to increase confidence in the previous historical estimates of Victory Nickel's Minago/Nose deposit, while the remaining eight (VC-08-01 to VC-08-08) were condemnation holes put in to confirm the absence of potentially minable material under ground where construction of surface facilities was is contemplated.

Between January and May 2010, Victory Nickel completed 23 diamond drill holes in the Nose deposit (proposed pit shell) and 3 drill holes in the North Limb area of the Minago Project for a total of 9,647.7 m. The purpose of the 2010 drilling program was to:

- Upgrade inferred mineral resources within the then-current pit limits to the indicated or measured categories so that they could be incorporated into a mine plan;
- Attempt to incorporate areas at the top of the Deposit near the sandstone contact that were excluded from the resource and reserve estimates completed in the 2009 Wardrop Ltd. (“**Wardrop**”) feasibility study due to a perceived lack of drill coverage;
- To obtain additional geological information to improve the predictability of the geological model; and
- To further evaluate the potential of the North Limb mineralization and potentially define an exploration target estimating the potential tonnage and grade of North Limb mineralization.

Between February 5, 2011 and April 28, 2011, Victory Nickel completed 20 diamond drill holes (V-11-01 to V-11-14 and V-11-20 to V-11-24) on the Deposit for a total of 8,673.4 m. The purpose of the 2011 drilling program was to:

- Complete deep holes targeting the down-plunge extension of the significant nickel resource within the Deposit in the Minago Project;
- Define a resource estimate in the North Limb area of the Deposit and demonstrate continuity and significant thickness of nickel-mineralized rock unit; and
- Complete several drill holes to examine geology and assess local conditions with regard to future mining infrastructure placement.

Between February 17, 2012 and April 27, 2012, Victory Nickel completed a 10-hole diamond drill program (V-12-01 to V-12-10) at the Minago Project totaling 4,137.1 metres. This is the most recent drilling program on the Minago Project and its purpose was to complete:

- Six drill holes (V-12-01, V-12-02, V-12-04, V-12-06, V-12-08 and V-12-10) to test geophysical anomalies;
- Two drill holes (V-12-03 and V-12-05) on ML-2 to test for extensions of the Deposit; and
- Two drill holes (V-12-07 and V-12-09) on ML-3 to further explore and delineate a known occurrence of nickeliferous serpentinite not in the Deposit area.

### ***Geology and Mineralization***

The regional geology comprises the eastern edge of the Phanerozoic sediments of the Western Canada Sedimentary Basin that unconformably overlie Precambrian crystalline basement rocks including the Thompson Nickel Belt. The Western Canada Sedimentary Basin tapers from a maximum thickness of approximately 6,000 m in Alberta to zero to the north and east where it is bounded by the Canadian Shield. The Minago Property is located near the northeast corner of the Western Canada Sedimentary Basin where it comprises approximately 53 m of Ordovician dolomite underlain by approximately 7.5 m of Ordovician sandstone.

The Precambrian basement rocks of the Thompson Nickel Belt form a northeast southwest trending 10 to 35 km wide belt of variably reworked Archean age basement gneisses and Early Proterozoic age cover rocks along the northwest margin of the Superior Province. Lithotectonically the Thompson Nickel Belt is part of the Churchill Superior boundary zone.

The Early Proterozoic rocks that occur along the western margin of the Thompson Nickel Belt are a geologically distinguishable stratigraphic sequence of rocks termed the Ospwagan Group.

The Ospwagan Group hosts the nickel deposits of the Thompson Nickel Belt. Within the Ospwagan Group almost all of the nickel deposits of the Thompson Nickel Belt are found within lower Pipe Formation rocks. The rocks of the Thompson Nickel Belt have been complexly folded with three major periods of folding commonly recognized.

There is no outcrop on the Minago Property. Bedrock geology is inferred from geophysical data and diamond drill hole core. The surface cover typically comprises 1.0 to several meters of muskeg and peat that is underlain by approximately 10 m of impermeable compacted glacial lacustrine clays.

The dominant geological feature with mineralization potential underlying the Minago Property is a series of boudinaged nickeliferous ultramafic bodies that are folded in a large Z-shaped pattern. The ultramafic bodies contain intraparental magmatic nickel sulphide mineralization and intrude mafic metavolcanic and metasedimentary rocks interpreted to be lower Pipe Formation stratigraphy. Within the ultramafic rocks, the nickel sulphides are concentrated in several tabular lenses that parallel the trend of the ultramafic bodies.

Lower grade nickel occurs between and adjacent to the higher-grade lenses. Typically, nickel sulphides are fine grained, varying in size from <0.5 to 4 mm (generally 1 to 2 mm) and range in volume from 2 to 15% (generally 2 to 7%). The nickel sulphides predominantly occur as disseminated crystals, small aggregates (<5mm) and occasionally are net textured. The dominant sulphide species are nickel bearing pentlandite with lesser violarite and millerite. Minor amounts of pyrite, pyrrhotite and chalcopyrite are present. Graphitic, coarse grained and sometimes nodular sedimentary and extraparental nickeliferous sulphide mineralization occurs sporadically along the southeast margin of the Deposit.

### ***Mineral Processing and Metallurgical Testing***

No new testing or plant design work was undertaken for this update report. All of the testing and design summaries were developed or summarized by Wardrop, which has subsequently been acquired by Tetra Tech Inc.

The Wardrop study is titled “Report to Victory Nickel Incorporated Feasibility Study Minago Nickel Mine” in March of 2010. The metallurgical testing reported meets the criteria for a pre-feasibility study as defined by the Best Practices Guidelines of the Canadian Institute of Mining, Metallurgy, and Petroleum (CIM).

The Wardrop study was reviewed by John Eggert P.Eng., a Qualified Person. The details of the Mineral Processing and Metallurgical Testing section in the Minago Technical Report quotes extensively from the Wardrop study.

For the purposes of this update, only one change to the final plant design was recommended. The Wardrop study proposed a SAG mill circuit with a pebble crusher. It is recommended that a SAG circuit be designed without the need for a pebble crusher. This does not impact any other equipment in the facility, nor does it impact on the metallurgical performance of the facility.

### ***Mineral Resource Estimates***

The mineral resource estimate for the Deposit was prepared by Mr. Matthew Harrington, P. Geo., Mr. David Murray, P. Geo. and Mr. Michael Cullen, P. Geo., of Mercator. Mr. Harrington is responsible for the Minago Project mineral resource estimate, which has an effective date of July 2, 2021. Mr. Lawrence Elgert, P. Eng. of AGP Mining Consultants provided pit optimization and associated services in support of the mineral resource estimate program.

The mineral resource estimate is comprised of two zones of nickel mineralization, the Nose Zone and North Limb Zone. The mineral resource estimate is based on validated results of 202 diamond drill holes (86,118 m), including 29 drill holes (11,581 m) completed between 1966 and 1972 by Amax, 11 drill holes (6,440 m) completed between 1973 and 1976 by Granges, 52 drill holes (23,292 m) completed between 1989 and 1991 by Black Hawk, and 110 drill holes (44,304 m) completed between 2005 and 2012 by Nuinsco-Victory Nickel. Solid modelling was



performed using GEOVIA Surpac™ 2021 (Surpac) and Seequent Leapfrog™ Geo 6 (Leapfrog) modeling software. Block model volume, grade, and density modeling was performed using Surpac with nickel percent values for the block model estimated using ordinary kriging (OK) interpolation methodology based on 2 m down hole assay composites. Block density values were applied on a lithological model basis and reflect averaging of bulk density determinations for each lithology. The resource block model was set up with a block size of 6 m (x) by 6 m (y) by 6 m (z).

A tabulation of the mineral resource estimate for the Minago Project is presented in Table 3, with contributing mineral resources presented in Table 4 and Table 5 for the Nose Zone and North Limb Zone respectively. Open pit mineral resources were defined within optimized pit shells developed using Hexagon Mine Plan 3D version 15.4, MineSight® Economic Planner version 4.00-11. Pit optimization parameters include mining at US\$1.77 per tonne, processing at US\$7.62 per tonne processed and General and Administration (G&A) at US\$3.33 per tonne processed. A metal price of US\$7.80/lb Ni and an average sulphide nickel (“NiS”) recovery above the cut-off grade of 78% (ranging from 40% to 90%), based on previous metallurgical test programs, was used.

Open pit mineral resources are reported at a cut-off grade of 0.18 % NiS within the optimized pit shell. The 0.18 % NiS cut-off grade approximates a 0.25 % Ni grade when applying the average ratio of NiS to total Ni for the mineral resource. The cut-off grade reflects total operating costs used in pit optimization to define “reasonable prospects for eventual economic extraction” by open pit mining methods.

Underground mineral resources are reported at a cut-off grade of 0.36 % NiS. The 0.36 % NiS cut-off grade approximates a 0.50 % Ni grade when applying the average ratio of NiS to total Ni for the mineral resource. The cut-off grade reflects total operating costs of US\$41.72 per tonne processed to define “reasonable prospects for eventual economic extraction” by underground mining methods.

*Table 3: Minago Project Mineral Resource Estimate – Effective Date: July 2, 2021*

Type	Ni % Cut-off	Category	Rounded Tonnes	Ni %	Ni Lbs (million)
Open Pit	0.25	Measured	11,490,000	0.73	184.92
		Indicated	12,450,000	0.69	189.39
		Measured and Indicated	23,940,000	0.71	374.30
		Inferred	2,070,000	0.57	26.01
Underground	0.5	Measured	610,000	0.81	10.89
		Indicated	19,680,000	0.77	334.08
		Measured and Indicated	20,290,000	0.77	344.97
		Inferred	17,480,000	0.76	292.88
Combined	0.25/0.50	Measured	12,100,000	0.73	194.73
		Indicated	32,130,000	0.74	524.17
		Measured and Indicated	44,230,000	0.74	721.58
		Inferred	19,550,000	0.74	318.94

*Notes:*

- (1) Mineral resources were prepared in accordance with the CIM Definition Standards for Mineral Resources and Mineral Reserves (MRMR) (2014) and CIM MRMR Best Practice Guidelines (2019).



- (2) Open Pit mineral resources are defined within an optimized pit shell with average pit slope angles of 40° and overall 13.3:1 strip ratio (waste: mineralized material). The 13.3:1 strip ratio is comprised of a 6.2:1 pre-strip component and a 7.1:1 deposit component.
- (3) Pit optimization parameters include: metal pricing at US\$7.80/lb Ni, mining at US\$1.77/t, processing at US\$7.62/t processed, G&A at US\$3.33/t processed, and an average sulphide Ni (NiS) recovery above the cut-off grade of 78% (ranging from 40% to 90%), based on previous metallurgical test programs. An average Ni recovery of 56% can be calculated using the average NiS recovery and the average ratio of NiS to Ni (72%) reported above the cut-off grade. Concentrate by-product credits were applied at metal prices of US\$3.25/lb (Cu), US\$2,000/oz Pd and US\$1,000/oz Pt. A potential frac-sand overburden unit was assigned a value of US \$20/t, a recovery factor of 68.8%, mining cost of US \$1.77/t, and processing cost of US \$6.55/t processed.
- (4) Open Pit mineral resources are reported at a cut-off grade of 0.18% NiS within the optimized pit shell. The 0.18% NiS cut-off grade approximates a 0.25% Ni grade when applying the average ratio of Ni to total Ni for the mineral resource. The cut-off grade reflects total operating costs used in pit optimization to define reasonable prospects for eventual economic extraction by open pit mining methods.
- (5) Underground mineral resources are reported at a cut-off grade of 0.36 % NiS. The 0.36 % NiS cut-off grade approximates a 0.50% Ni grade when applying the average ratio of NiS to total Ni for the mineral resource. The cut-off grade reflects total operating costs of US\$41.72/t processed to define reasonable prospects for eventual economic extraction by underground mining methods.
- (6) Ni% deposit grade was estimated using Ordinary Kriging methods applied to 2m downhole assay composites. No grade capping was applied. NiS% block values were calculated from Ni% block values using a regression curve based on Ni and NiS drilling database assay values. Model block size is 6m (x) by 6 m (y) by 6 m(z).
- (7) Bulk density was applied on a lithological model basis and reflects averaging of bulk density determinations for each lithology.
- (8) Mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- (9) Mineral resources are not mineral reserves and do not have demonstrated economic viability.
- (10) Mineral resource tonnages are rounded to the nearest 10,000.

Table 4: Minago Nose Zone Mineral Resource Estimates – Effective Date: July 2, 2021\*

Type	Ni % Cut-off	Category	Rounded Tonnes	Ni %	Ni Lbs (million)
Open Pit	0.25	Measured	11,490,000	0.73	184.92
		Indicated	10,310,000	0.70	159.11
		Measured and Indicated	21,800,000	0.72	344.02
		Inferred	1,410,000	0.51	15.85
Underground	0.5	Measured	610,000	0.81	10.89
		Indicated	13,870,000	0.80	244.62
		Measured and Indicated	14,480,000	0.80	255.52
		Inferred	10,610,000	0.80	187.13
Combined	0.25/0.50	Measured	12,100,000	0.73	194.73
		Indicated	24,180,000	0.76	405.14
		Measured and Indicated	36,280,000	0.75	599.88
		Inferred	12,020,000	0.77	204.05

- The Minago Nose Zone mineral resource forms part of the total Minago Project mineral resource. See detailed notes on mineral resources in Table 3.

Table 5: Minago North Limb Zone Mineral Resource Estimate – Effective Date: July 2, 2021\*

Type	Ni % Cut-off	Category	Rounded Tonnes	Ni %	Ni Lbs (million)
Open Pit	0.25	Measured			
		Indicated	2,140,000	0.65	30.67
		Measured and Indicated	2,140,000	0.65	30.67
		Inferred	660,000	0.7	10.19
Underground	0.5	Measured			
		Indicated	5,810,000	0.68	87.1
		Measured and Indicated	5,810,000	0.68	87.1
		Inferred	6,870,000	0.68	102.99
Combined	0.25/0.50	Measured			
		Indicated	7,950,000	0.67	117.43
		Measured and Indicated	7,950,000	0.67	117.43
		Inferred	7,530,000	0.68	112.89

- The Minago North Limb Zone mineral resource forms part of the total Minago Project mineral resource. See detailed notes on mineral resources in Table 3.

### ***Project Risks and Uncertainties***

All mineral projects are subject to risks arising from various sources. These include, but are not limited to, the following:

1. Political instability of the host country or region;
2. Site environmental conditions that affect deposit access;
3. Issues associated with legal access to sufficient land areas to support development and mining;
4. Lack of certainty with respect to mineral tenure and development regulatory regimes;
5. Lack of social licence for project development;
6. Unforeseen negative market pricing trends;
7. Inadequacy of deposit modelling and grade estimation programs with respect to actual metal grades and tonnages contained within the deposit; and
8. Metallurgical recoveries that fall within economically acceptable ranges cannot be attained.

A socioeconomic assessment was conducted earlier by Victory Nickel that resulted in signing of a Memorandum of Understanding (“MOU”) with each of the Pimichikamak Cree Nation (Cross Lake), Mosakahiken First Nation (Moose Lake), and Misipawistik Cree Nation (Grand Rapids). The Company is re- engaging the First Nations with traditional territories that include the Minago Project site, and now including the Norway House First Nation, to work toward inclusion and renewal of the MOU.

At this time, the Qualified Persons’ do not foresee any significant risks and uncertainties that could reasonably be expected to affect the reliability or confidence in the drilling information, mineral resource estimate and metallurgical study conclusions disclosed in this technical report.

## ***Interpretations and Conclusions***

### **Deposit Expansion Potential**

As currently defined, the Deposit contains a large mineral resource inventory that exceeds the previous historical mineral resource estimate prepared by Wardrop for Victory Nickel that is documented in Victory Nickel's 2010 feasibility study. The main factor contributing to this increase is inclusion of North Limb Zone mineralization in the current estimate. This registers the result of infill core drilling in this area of the deposit in 2011 by Victory Nickel. The mineralized strike length of the entire drilling-defined deposit, measured continuously around the Nose Zone fold and then northward to the North Limb Zone, is approximately 2500 m, and good potential exists to define strike extensions to this trend beyond its current limits. An opportunity also exists to define additional mineralization in the drilling gap that exists between the two zones at present. The Nose Zone has been defined by drilling to a maximum depth of approximately 925 m below surface and remains open down dip along its entire modelled length. The North Limb Zone has not been as thoroughly defined by drilling as the Nose Zone but similarly remains open down dip below the limit of current modelling, that occurs at a depth below surface of approximately 450 m. Successful future testing of these direct deposit extension areas by core drilling could result in substantial additions to the current mineral resource inventory. Based on current results and market conditions, such assessment of expansion potential is warranted.

An extensive amount of historical metallurgical testing of deposit mineralization has been carried out, culminating in the historical 2010 feasibility study. In combination with analytical results present in the core drilling database, metallurgical study results show that nickel associated with sulphide mineralization in the deposit represents the most important source of economically recoverable nickel present. Nickel is also present throughout the deposit in various silicate mineral phases from which very low recoveries by conventional processing have been documented.

The ratio of sulphide and silicate associated nickel varies spatially within the deposit and bears directly on definition of mineralization having potential for categorization within a mineral resource estimate. To address this important distribution relationship, the current mineral resource estimate is based on modelling of the sulphide-associated nickel content as well as the total nickel content. The cut-off value is directly based on sulphide-associated nickel grades plus pit optimization recoveries applied to each model block that plus reflect application of a sulphide-associated nickel recovery regression equation. This approach ensured that mineralization included in the mineral resource estimate was restricted to material with demonstrated potential for recovery by conventional processing methods. It also contributed to qualification of mineral resources as having "reasonable prospects for eventual economic extraction" as set out in the CIM Standards (2014). A sulphide-nickel approach to mineral resource estimation and associated modelling also formed the basis of the now-historical 2010 mineral resource and reserve estimates that supported the 2010 feasibility study completed by Wardrop for Victory Nickel.

Open pit mineral resources defined at a 0.18 % sulphide nickel cut-off grade account for approximately 40 % of the global resource inventory. The remaining 60 % of the inventory is defined at a sulphide nickel cut-off grade of 0.36 % and is considered to have "reasonable prospects for eventual economic extraction" using conventional underground bulk mining methods.

### ***Recommendations***

The Authors recommend that future work programs on the Minago Property are centered on timely completion of a new pre-feasibility or feasibility study. A two-phase approach is proposed to meet this objective, with Phase I consisting of completion of deposit infill and expansion drilling on the North Limb Zone, deposit extension drilling on the Nose Zone and completion of an updated mineral resource estimate that includes results of the new drilling programs. In conjunction with the Phase I drilling programs, a metallurgical sample coring program should be undertaken to support completion of the confirmatory metallurgical studies that are required to meet the currently recognized level of detail and confidence required to support a new feasibility study.

The entirety of the recommended Phase II program consists of preparation of a new feasibility Study for the Minago Project, the starting points of which would be the Phase I mineral resource estimate and Phase I metallurgical study results. Expenditure estimates for completion of recommended future work programs are presented below in Table 6 below. According to the Authors, commitment to the recommended Phase II program would require substantively acceptable results being returned from Phase I. A proposed budget for the recommended Phase I and Phase II

programs is presented Table 7. Each of Phase I and Phase II is expected to take 12 to 18 months to complete considering the limited winter drilling season.

Proposed Budget Phase I and Phase II Programs:

*Table 6: Budget for Recommended Phase I Program*

Item	Program Component	Estimated Cost (\$CDN)
1	Deposit infill and extension drilling plus metallurgical sample drilling (10,000 m)	\$2,500,000
2	Updated mineral resource estimate that includes new drilling results	\$100,000
3	Metallurgical studies to confirm and expand on 2015 feasibility study programs	\$150,000
4	Environmental permitting, Indigenous and community consultation	\$150,000
	<b>Subtotal</b>	<b>\$2,900,000</b>
	<b>Contingency</b>	<b>\$290,000</b>
	<b>Total</b>	<b>\$3,190,000</b>

*Table 7: Budget for Recommended Phase II Program*

Item	Program Component	Estimated Cost (\$CDN)
1	Preparation of feasibility study based on the Phase I updated mineral resource estimate and metallurgical study results (including new geotechnical drilling and metallurgical mini-pilot plant studies)	\$2,500,000
2	Environmental permitting, Indigenous and community consultation	\$250,000
	<b>Subtotal</b>	<b>\$2,750,000</b>
	<b>Contingency</b>	<b>\$275,000</b>
	<b>Total</b>	<b>\$3,025,000</b>

## Employees and Management

Upon completion of the Arrangement, the management team of SpinCo 1 will consist of those individuals identified under “*Directors and Officers*” below.

## RISK FACTORS

**An investment in SpinCo 1 Shares, as well as SpinCo 1’s prospects, are highly speculative due to the high-risk nature of its business and the present stage of its development. Shareholders of SpinCo 1 may lose their entire investment.** The risks described below are not the only ones facing SpinCo 1. Additional risks not currently known to SpinCo 1, or that SpinCo 1 currently deems immaterial, may also impair SpinCo 1’s operations. If any of the following risks actually occur, SpinCo 1’s business, financial condition and operating results could be adversely affected.

Shareholders should consult with their professional advisors to assess the Arrangement and their resulting investment in SpinCo 1. In evaluating SpinCo 1 and its business and whether to vote in favour of the Arrangement, Shareholders should carefully consider, in addition to the other information contained in the Circular and this Appendix “D” the risk factors which follow, as well as the risks associated with the Arrangement (see in the Circular “*The Meeting — Risks Associated with the Arrangement*”). These risk factors may not be a definitive list of all risk factors associated with the Arrangement, an investment in SpinCo 1 or in connection with SpinCo 1’s business and operations.

## Listing of SpinCo 1 Shares

The SpinCo 1 Shares are not currently listed on any stock exchange. Although an application will be made to the TSXV for listing of the SpinCo 1 Shares on the TSXV, there is no assurance when, or if, the SpinCo 1 Shares will be listed on the TSXV or on any other stock exchange. Until the SpinCo 1 Shares are listed on a stock exchange,

shareholders of SpinCo 1 may not be able to sell their SpinCo 1 Shares. Even if a listing is obtained, ownership of SpinCo 1 Shares will involve a high degree of risk.

### **Qualification under the *Tax Act* for a Registered Plan**

If the SpinCo 1 Shares are not listed on a designated stock exchange in Canada before the due date for SpinCo 1's first income tax return or if SpinCo 1 does not otherwise satisfy the conditions in the *Tax Act* to be a "public corporation", the SpinCo 1 Shares will not be considered to be a qualified investment for a Registered Plan from their date of issue. Where a Registered Plan acquires a SpinCo 1 Share in circumstances where the SpinCo 1 Share is not a qualified investment under the *Tax Act* for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant under the Registered Plan, including that the Registered Plan may become subject to penalty taxes, the annuitant of such Registered Plan may be subject to a penalty tax or, in the case of a registered education savings plan, such plan may have its tax exempt status revoked.

### **Limited Business History**

SpinCo 1 has a short history of operations and has no history of earnings. The likelihood of success of SpinCo 1 must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. SpinCo 1 has limited financial resources and there is no assurance that funding will be available to it when needed. There is also no assurance that SpinCo 1 can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

### **Unknown Environmental Risks for Past Activities**

Exploration and mining operations incur risks of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks. However, those risks have not been eliminated, and the risk of environmental contamination from present and past exploration or mining activities exists for mining companies. Companies may be liable for environmental contamination and natural resource damages relating to properties that they currently own or operate or at which environmental contamination occurred while or before they owned or operated the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at the SpinCo 1 mineral interests do not exist.

### **Sale of SpinCo 1 Shares by the Company as Funding for its Canadian withholding tax obligations, if required**

If the Company determines that a deemed dividend will arise as a consequence of the Arrangement, the Company will be entitled to deduct and withhold from any consideration payable or otherwise deliverable to a Shareholder that is not resident in Canada for Canadian tax purposes (including the SpinCo 1 Shares) such amounts as the Company is required, entitled or permitted to deduct and withhold under the *Tax Act*. To the extent that the Company is required to deduct and withhold from consideration that is not cash, including the SpinCo 1 Shares, the Company is entitled to liquefy such consideration to the extent necessary in order to fund its deduction, withholding and remittance obligations. Any such sales may negatively impact the trading price of the SpinCo 1 Shares where such shares are listed.

### **Acquisitions and Joint Ventures**

SpinCo 1 will evaluate from time to time opportunities to acquire and joint venture mining assets and businesses. These acquisitions and joint ventures may be significant in size, may change the scale of SpinCo 1's business and may expose it to new geographic, political, operating, financial and geological risks. SpinCo 1's success in its acquisition and joint venture activities will depend on its ability to identify suitable acquisition and joint venture candidates and partners, acquire or joint venture them on acceptable terms and integrate their operations successfully with those of SpinCo 1. Any acquisitions or joint ventures would be accompanied by risks, such as the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of SpinCo 1's ongoing business; the inability of management to maximize the financial and strategic position of SpinCo 1 through the successful incorporation of acquired assets and businesses or joint ventures; additional expenses associated with amortization of acquired intangible assets; the maintenance of uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; dilution of SpinCo 1's present shareholders or of its interests in its subsidiaries or assets as a

result of the issuance of shares to pay for acquisitions or the decision to grant earning or other interests to a joint venture partner; and the potential unknown liabilities associated with acquired assets and businesses. There can be no assurance that SpinCo 1 would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions or joint ventures. There may be no right for shareholders to evaluate the merits or risks of any future acquisition or joint venture undertaken except as required by applicable laws and regulations.

### **Additional Financing and Dilution**

SpinCo 1 plans to focus on exploring for minerals and will use its working capital to carry out such exploration. However, SpinCo 1 will require additional funds to further such activities. To obtain such funds, SpinCo 1 may sell additional securities including, but not limited to, its common shares or some form of convertible security, the effect of which would result in a substantial dilution of the equity interests of SpinCo 1's shareholders.

There is no assurance that additional funding will be available to SpinCo 1 for additional exploration or for the substantial capital that is typically required in order to bring a mineral project to the production decision or to place a property into commercial production. There can be no assurance that SpinCo 1 will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

### **No History of Mineral Production or Mining Operations**

SpinCo 1 has never had a nickel producing property. There is no assurance that commercial quantities of nickel will be discovered nor is there any assurance that SpinCo 1's exploration programs will yield positive results. Even if commercial quantities of nickel are discovered, there can be no assurance that any property, including the Minago Property, will ever be brought to a stage where nickel resources can profitably be produced therefrom. Factors which may limit the ability to produce nickel resources include, but are not limited to, the price of nickel, availability of additional capital and financing and the nature of any mineral deposits. SpinCo 1 does not have a history of mining operations that would guarantee it will produce revenue, operate profitably or provide a return on investment in the future. SpinCo 1 has not paid dividends in the past and SpinCo 1 does not have any plans to pay dividends in the foreseeable future.

### **Economics of Developing Mineral Properties**

Mineral exploration and development is speculative and involves a high degree of risk. While the discovery of an ore body may result in substantial rewards, few properties which are explored are commercially mineable and ultimately developed into producing mines. There is no assurance that SpinCo 1's nickel deposits are commercially mineable.

Should any mineral resources and reserves exist, substantial expenditures will be required to confirm mineral reserves which are sufficient to commercially mine and to obtain the required environmental approvals and permitting required to commence commercial operations. The decision as to whether a property contains a commercial mineral deposit and should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and/or geologists, all of which involves significant expense. This decision will involve consideration and evaluation of several significant factors including, but not limited to: (1) costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies and construction of production facilities; (2) availability and costs of financing; (3) ongoing costs of production; (4) nickel prices; (5) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and (6) political climate and/or governmental regulation and control. Development projects are also subject to the successful completion of engineering studies, issuance of necessary governmental permits, and availability of adequate financing. Development projects have no operating history upon which to base estimates of future cash flow.

The ability to sell, and profit from the sale of any eventual mineral production from any property will be subject to the prevailing conditions in the mineral's marketplace at the time of sale. The global minerals marketplace is subject to global economic activity and changing attitudes of consumers and other end-users' demand for mineral products. Many of these factors are beyond the control of a mining company and therefore represent a market risk which could impact the long-term viability of SpinCo 1 and its operations.



## **Factors Beyond the Control of SpinCo 1**

The potential profitability of mineral properties is dependent upon many factors beyond SpinCo 1's control. For instance, world prices of and markets for minerals are unpredictable, highly volatile, potentially subject to governmental fixing, 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 (assuming that such mineral deposits are known to exist) may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways SpinCo 1 cannot predict and are beyond SpinCo 1's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of SpinCo 1.

The mining industry is intensely competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for the sale of the same. There can be no assurance that metal prices will be such that SpinCo 1's properties can be mined at a profit. Factors beyond the control of SpinCo 1 may affect the marketability of any minerals discovered. Metal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, international investment patterns, national fiscal policies, monetary systems, speculative activities and increased production due to improved mining and production methods. The supply of, and demand for, SpinCo 1's principal products and exploration targets, nickel, is affected by various factors, including political events, economic conditions and production costs. The price of nickel, silver and other metals has fluctuated widely in recent years. Future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on SpinCo 1's business, financial condition and result of operations. Moreover, the ability of SpinCo 1 to fund its activities and the valuation of investor companies will depend significantly upon the market price of precious and other metals. The effect of these factors, individually or in the aggregate, is impossible to predict with accuracy.

### **SpinCo 1's proposed operations will require access to adequate infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect SpinCo 1's operations, financial condition and results of operations.

### **SpinCo 1 currently depends on a single property**

At the Effective Date, SpinCo 1's only material mineral property will be the Minago Property. Unless SpinCo 1 acquires or develops additional material properties or projects, SpinCo 1 will be solely dependent upon the operation of the Minago Property for its revenue and profits, if any. If SpinCo 1 loses or abandons its interest in the Minago Property, there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the TSXV. There is also no guarantee that the TSXV will approve the acquisition of any additional properties by SpinCo 1, whether by way of option or otherwise, should SpinCo 1 wish to acquire any additional properties.

### **Regulatory Requirements**

The current or future operations of SpinCo 1, including development activities and possible commencement of production on its properties, requires permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which SpinCo 1 may require for the development and construction of mining facilities and conduct of mining operations will be

obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which SpinCo 1 might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments or changes to current laws, regulations government policies and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on SpinCo 1 and cause increases in costs or require abandonment or delays in the development of new mining properties.

### **Insurance**

SpinCo 1's business is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, changes in the regulatory environment, natural phenomena (such as inclement weather conditions, earthquakes, pit wall failures and cave-ins) and encountering unusual or unexpected geological conditions. Many of the foregoing risks and hazards could result in damage to, or destruction of, SpinCo 1's mineral properties or future processing facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of their exploration or development activities, delay in or inability to receive necessary regulatory approvals, or costs, monetary losses and potential legal liability and adverse governmental action. SpinCo 1 may be subject to liability or sustain loss for certain risks and hazards against which they do not or cannot insure or which it may reasonably elect not to insure because of the cost. This lack of insurance coverage could result in material economic harm to SpinCo 1.

### **Current Global Financial Condition**

SpinCo 1 will be required to raise additional funds in the future for the development of its projects and other activities through the issuance of additional equity or debt. Current financial and economic conditions globally have been subject to increased uncertainties. Access to financing has been negatively affected by these economic uncertainties. These factors may affect the ability of SpinCo 1 to obtain equity and/or debt financing in the future and, if obtained, influence the terms available to SpinCo 1. If these increased levels of volatility and market turmoil continue, SpinCo 1 may not be able to secure appropriate debt or equity financing. If additional capital is raised by the issuance of shares from the treasury of SpinCo 1, shareholders may suffer dilution. Future borrowings by SpinCo 1 or its subsidiaries may increase the level of financial and interest rate risk to SpinCo 1 as SpinCo 1 will be required to service future indebtedness.

### **Environmental Risks and Hazards**

All phases of SpinCo 1's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect SpinCo 1's operations. Environmental hazards may exist on the properties which are unknown to SpinCo 1 at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

SpinCo 1 is not insured against most environmental risks. Insurance against environmental risks (including potential liability for pollution and other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. SpinCo 1 will periodically evaluate the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance.

Without such insurance, and if SpinCo 1 becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds SpinCo 1 has to pay such liabilities and result in bankruptcy. Should SpinCo 1 be unable to fund fully the remedial cost of an environmental problem, SpinCo 1 might be required to enter into interim compliance measures pending completion of the required remedy.

### **Litigation Risk**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit.

### **Costs of Land Reclamation Risk**

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the properties in which SpinCo 1 holds an interest. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of SpinCo 1.

### **No Assurance of Title to Property**

There may be challenges to title to the mineral properties in which SpinCo 1 holds a material interest. If there are title defects with respect to any properties, SpinCo 1 might be required to compensate other persons or perhaps reduce its interest in the affected property. Also, in any such case, the investigation and resolution of title issues would divert management's time from ongoing exploration and development programs.

### **Dependence on Key Individuals**

SpinCo 1 is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on SpinCo 1. At this time, SpinCo 1 does not maintain key-person insurance on the lives of any of its key personnel. In addition, while certain of SpinCo 1's officers and directors have experience in the exploration of mineral producing properties, SpinCo 1 will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of SpinCo 1 or be available upon commercially acceptable terms.

### **Risk of Amendments to Laws**

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on SpinCo 1 and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### **Conflicts of Interest**

Some of the directors and officers of SpinCo 1 are directors and officers of other companies, some of which are in the same business as SpinCo 1. Some of SpinCo 1's directors and officers will continue to pursue the acquisition, exploration and, if warranted, the development of mineral resource properties on their own behalf and on behalf of other companies, and situations may arise where they will be in direct competition with SpinCo 1. SpinCo 1's directors and officers are required by law to act in the best interests of SpinCo 1. They may have the same obligations to the other companies in respect of which they act as directors and officers. Discharge of their obligations to SpinCo 1 may result in a breach of their obligations to the other companies and, in certain circumstances, this could expose SpinCo 1 to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of SpinCo 1. Such conflicting legal obligations may expose SpinCo 1 to liability to others and impair its ability to achieve its business objectives.

### **Influence of Third Party Stakeholders**

The lands in which SpinCo 1 holds an interest, or the exploration equipment and roads or other means of access which SpinCo 1 intends to utilize in carrying out its work programs or general business mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, SpinCo 1's work programs may be delayed even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for SpinCo 1.

### **Fluctuation in Market Value of SpinCo 1 Shares**

Assuming the SpinCo 1 Shares are listed on the TSXV, the market price of the SpinCo 1 Shares, as a publicly traded stock, can be affected by many variables not directly related to the corporate performance of SpinCo 1, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of SpinCo 1 Shares in the future cannot be predicted. The lack of an active public market could have a material adverse effect on the price of SpinCo 1 Shares.

### **Substantial Number of Authorized but Unissued SpinCo 1 Shares**

SpinCo 1 has an unlimited number of common shares which may be issued by the board of directors of SpinCo 1 (the "**SpinCo 1 Board**") without further action or approval of SpinCo 1's shareholders. While the SpinCo 1 Board is required to fulfill its fiduciary obligations in connection with the issuance of such shares, SpinCo 1 Shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of SpinCo 1's shareholders.

See also in the Circular, "*The Meeting — Risks Associated with the Arrangement*".

## **AVAILABLE FUNDS AND PRINCIPAL PURPOSES**

Pursuant to the terms of the Arrangement Agreement, assuming completion of the Arrangement and the SpinCo 1 Financing it is anticipated that SpinCo 1 will have available cash of approximately \$7,000,000.

### **Principal Purposes**

The following table summarizes expenditures anticipated by SpinCo 1 required to achieve its business objectives during the 12 months following completion of the Arrangement and the proposed listing of the SpinCo 1 Shares on the TSXV (see in this Appendix "D" - "*Business Objectives and Milestones*", which follows) assuming gross proceeds of \$7,000,000 are raised pursuant to the SpinCo 1 Financing.

<b>Principal purpose</b>	<b>Amount</b>
Obtain TSXV listing <sup>(1)</sup>	<b>\$50,000</b>
Phase I program on the Minago Property as recommended by the Minago Technical Report <sup>(2)</sup>	<b>\$3,190,000</b>
Agent's commission for the SpinCo 1 Financing	<b>\$420,000</b>
Expenses for the SpinCo 1 Financing	<b>\$125,000</b>
General & administrative expenses and working capital for 18 months <sup>(3)</sup>	<b>\$2,215,000</b>
Feasibility and permitting	<b>\$1,000,000</b>
<b>TOTAL:</b>	<b>\$7,000,000</b>

Notes:

<sup>(1)</sup> Consists of filing fees, legal fees and audit fees.

<sup>(2)</sup> Refer to the Minago Technical Report – Recommendations.

<sup>(3)</sup> Includes estimated audit fees, legal fees, consulting fees and office administration expenses.

If the SpinCo 1 Financing is completed for maximum proceeds of \$8,600,000, NickelCo will receive up to an additional \$1,504,000 in net proceeds from the SpinCo 1 Financing after deduction fees and commissions, which proceeds are expected to be used for general corporate purposes.

**SpinCo 1 intends to spend the funds available to it as stated in the table above. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for SpinCo 1 to achieve its objectives or to pursue other exploration and development opportunities. See “Risks Associated with SpinCo 1”.**

### **BUSINESS OBJECTIVES AND MILESTONES**

With the funds available to it as described above under the heading “*Available Funds and Principal Purposes*”, SpinCo 1 intends to:

- complete its application for listing of the SpinCo 1 Shares on the TSXV. This is anticipated to occur in January 2022.
- continue exploration of the Minago Property and undertake the recommended Phase I program set out in the Minago Technical Report. The Phase I work program includes completion of deposit infill and expansion drilling on the North Limb Zone, deposit extension drilling on the Nose Zone and completion of an updated mineral resource estimate that includes results of the new drilling programs. It is expected that this objective will be achieved in the first half of 2022.
- as opportunities arise, expand its portfolio of exploration properties.

### **SELECTED FINANCIAL INFORMATION**

#### **Financial Statements**

Upon completion of the Arrangement, the Minago Property will form the primary business of SpinCo 1. As a result, included as Appendix “G” to this Circular are the audited carve-out financial statements for the years ended December 31, 2020, December 31, 2019 and December 31, 2018, as well as the unaudited interim carve-out financial statements for the period from acquisition on February 10, 2021 to June 30, 2021.

Included as Appendix “I” to this Circular are audited financial statements of SpinCo 1 for the period from incorporation to June 30, 2021, comprised of the statement of financial position, statement of changes in equity, statement of cash flows and notes to such statements.

The financial statements of SpinCo 1 and the Minago Property were prepared in accordance with International Financial Reporting Standards.

#### **Selected Financial Statement Information**

The following tables set out selected financial information in respect of the Minago Property as at and for the periods ended June 30, 2021 (unaudited) and December 31, 2020 (audited), all of which is qualified by the more detailed information contained in the audited financial statements included as Appendix “G” to this Circular.

<b>Carve-out from ParentCo</b> <b>Selected Financial Statement Information</b> <b>Statement of Financial Position</b>		<b>As at June 30, 2021</b> <b>(unaudited)</b>
<b>Assets</b>		
Mineral properties		\$15,871,189
<b>Total Assets</b>		<b>\$15,871,189</b>
<b>Liabilities</b>		
Accounts payable		\$293,385
<b>Total Liabilities</b>		<b>\$293,385</b>
<b>Equity</b>		
Shares issuable		\$3,818,003
Owner's net investment		\$11,759,801
<b>Total Equity</b>		<b>\$15,577,804</b>

<b>Carve-out from Victory Nickel</b> <b>Selected Financial Statement Information</b> <b>Statement of Financial Position</b> (expressed in thousands of Canadian dollars)		<b>As at December 31, 2020</b> <b>(audited)</b>
<b>Assets</b>		
Mineral property		\$14,605
<b>Total Assets</b>		<b>\$14,605</b>
<b>Liabilities</b>		
Trade and other payables		23
<b>Total Liabilities</b>		<b>\$23</b>
<b>Equity</b>		
Owner's net investment		\$14,582
<b>Total Equity</b>		<b>\$14,582</b>



<b>Carve-Out from ParentCo</b>		
<b>Selected Financial Statement Information</b>		
<b>Statement of Comprehensive Loss</b>		
	<b>Three Months Ended June 30, 2021 (unaudited)</b>	<b>For the period from Acquisition on February 10, 2021 to June 30, 2021</b>
Advertising and promotion	\$100,191	\$272,246
Consulting and management fees	\$359,201	\$402,434
Depreciation	\$6,585	\$14,531
Director fees	\$38,622	\$58,633
Insurance	\$17,331	\$37,232
Office and administration	\$13,448	\$47,348
Professional fees	\$59,812	\$150,083
Salaries and benefits	\$158,423	\$254,635
Share based compensation	\$125,969	\$201,211
Stock exchange and shareholder services	\$21,091	\$74,091
Travel and accomodation	\$1,073	\$4,779
<b>Net and Comprehensive Loss</b>	<b>(\$901,747)</b>	<b>(\$1,517,222)</b>

<b>Carve-Out from Victory Nickel Inc.</b>	
<b>Selected Financial Statement Information</b>	
<b>Statement of Comprehensive Loss</b>	
(expressed in thousands of Canadian dollars)	
	<b>For the period ended December 31, 2020</b>
Write-down of mineral property interests	(\$3,156)
<b>Net and Comprehensive Loss</b>	<b>(\$3,156)</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Management Discussion and Analysis — of the from incorporation to June 30, 2021

*The following Management's Discussion and Analysis ("MD&A") is as at November 14, 2021 and covers the period from SpinCo 1's incorporation until June 30, 2021. It includes financial information from, and should be read in conjunction with, the financial statements of the SpinCo 1 and the notes thereto, which are attached as Appendix "I" to the Circular, as well as the disclosure contained throughout this Appendix "D" and the Circular. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated.*

#### Overall Performance

SpinCo 1 was incorporated on December 21, 2020 and commenced business at that time. SpinCo 1's sole business focus has been to (i) acquire and operate the exploration business of the Company solely in respect of the Minago

Property; and (ii) make application to list the SpinCo 1 Shares on the TSXV. To that end, SpinCo 1 will enter into various agreements with the Company for the acquisition of the Minago Property and the Spinout 1 Related Assets, including the Spinout 1 Asset Contribution Agreement and the Spinout 1 Assumption Agreement (see in this Appendix “D” “*General Development of SpinCo 1’s Business – Spinout 1 Properties*”). Other than these proposed acquisitions, SpinCo 1 has made no significant acquisitions or dispositions since incorporation.

Upon the completion of the Arrangement, SpinCo 1 will commence exploration and, as warranted, development of the Minago Property.

As of the date of this MD&A, SpinCo 1’s costs and operations have been funded, to date, by its sole shareholder, the Company. Assuming completion of the SpinCo 1 Financing in its entirety, SpinCo 1 will have available funds of approximately \$8,600,000, which management believes will be sufficient for all of SpinCo 1’s needs in the first 12 months following listing on the TSXV. See in this Appendix “D”, “*Available Funds and Principal Purposes*”. SpinCo 1 may seek to raise additional funds through public or private equity funding, bank debt financing or from other sources.

### **Selected Financial Information**

The following table sets forth selected financial information with respect to SpinCo 1, which information has been derived from and should be read in conjunction with the audited financial statements of SpinCo 1 from its incorporation until June 30, 2021 (attached as Appendix “I” to the Circular).

<b><u>Financial Position</u></b>	<b>As at June 30, 2021 (audited)</b>
Current assets	\$1
Total assets	\$1
Total liabilities	\$Nil
Shareholders’ equity	\$1
Number of common shares outstanding <sup>(1)</sup>	1

<sup>(1)</sup> See in the Appendix “D” in “*Description of Securities Distributed*” and “*Prior Sales*”.

### **Significant Acquisitions and Significant Dispositions**

SpinCo 1 has made no significant acquisitions or dispositions since incorporation. See in this Appendix “D” “*General Development of SpinCo 1’s Business*”.

### **Results of Operations**

For the period ended June 30, 2021, SpinCo 1 had no revenues or expenses.

### **Liquidity and Capital Resources and Requirements**

To date SpinCo 1’s operations have been funded by the Company, its sole shareholder. As at June 30, 2021, SpinCo 1 had share capital of \$1 and working capital of \$1.

SpinCo 1 has no source of revenue, income or cash flow. It is, as of the date of this MD&A, wholly dependent upon its sole shareholder, the Company, for advance of funds. SpinCo 1 also needs to have adequate working capital for TSXV listing purposes, being sufficient funds: i) for exploration of the Minago Property and ii) to cover a minimum 18 months of general and administrative expenses (estimated to be \$2,215,000 for the first 18 months of operations following completion of the Arrangement and the proposed listing of the SpinCo 1 Shares on the TSXV). Upon completion of the Arrangement and the SpinCo 1 Financing it is anticipated that SpinCo 1 will have available funds of approximately \$7,000,000, which management estimates to be sufficient for all of SpinCo 1’s needs in the first 18

months following listing of the SpinCo 1 Shares on the TSXV. See in this Appendix “D”, “*Available Funds and Principal Purposes*” and “*Risks Associated With SpinCo 1*”.

### **Transactions with Related Parties**

SpinCo 1 will be party to the Spinout 1 Asset Contribution Agreement and the Spinout 1 Assumption Agreement pursuant to which it acquired the Minago Property (see in this Appendix “D”, “*General Development of SpinCo 1’s Business*”, “*Promoters*” and “*Interests of Management and Other in Material Transactions*”).

As at the date of the Circular, SpinCo 1 is the Company’s wholly-owned subsidiary and certain directors and officers of SpinCo 1 are also the directors and officers of the Company. See in this Appendix “D”, “*Directors and Executive Officers*”.

### **Proposed Transactions**

It is anticipated that SpinCo 1 will apply to the TSXV for listing of the SpinCo 1 Shares on the TSXV. Upon completion of the Arrangement and satisfaction of all of the outstanding listing requirements of the TSXV, management of SpinCo 1 anticipates SpinCo 1 will be a publicly traded junior mineral exploration company, with a portfolio of exploration properties in Canada, as well as an experienced board of directors and management team and, in the view of its management, capitalization sufficient to achieve its business objectives in the near term.

In order to become effective, the Arrangement must be approved by a resolution passed by at least a 66 2/3% majority of the votes cast in respect of the Arrangement Resolution (as defined and the text of which is set out in Appendix “A” to the Circular) by Shareholders, present in person or represented by proxy at the Meeting. The Arrangement must also be sanctioned by the Court, which will consider the fairness of the Arrangement to Shareholders. In addition, completion of the Arrangement is subject to customary closing conditions, all of which are described in the Circular. See in the Circular, “*The Meeting — The Arrangement*”. See also in this Appendix “D”, “*Business Objectives and Milestones*”.

Other than the Arrangement and the transactions proposed to be completed prior thereto, as at the date of this MD&A, SpinCo 1 has no proposed asset or business acquisitions or dispositions.

### **Disclosure of Outstanding Share Data**

SpinCo 1 has one class of shares outstanding, being common shares without par value (as previously defined herein, the “**SpinCo 1 Shares**”). As at the date of this MD&A and the date of the Circular, one (1) SpinCo 1 Share was issued and outstanding. See in this Appendix “D”, “*Description of Securities Distributed*”, “*Prior Sales*” and “*Consolidated Capitalization*”.

As of the date of this MD&A, SpinCo 1 has not granted any incentive awards under the SpinCo 1 Incentive Plan (as hereinafter defined), or otherwise, nor has it issued any other rights or securities to purchase SpinCo 1 Shares. The board of directors of SpinCo 1 Board does not intend to grant any incentive awards until such time following listing as the trading price of the SpinCo 1 Shares on the TSXV has stabilized such that a fair market value exercise price for options can be determined. See in this Appendix “D”, “*Options and Other Rights to Purchase Securities of SpinCo 1*”.

### **Business Risks and Uncertainties**

See in this Appendix “D”, “*Risks Associated with SpinCo 1*” for additional information, risks and uncertainties associated with SpinCo 1, its business and operations, and the SpinCo 1 Shares. In addition, see in the Circular, “*The Meeting — Risks Associated with the Arrangement*”.

### **Contractual Obligations**

SpinCo 1 presently has no contractual obligations other than as disclosed in the Circular, and agreements related to the Minago Property as disclosed in this Appendix “D” under “*General Development of SpinCo 1’s Business*”.

## Off-Balance Sheet Arrangements

SpinCo 1 does not have any off-balance sheet arrangements.

## DESCRIPTION OF CAPITAL STRUCTURE

### Authorized Capital

SpinCo 1's authorized share capital consists of an unlimited number of common shares without par value, of which one SpinCo 1 Share (held by the Company) is issued and outstanding as fully paid and non-assessable as of the date of the Circular.

Assuming completion of the Arrangement pursuant to its terms and completion of the SpinCo 1 Financing it is anticipated that SpinCo 1 will have the following outstanding securities:

<u>Security</u>	<u>Reason for Issuance</u>	<u>Number</u>
<b>SpinCo 1 Shares</b>	Arrangement	50,000,000
	<ul style="list-style-type: none"> <li>• <i>Issuable to Shareholders<sup>(1)</sup></i></li> </ul>	23,655,904
	<ul style="list-style-type: none"> <li>• <i>To be held for issuance to holders upon exercise of outstanding warrants of the Company<sup>(2)</sup></i></li> </ul>	1,611,313
	<ul style="list-style-type: none"> <li>• <i>To be held for issuance to holders upon exercise of outstanding stock options of the Company<sup>(3)</sup></i></li> </ul>	1,602,750
	<ul style="list-style-type: none"> <li>• <i>To be purchased by RoyaltyCo pursuant to the Arrangement</i></li> </ul>	23,130,033
	Conversion of SpinCo 1 NFT Subscription Receipts <sup>(4)</sup>	6,700,000
	Conversion of SpinCo 1 FT Subscription Receipts <sup>(4)</sup>	3,000,000
Options	SpinCo 1 Incentive Plan	Nil
Warrants	SpinCo 1 Financing	3,350,000
Agent's Warrants	SpinCo 1 Financing	582,000

#### Notes:

- (1) Based on: (i) 22,839,540 Common Shares of the Company outstanding (on a post-Consolidation basis) as of the date hereof; (ii) the Company issuing an additional 816,364 Common Shares (on a post-Consolidation basis) pursuant to a private placement financing prior to completion of the Arrangement; and (iii) Shareholders receiving one SpinCo 1 Share for each Common Share of the Company outstanding at the Effective Time.
- (2) Based on 1,611,313 warrants of the Company outstanding (on a post-Consolidation basis) as of the date hereof. Pursuant to the Arrangement, holders of outstanding warrants of the Company will be entitled to receive, upon exercise of each warrant, in lieu of each Silver Elephant Common Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares. The Company is holding in trust these SpinCo 1 Shares for such issuance. Assumes no finder's warrants are issued in connection with the Company's private placement scheduled to close prior to completion of the Arrangement.
- (3) Based on 1,602,750 options of the Company outstanding (on a post-Consolidation basis) as of the date hereof Pursuant to the Arrangement, holders of outstanding options of the Company will be entitled to receive, upon exercise of each option, in lieu of each Silver Elephant Common Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares. The Company is holding in trust these SpinCo 1 Shares for such issuance.
- (4) Assumes 3,000,000 SpinCo 1 FT Subscription Receipts are issued and 6,700,000 SpinCo 1 NFT Subscription Receipts are issued for gross proceeds of \$7,000,000.

### SpinCo 1 Shares

SpinCo 1 Shares are not subject to any future call or assessment and do not have any pre-emptive, conversion or redemption rights, and all have equal voting rights. There are no special rights or restrictions of any nature attached to any of the SpinCo 1 Shares, all of which rank equally as to all benefits which might accrue to the holders of the

SpinCo 1 Shares. All holders of SpinCo 1 Shares are entitled to receive a notice of any general meeting to be convened by SpinCo 1. At any general meeting of SpinCo 1, subject to the restrictions on joint registered owners of SpinCo 1 Shares, every Shareholder has one vote for each SpinCo 1 Share of which he or she is the registered owner. Voting rights may be exercised in person or by proxy.

The holders of SpinCo 1 Shares are entitled to share pro rata in any: (i) dividends if, as and when declared by the SpinCo 1 Board, and (ii) such assets of SpinCo 1 as are distributable to shareholders upon liquidation of SpinCo 1. The aggregate SpinCo 1 Shares outstanding upon completion of the Arrangement will be fully paid and non-assessable.

### **Warrants and Agent's Warrants**

As of the date of this Circular, SpinCo 1 does not have any warrants outstanding. At the Effective Time it is anticipated that no warrants of SpinCo 1 will be outstanding other than up to 582,000 SpinCo 1 broker warrants and 3,350,000 SpinCo 1 Warrants issuable in connection with the SpinCo 1 Financing assuming gross proceeds of \$7,000,000 through the issuance of 3,000,000 SpinCo 1 FT Subscription Receipts and 6,700,000 SpinCo 1 NFT Subscription Receipts. Each SpinCo 1 broker warrant entitles the holder to acquire one SpinCo 1 Share at an exercise price of \$0.70 for a period of two years. Each SpinCo 1 Warrant entitles the holder to acquire one SpinCo 1 Share at an exercise price of \$1.00 for a period of two years.

### **Stock Options and SARs**

As of the date of the Circular, SpinCo 1 does not have any SpinCo 1 Options or SpinCo 1 SARs outstanding. At the Effective Time it is anticipated that no incentive awards of SpinCo 1 will be outstanding.

SpinCo 1 has adopted the SpinCo 1 Incentive Plan (see in this Appendix "D", "*Options and Other Rights to Purchase Securities of SpinCo 1 — SpinCo 1 Incentive Plan*"). The SpinCo 1 Board does not intend to grant any incentive awards until such time following listing of the SpinCo 1 Shares on the TSXV that the trading price of the SpinCo 1 Shares has stabilized such that a fair market value exercise price for awards can be determined. At the Meeting, Shareholders will be asked to consider and if advisable approve the SpinCo 1 Incentive Plan. See in this Appendix "D" — *SpinCo 1 Incentive Plan*.

### **Listing of SpinCo 1 Shares**

An application will be made for the listing of the SpinCo 1 Shares on the TSXV. Listing will be subject to SpinCo 1 fulfilling all the initial listing requirements of the TSXV. There can be no assurances as to if, or when, the SpinCo 1 Shares will be listed or traded on the TSXV, or any other stock exchange.

**As at the date of the Circular, there is no market through which the SpinCo 1 Shares to be distributed pursuant to the Arrangement may be sold and Shareholders may not be able to resell the SpinCo 1 Shares to be distributed to them pursuant to the Arrangement. This may affect the pricing of the SpinCo 1 Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the SpinCo 1 Shares, and the extent of issuer regulation.**

As at the date of the Circular, SpinCo 1 does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the TSX, a U.S. marketplace, or a marketplace outside Canada and the United States of America.

See in this Appendix "D", "*Risks Associated with SpinCo 1*".

## **DIVIDENDS**

SpinCo 1 has not paid dividends since its incorporation. While there are no restrictions precluding SpinCo 1 from paying dividends, it has no source of cash flow and anticipates using all available cash resources toward its stated business objectives. At present, SpinCo 1's policy is to retain earnings, if any, to finance its business operations. The SpinCo 1 Board will determine if and when dividends should be declared and paid in the future based on SpinCo 1's financial position at the relevant time.

## CONSOLIDATED CAPITALIZATION

The following table sets out the share and loan capital of SpinCo 1. The table should be read in conjunction with the other disclosure contained in this Appendix “D” and in the Circular. See also in this Appendix “D”, “*Description of Securities Distributed*” and “*Prior Sales*”.

Capital	Authorized	Amount outstanding as of June 30, 2021 <sup>(1)</sup>	Amount outstanding as of the Information Circular <sup>(1)</sup>	Amount outstanding assuming completion of the Arrangement and the SpinCo 1 Financing <sup>(2) (3) (4)</sup>
SpinCo 1 Shares	Unlimited	1 Share	1 Share	59,700,000 Shares
Warrants and Broker Warrants	N/A	Nil	Nil	3,932,000 <sup>(5)</sup>

Notes:

- (1) See in this Appendix “D”, “*Prior Sales*”.
- (2) Represents the aggregate of the number of SpinCo 1 Shares outstanding as of the date hereof and the one SpinCo 1 Share outstanding as of the date hereof.
- (3) After the Effective Date, once the SpinCo 1 Shares are issued to the Shareholders, the one (1) common share outstanding as of the date of the Circular will be cancelled.
- (4) Assumes 3,000,000 SpinCo 1 FT Subscription Receipts are issued and 6,700,000 SpinCo 1 NFT Subscription Receipts are issued for gross proceeds of \$7,000,000.
- (5) See in this Appendix “D”, “*Description of Capital Structure*”.

## OPTIONS TO PURCHASE SECURITIES

### SpinCo 1 Incentive Plan

The SpinCo 1 Board, with the approval of the Company, SpinCo 1’s sole shareholder, has adopted a stock option incentive plan (the “**SpinCo 1 Incentive Plan**”) that will be implemented upon acceptance by: (i) the Securityholders at the Meeting and (ii) the TSXV in conjunction with the proposed listing of the SpinCo 1 Shares on the TSXV. The SpinCo 1 Incentive Plan is a rolling incentive plan that sets the number of SpinCo 1 Shares issuable under the SpinCo 1 Incentive Plan at a maximum of 10% of the SpinCo 1 Shares issued and outstanding at the time of any grant under the SpinCo 1 Incentive Plan. As of the date of the Circular, SpinCo 1 has not granted any SpinCo 1 Options or SpinCo 1 SARs under the SpinCo 1 Incentive Plan, or otherwise, nor has it issued any other rights or securities to purchase SpinCo 1 Shares. The SpinCo 1 Board does not intend to grant any incentive awards until such time following listing of the SpinCo 1 Shares on the TSXV that the trading price of the SpinCo 1 Shares on the TSXV has stabilized, such that a fair market value exercise price for options can be determined.

### Summary of the SpinCo 1 Incentive Plan

The SpinCo 1 Incentive Plan reserves for issuance a maximum of 10% of the SpinCo 1 Shares at the time of a grant of SpinCo 1 Options and SpinCo 1 SARs under the SpinCo 1 Incentive Plan. The SpinCo 1 Incentive Plan will be administered by the SpinCo 1 Board and provide for grants of non-transferable SpinCo 1 Options and SpinCo 1 SARs under the SpinCo 1 Incentive Plan at the discretion of the SpinCo 1 Board, to directors, officers, employees, management company employees of, or consultants to, SpinCo 1 and its subsidiaries, or their permitted assigns (each an “**Eligible Person**”). Bonus Shares (as defined below) shall not form of the 10% limit.

In addition, the following restrictions apply to the number of SpinCo 1 Options and SpinCo 1 SARs:

- (a) the number of SpinCo 1 Shares reserved for issuance pursuant to the SpinCo 1 Incentive Plan (together with those SpinCo 1 Shares which may be issued pursuant to any other security-based compensation arrangement of SpinCo 1 or options for services granted by SpinCo 1) to any one person shall not exceed 5% of the SpinCo 1 Shares outstanding on a non-diluted basis on the date of grant;
- (b) the number of securities issuable to insiders, at any time, under all security-based compensation arrangements, cannot exceed 10% of issued and outstanding securities of the SpinCo 1 Shares; and



- (c) the number of securities issued to insiders, within any one-year period, under all security-based compensation arrangements, cannot exceed 10% of issued and outstanding securities of SpinCo 1.

In the event the SpinCo 1 Shares are listed on the TSXV, the following limits will also apply:

- (i) the aggregate number of SpinCo 1 Shares reserved for issuance pursuant to SpinCo 1 Options granted to any one person (including any holding company of such person) in any twelve month period may not exceed 5% of the issued and outstanding SpinCo 1 Shares;
- (ii) the aggregate number of SpinCo 1 Shares reserved for issuance pursuant to SpinCo 1 Options granted to insiders, as a group, at any point in time, may not exceed 10% of the issued and outstanding SpinCo 1 Shares;
- (iii) the aggregate number of SpinCo 1 Shares reserved for issuance pursuant to SpinCo 1 Options granted to insiders, as a group, within a twelve month period, may not exceed 10% of the issued and outstanding SpinCo 1 Shares calculated at the date a SpinCo 1 Option is granted to any Insider;
- (iv) the aggregate number of SpinCo 1 Shares reserved for issuance pursuant to SpinCo 1 Options granted to any one consultant in any twelve month period, may not exceed 2% of the issued and outstanding SpinCo 1 Shares;

The exercise price of options granted under the SpinCo 1 Incentive Plan will be determined by the SpinCo 1 Board. Following listing of the SpinCo 1 Shares on the TSXV, the exercise price must not be lower than the last closing sales price for the common shares as quoted on the TSXV for the market trading day immediately prior to the date of grant of the option, less any discount permitted by the TSXV.

Options to acquire more than 2% of the issued and outstanding SpinCo 1 Shares may not be granted to any one consultant in any 12-month period and options to acquire more than an aggregate of 2% of the issued and outstanding SpinCo 1 Shares may not be granted to persons employed to provide Investor Relations Activities (as such term is defined by the policies of the TSXV) in any 12-month period.

The term of any options granted under the SpinCo 1 Incentive Plan will be fixed by the SpinCo 1 Board and may not exceed ten years. Should an Eligible Person cease to qualify as an Eligible Person under the SpinCo 1 Incentive Plan prior to expiry of the term of their respective options, those options will terminate at the earlier of (i) the end of the period of time permitted for exercise of the option or, (ii) one year after the option holder ceases to be an Eligible Person for any reason other than death, disability or just cause. If an option holder providing Investor Relations Activities ceases to provide such Investor Relations Activities to SpinCo 1, options granted to such option holder will expire on the 30th day after such cessation. If such cessation as an Eligible Person is on account of disability or death, the options terminate on the first anniversary of such cessation, and if it is on account of termination of employment for just cause, the options terminate immediately. In the circumstance where the end of the term of a SpinCo 1 Option falls within, or within ten business days after the end of, a "black out" or similar period imposed under any insider trading policy or similar policy of SpinCo 1 (but not, for greater certainty, a restrictive period resulting from the SpinCo 1 or its insiders being the subject of a cease trade order of a securities regulatory authority), the end of the term of such SpinCo 1 Option shall be the tenth business day after the earlier of the end of such black out period or, provided the blackout period has ended, the expiry date for such SpinCo 1 Option.

The SpinCo 1 Incentive Plan also provides for adjustments to outstanding options in the event of alteration in the capital structure of SpinCo 1, merger or amalgamation involving SpinCo 1 or SpinCo 1's entering into a plan of arrangement. Moreover, upon a change of control, all options outstanding under the SpinCo 1 Incentive Plan shall become immediately exercisable.

The directors of SpinCo 1 may, at their discretion at the time of any grant, impose a schedule over which period of time options will vest and become exercisable by the optionee; however, for so long as the SpinCo 1 Shares are listed on the TSXV, options granted to persons performing Investor Relations Activities must vest in stages over a 12-month period with no more than one quarter of the options vesting in any three month period.

In addition, pursuant to the SpinCo 1 Incentive Plan, SpinCo 1 shall have the right to issue, or reserve for issuance, for no cash consideration, to any Eligible Person, as compensation or a discretionary bonus, any number of SpinCo 1

Shares (“**Bonus Shares**”) as SpinCo 1 Board may determine. The price at which such Bonus Shares are issued shall be equal to the market price. Notwithstanding any other term herein, and for avoidance of doubt, the total maximum number of Bonus Shares issuable pursuant to the SpinCo 1 Incentive Plan in any one financial year is equal to 5% of the issued and outstanding SpinCo 1 Common Shares as at the end of the most recently completed financial year.

The SpinCo 1 Board shall have the right to grant to any Eligible Person SpinCo 1 SARs, with the specific terms and conditions thereof to be as provided in the SpinCo 1 Incentive Plan and in the certificate entered into in respect of such grant. A SpinCo 1 SAR shall entitle the participant to receive from SpinCo 1 the number of SpinCo 1 Shares, disregarding fractions, as determined on the following basis:

<b>Number of SpinCo 1 Shares</b>	<b>Number of Stock Appreciation Rights x (Market Price – SAR Exercise Price) / Market Price</b> , less any amount withheld on account of income taxes
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The exercise price per SpinCo 1 Share under each SpinCo 1 SAR (“**SAR Exercise Price**”) shall be the fair market value of the SpinCo 1 Shares, expressed in terms of money, as determined by the SpinCo 1 Board in its sole discretion, provided that such price may not be less than the SpinCo 1 SAR fair market value or such other minimum price as may be permitted under the applicable rules and regulations of all regulatory authorities to which SpinCo 1 is subject, including the TSX, TSXV or any other stock exchange.

Subject to any required approval of the TSXV, the SpinCo 1 Board may terminate, suspend or amend the terms of the SpinCo 1 Incentive Plan, provided that for certain amendments, the SpinCo 1 Board must obtain shareholder approval, and, where required, Disinterested Shareholder Approval (as such term is defined in the SpinCo 1 Incentive Plan).

TSXV policy requires that the SpinCo 1 Incentive Plan be approved and ratified by SpinCo 1’s shareholders and submitted to the TSXV for acceptance on an annual basis. Further shareholder approval will not be required for option grants made in accordance with the SpinCo 1 Incentive Plan, except in certain circumstances as required by the policies of the TSXV.

The SpinCo 1 Board shall have the power to, without shareholder approval, at any time and from time to time, either prospectively or retrospectively, amend, suspend, or terminate the SpinCo 1 Incentive Plan or any award granted thereunder, including, without limiting the generality of the foregoing, changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the SpinCo 1 Plan, and changes regarding the vesting or other terms of awards, provided, however that:

- (a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the SpinCo 1 Shares are listed;
- (b) no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing rights of a recipient with respect to any then outstanding award, as determined by the Board acting in good faith, without his or her consent in writing;
- (c) the SpinCo 1 Board shall obtain shareholder approval (including Disinterested Shareholder Approval if required by TSXV Policies) of the following:
  - (i) any amendment to the maximum number of SpinCo 1 Shares in respect of which awards may be granted under the SpinCo 1 Plan (other than pursuant to Section 2.2 of the SpinCo 1 Incentive Plan);
  - (ii) any amendment that would reduce the exercise price of an outstanding awards held by an insider (other than pursuant to Section 2.2 of the SpinCo 1 Incentive Plan);
  - (iii) any amendment that would extend the term of any award granted under the of the SpinCo 1 Incentive Plan beyond the expiry date, if that extension would benefit an insider of SpinCo 1;
  - (iv) any cancellation and re-issue of awards;

- (v) any amendment which would permit awards granted under the SpinCo 1 Incentive Plan to be transferable or assignable other than for normal estate settlement purposes; and
- (vi) any amendment to the amendment provisions.

See “*Particulars of Other Matters to be Acted Upon – Approval of SpinCo 1’s Stock Option Plan*”.

#### **PRIOR SALES**

As of the date of this Circular, the Company has not issued any shares, other than the one share held by the Company.

#### **MARKET FOR SECURITIES**

Currently, there is no market for the SpinCo 1 Shares. Listing is subject to SpinCo 1 meeting the initial listing requirements of the TSXV, and meeting all conditions of listing imposed by the TSXV. There can, however, be no assurance as to if, or when, the SpinCo 1 Shares will be listed for trading on the TSXV.

#### **ESCROWED SHARES**

SpinCo 1 does not have any of its securities subject to escrow or contractual restrictions on transfer, nor is it expected to upon completion of the Arrangement, subject to regulatory approval thereof. In connection with the listing of the SpinCo 1 Shares on the TSXV, it is anticipated that certain outstanding securities of SpinCo 1 may be subject to escrow in accordance with policies of the TSXV. Further particulars regarding applicable escrow will be set forth in NickelCo’s listing application which will be available at [www.sedar.com](http://www.sedar.com).

In addition, upon completion of the Arrangement, assuming no further exercises of Options and Warrants of the Company occur prior to the Effective Time, 1,611,313 SpinCo 1 Shares will be held in trust by the Company for holders of outstanding Company warrants and 1,602,750 SpinCo 1 Shares will be held in trust by the Company for holders of outstanding Company options. In the event that the Company options and warrants expire unexercised, it is anticipated that these SpinCo 1 Shares will be held by the Company as an investment.

#### **PRINCIPAL SECURITY HOLDERS**

As of the date of the Circular, the Company holds 100% of the issued SpinCo 1 Shares. Assuming completion of the Arrangement and the SpinCo 1 Financing (without exercise of the Agent’s Option) and to the knowledge of SpinCo 1’s directors and officers, no person will beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the then issued SpinCo 1 Shares other than RoyaltyCo, which will hold approximately 23,130,033 SpinCo 1 Shares representing approximately 46.3% of the outstanding SpinCo 1 Shares .

#### **DIRECTORS AND EXECUTIVE OFFICERS**

As at the date of the Circular, some of the directors of the Company are also the directors of SpinCo 1, having been elected as SpinCo 1’s directors by the Company, SpinCo 1’s sole shareholder. The directors of SpinCo 1 will be elected annually at each annual general meeting of the SpinCo 1 shareholders and will hold office until the next annual general meeting unless a director’s office is earlier vacated in accordance with the articles of SpinCo 1 or he or she becomes disqualified to serve as a director. As at the date of the Circular, the directors and executive officers of SpinCo 1 hold no SpinCo 1 Shares. Assuming completion of the Arrangement and based on the number of SpinCo 1 Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by all of the directors and officers of SpinCo 1 as a group as at the date of the Circular, the number and percentage of SpinCo 1 Shares that will be beneficially owned, directly or indirectly, or over which control or direction will be exercised by all of the directors and executive officers of SpinCo 1 as a group will be approximately 0.8% of the then issued and outstanding SpinCo 1 Shares.

The names, positions and offices, and principal occupations of each of the directors and executive officers of SpinCo 1 are as follows:

<b>Name and Position</b>	<b>Principal occupation<sup>(2)</sup></b>	<b>Number and Percentage of SpinCo 1 Shares owned<sup>(3)</sup></b>	<b>Director and/or Officer since</b>
Daniel Oosterman <i>Chief Executive Officer</i>	Vice-President, Exploration of the Company since February 2018	10,153 (<1%)	November 8, 2021
Robert Van Drunen <i>Chief Operating Officer</i>	Executive with Vale Canada Limited	Nil	November 8, 2021
Mark Scott <sup>(1)</sup> <i>Director</i>	CEO, Sassy Resources Corporation	Nil	November 8, 2021
John Lee <sup>(1)</sup> <i>Director &amp; Chairman</i>	Executive Chair of the Company	391,040 (<1%)	November 8, 2021
Masateru Igata <sup>(1)</sup> <i>Director</i>	Chief Executive Officer of Frontier LLC (Mongolia from March 2007 to present and Founder and Chief Executive Officer of Frontier Japan from January 2015 to present.	84,348 (<1%)	November 8, 2021
Irina Playutska <i>Chief Financial Officer</i>	Chief Financial Officer of the Company since September 2013	1,000 (<1%)	December 21, 2020

**Notes:**

- (1) Member of the Audit Committee.  
(2) The information as to principal occupation has been furnished by each director and/or officer individually.  
(3) Figures calculated assuming the completion of the Arrangement and the SpinCo 1 Financing and assuming that no Options or Warrants are exercised prior to the Effective Date, SpinCo 1 will have 59,700,000 SpinCo 1 Shares issued and outstanding.

See in this Appendix “D” “SpinCo 1 Audit Committee” and “Corporate Governance - Board Committees”.

As at the date hereof, there are no SpinCo 1 Shares beneficially owned, directly or indirectly, or control or direction was exercised over those shares, by the directors and executive officers of SpinCo 1. On the Effective Date, each of the directors and executive officers of SpinCo 1 will beneficially own, directly or indirectly, or control or direct one SpinCo 1 Share for each one Silver Elephant Share held. It is expected that, upon completion of the Arrangement, 486,541 SpinCo 1 Shares, or approximately 0.8% of the SpinCo 1 Shares outstanding on a non-diluted basis will be beneficially owned, directly or indirectly, or control or direction will be exercised over those shares, by the directors and executive officers of SpinCo 1 as a group.

**Cease Trade Orders, Penalties, Sanctions or Bankruptcies***Cease Trade Orders*

Other than as disclosed below, no director or executive officer of SpinCo 1 is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including SpinCo 1) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

*Bankruptcies*

No director or executive officer of SpinCo 1, or a shareholder holding a sufficient number of securities of SpinCo 1 to affect materially control of SpinCo 1, (i) is, or within ten years prior to the date hereof has been, a director or

executive officer of any company (including SpinCo 1) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

#### *Penalties or Sanctions*

No director or executive officer of SpinCo 1, or a shareholder holding a sufficient number of securities of SpinCo 1 to affect materially the control of SpinCo 1, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

The foregoing, not being within the knowledge of SpinCo 1, has been furnished by the respective directors, executive officers and shareholders holding a sufficient number of securities of SpinCo 1 to affect materially control of SpinCo 1.

#### **Conflicts of Interest**

Certain directors and officers of SpinCo 1 are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties, including the Company. Such associations to other public companies in the resource sector may give rise to conflicts of interest from time to time. As a result, opportunities provided to a director of SpinCo 1 may not be made available to SpinCo 1, but rather may be offered to a company with competing interests. The directors and senior officers of SpinCo 1 are required by law to act honestly and in good faith with a view to the best interests of SpinCo 1 and to disclose any personal interest which they may have in any project or opportunity of SpinCo 1, and to abstain from voting on such matters.

The directors and officers of SpinCo 1 are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interests and SpinCo 1 will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers.

### **EXECUTIVE COMPENSATION**

#### **Compensation of Executive Officers**

SpinCo 1 was incorporated on December 21, 2020 and, accordingly, has not yet completed a financial year and has not yet developed a compensation program. Upon completion of the Arrangement, it is anticipated that SpinCo 1 will establish a compensation committee (the "**Compensation Committee**") which will recommend how directors will be compensated for their services as directors. The Compensation Committee is expected to recommend the granting of stock options in such amounts and upon such terms as may be recommended by the Compensation Committee and approved by the SpinCo 1 Board from time to time.

The Compensation Committee will also consider and make recommendations with respect to the compensation of the executive officers of SpinCo 1. It is anticipated that all executive officers of SpinCo 1 will receive cash compensation and stock option grants in line with market practice for public issuers in the same industry and market and of the same size as SpinCo 1. For a description of the SpinCo 1 Incentive Plan see in this Appendix "D" – "Options to Purchase Securities – Summary of SpinCo 1 Incentive Plan".

#### **Long-Term Incentive Plan**

SpinCo 1 does not have any long-term incentive plans.

### **Option-based Awards**

Following completion of the Arrangement, SpinCo 1 will not have any SpinCo 1 Options outstanding.

### **Pension Plan Benefits**

SpinCo 1 does not have defined benefit or defined contribution plans.

### **Director Compensation**

Upon completion of the Arrangement, it is anticipated that SpinCo 1 will pay cash compensation to its directors in amounts paid to directors of comparable publicly traded Canadian companies for services rendered in their capacity as directors.

## **AUDIT AND CORPORATE GOVERNANCE**

### **Board of Directors**

National Instrument 52-110 – Audit Committees (“**NI 52-110**”) sets out the standard for director independence. Under NI 52-110, a director is independent if he or she has no direct or indirect material relationship with SpinCo 1. A material relationship is a relationship which could, in the view of the SpinCo 1 Board, be reasonably expected to interfere with the exercise of a director’s independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship with SpinCo 1. Applying the definition set out in NI 52-110, the following members of the SpinCo 1 Board are independent: Mark Scott and Masateru Igata. John Lee, being the Chair is not independent.

The SpinCo 1 Board as a whole has responsibility for developing SpinCo 1’s approach to: (i) financial reporting and internal controls; (ii) issues relating to compensation of directors, officers and employees; (iii) corporate governance issues and matters relating to nomination of directors; and (iv) administration of timely and accurate disclosure, confidentiality and insider trading policy, certain of which responsibilities are delegated to SpinCo 1’s Audit Committee (see “*Board Committees*” and “*Audit Committee*” which follow).

The SpinCo 1 Board is responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. The SpinCo 1 Board’s consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions. The SpinCo 1 Board delegates to management responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on SpinCo 1’s business in the ordinary course, managing SpinCo 1’s cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The SpinCo 1 Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, where deemed necessary by the independent directors, the independent directors hold in-camera sessions exclusive of non-independent directors and members of management, which process facilitates open and candid discussion amongst the independent directors.



## Other Directorships

Certain of the directors of SpinCo 1 are presently also directors of other issuers that are “reporting issuers” as that term is defined in and for the purposes of securities legislation, which positions are summarized as follows:

Name of Director	Other Reporting Issuer	Market	Position	From	To
Mark Scott	Sassy Resources	CSE	Director, CEO	February 2020	Present
John Lee	Silver Elephant Mining Corp.	TSX	Director	June 2011	Present
Masateru Igata	Silver Elephant Mining Corp.	TSX	Director	April 2014	Present

## Position Descriptions

John Lee is the Chair of the SpinCo 1 Board. The Chair of the SpinCo 1 Board will primarily be responsible for ensuring that the SpinCo 1 Board is functioning properly and that it is meeting its obligations and responsibilities to SpinCo 1 under the BCBCA. The responsibilities of the chairman of the Audit Committee are set out in the Audit Committee charter which is mandated by the SpinCo 1 Board. The SpinCo 1 Board has not adopted position descriptions and position descriptions and responsibilities will be determined as necessary and from time to time for each position.

## Orientation and Continuing Education

As it was only recently incorporated, SpinCo 1 has not yet developed an official orientation or training program for new directors, and this has not, to date, been necessary as the directors of SpinCo 1 are also directors of the Company and familiar with the role of a director of a publicly listed mineral resource company. However, going forward, new directors will be provided the opportunity to become familiar with SpinCo 1 by meeting with the other directors and with officers and employees. Orientation activities will be tailored to the particular needs and experience of each director and the overall needs of the SpinCo 1 Board. Potential candidates will be provided with publicly available materials in order to acquaint themselves with SpinCo 1, including recent press releases, financial reports and other relevant materials.

The SpinCo 1 Board encourages each of the directors to stay current on developing corporate governance requirements through continuous improvement and education. Directors are routinely provided information and publications on developing regulatory issues.

## Board Mandate

The board of directors has not adopted a written mandate however it is required to monitor the management of the business and affairs of SpinCo 1 and to act with a view to the best interests of SpinCo 1. The board of directors will oversee the development, adoption and implementation of SpinCo 1’s strategies and plans.

## Board Committees

The SpinCo 1 Board has appointed an audit committee (the “**SpinCo 1 Audit Committee**”) comprised of Mark Scott (Chair), John Lee and Masateru Igata and upon completion of the Arrangement. A description of the authority, responsibilities, duties and function of the SpinCo 1 Audit Committee can be found in this Appendix “D” under the heading “*Audit Committee*”, which follows.

## Assessments

The SpinCo 1 Board does not consider that formal assessments would be useful at this stage of SpinCo 1’s development. The SpinCo 1 Board, at least annually, will conduct informal assessments of the SpinCo 1 Board’s effectiveness, the individual directors and reports from each committee representing its own effectiveness. As part of the amendments, the SpinCo 1 Board or the individual committee may review their respective mandate or charter and conduct reviews of applicable policies.

## *Audit Committee*

### **Audit Committee Charter**

The SpinCo 1 Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information, and compliance with laws. It is anticipated that the SpinCo 1 Board will adopt an Audit Committee Charter, substantially in the form attached to this Appendix “D” as Schedule “1”, mandating the role of the SpinCo 1 Audit Committee in supporting the SpinCo 1 Board in meeting its responsibilities to its shareholders.

### **Audit Committee Members**

The Audit Committee will be comprised of at least three members, all of whom shall be directors of SpinCo 1. Whenever reasonably feasible members of the Audit Committee should be independent and shall have no direct or indirect material relationship with SpinCo 1. If less than a majority of the SpinCo 1 Board are independent, then a majority of the members of the Audit Committee may be made of members that are not independent of SpinCo 1, provided that there is an exemption in the applicable securities law, rule, regulation, policy or instrument (if any).

### **Relevant Education and Experience**

All of the SpinCo 1 Audit Committee members are experienced businessmen with experience in financial matters; each has a broad understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields of endeavour. In addition, each of the members of the SpinCo 1 Audit Committee has knowledge of the role of an audit committee in the realm of reporting companies. Set out below is a description of the education and experience of each member of the SpinCo 1 Audit Committee that is relevant to the performance of her or his responsibilities as an audit committee member.

Mr. Masa Igata	Founder & CEO of Frontier LLC and Frontier Japan, has more than 30 years of professional experience in Asian financial markets. Prior to establishing Frontier Securities(Later renamed as Frontier LLC), he had been a Managing Director at Salomon Brother/Citigroup/Nikko Citigroup in Tokyo
John Lee	Mr. Lee has been an accredited investor in the resource industry since 2001. Mr. Lee is a CFA charter holder and has degrees in economics and engineering from Rice University
Mark Scott	As Head of Manitoba Operations for Vale Canada through 2018, he managed an annual combined opex and capex budget of \$500 million (U.S.) including a workforce of approximately 1,875. He has two decades of experience in all phases of surface and underground mining, metallurgical processing, and associated service and support functions, within multiple mining majors.

### **Pre-Approved Policies and Procedures for Non-Audit Services**

SpinCo 1’s Audit Committee Charter requires that management seek approval from the SpinCo 1 Audit Committee of all non-audit services to be provided to SpinCo 1 or any of its subsidiaries by SpinCo 1’s external auditor, prior to engaging the external auditor to perform those non-audit services.

### **External Auditor Service Fees**

Since SpinCo 1’s incorporation on December 21, 2020, no fees, audit or otherwise, have been billed to SpinCo 1 by its auditor, Davidson & Company LLP.

## Reliance on Exemption

As SpinCo 1 is an “IPO venture issuer” for purposes of applicable securities legislation, SpinCo 1 is relying on the exemption in Section 6.1 of NI 52-110 from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*).

## PROMOTERS

The Company took the initiative of founding and organizing SpinCo 1 and its business and operations and, as such, may be considered to be the promoter of SpinCo 1 for the purposes of applicable securities legislation. As at the date of the Circular, the Company is the sole (100%) shareholder of SpinCo 1 and has transferred or will transfer assets to SpinCo 1 to hold and operate the Minago Property and as contemplated by the terms of the Arrangement. See in this Appendix “D”, “*General Development of SpinCo 1’s Business*”, “*Material Properties*” and “*Prior Sales*”. See also in the Circular, “*The Meeting — The Arrangement*”, “*The Meeting— Reasons for the Arrangement*”.

During the 10 years prior to the date of the Circular, the Company has not been subject to:

- (a) a cease trade order (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person is named in the order), or
- (b) an order similar to a cease trade order, or
- (c) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for a period of more than 30 consecutive days; nor has the Company been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; nor has the Company become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold its assets.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

### Legal Proceedings

SpinCo 1 is not aware of any material legal proceedings to which SpinCo 1 or a proposed subsidiary is a party or to which the Minago Property is subject, nor is SpinCo 1 aware that any such proceedings are contemplated.

### Regulatory Actions

There are currently no: (a) penalties or sanctions imposed against SpinCo 1 by a court relating to securities legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against SpinCo 1 that would likely be considered important to a reasonable investor in making an investment decision in SpinCo 1; and (c) settlement agreements SpinCo 1 entered into before a court relating to securities legislation or with a securities regulatory authority since SpinCo 1 was incorporated.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since SpinCo 1’s incorporation, no director, executive officer, or shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding SpinCo 1 Shares, or any known associates or affiliates of such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect SpinCo 1 other than the Company in connection with SpinCo 1’s incorporation (see in this Appendix “D” “*Corporate Structure*” and

“Promoters”), the entering into of the Arrangement Agreement (see in the Circular, “*The Meeting — The Arrangement*”), and the transfer of assets to SpinCo 1 in connection with the Arrangement (see in this Appendix “D”, “*General Development of SpinCo 1’s Business*”). See also in this Appendix “D”, “*Material Contracts*” below.

Certain directors and officers of the Company are also the directors and officers of SpinCo 1. See in the Circular under the heading “*The Meeting — Background to the Arrangement*”, “*The Meeting — Recommendation of the Board*”, “*The Meeting — Reasons for the Arrangement*”.

#### **AUDITOR**

The auditor of SpinCo 1 is Davidson & Company LLP of Vancouver, British Columbia.

#### **TRANSFER AGENT AND REGISTRAR**

The registrar and transfer agent of SpinCo 1 and for the SpinCo 1 Shares is Computershare Investor Services Inc. with offices at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3A8 Canada.

#### **INTERESTS OF EXPERTS**

Davidson & Company LLP, the auditor of SpinCo 1, has confirmed that it is independent with respect to SpinCo 1 within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

Certain legal matters relating to the Arrangement and SpinCo 1 will be passed upon by MLT Aikins LLP of Vancouver, British Columbia, legal counsel to SpinCo 1.

The disclosure with respect to the Minago Property in this Appendix is based on the Minago Technical Report prepared by the Authors. on behalf of Mercator.

None of the aforementioned persons nor any directors, officers, employees or partners, as applicable, of each of the aforementioned companies and partnerships, has received or will receive as a result of the Arrangement a direct or indirect interest in a property of SpinCo 1 or any associate or affiliate of SpinCo 1, nor is currently expected to be elected, appointed or employed as a director, officer or employee of SpinCo 1 or any associate or affiliate of SpinCo 1.

#### **MATERIAL CONTRACTS**

Pursuant to the Arrangement, SpinCo 1 will acquire the Company’s interest in the Minago Property by way of the Spinout 1 Asset Contribution Agreement; which will be filed on SpinCo 1’s SEDAR profile at [www.sedar.com](http://www.sedar.com) in due course.

#### **OTHER MATERIAL FACTS**

There are no other material facts other than as disclosed herein.

#### **FINANCIAL STATEMENTS**

See in this Circular “*Selected Financial Information — Financial Statements*” and Appendices “G” and “I”.

## SCHEDULE 1

### Flying Nickel Mining Corp (the "Company")

#### AUDIT COMMITTEE CHARTER

The Audit Committee will be governed by the following charter:

##### **1.0 Purpose of the Committee**

1.1 The purpose of the Audit Committee is to assist the Board of Directors in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

##### **2.0 Members of the Audit Committee**

2.1 At least one Member must be "financially literate" as defined under MI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

2.2 The Audit Committee shall consist of no less than three Directors. 2.3 At least one Member of the Audit Committee shall be "independent" as defined under MI 52-110, while the Company is in the developmental stage of its business.

##### **3.0 Relationship with External Auditors**

3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

3.4 The Audit Committee will have direct communications access at all times with the external auditors.

##### **4.0 Non-Audit Services**

4.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit Committee must consider that the benefits to the Company from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.

4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Company:

(i) acting as an agent of the Company for the sale of all or substantially all of the undertaking of the Company; and

(ii) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.

## **5.0 Appointment of Auditors**

5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

## **6.0 Evaluation of Auditors**

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

## **7.0 Remuneration of the Auditors**

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

## **8.0 Termination of the Auditors**

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

## **9.0 Funding of Auditing and Consulting Services**

9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

## **10.0 Role and Responsibilities of the Internal Auditor**

10.1 At this time, due to the Company's size and limited financial resources, the Chief Financial Officer of the Company shall be responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

## **11.0 Oversight of Internal Controls**

11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

## **12.0 Continuous Disclosure Requirements**

12.1 At this time, due to the Company's size and limited financial resources, the Chief Financial Officer of the Company is responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

## **13.0 Other Auditing Matters**

13.1 The Audit Committee may meet with the external auditors independently of the management of the Company at any time, acting reasonably.



13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

**14.0 Annual Review**

14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

**15.0 Independent Advisers**

15.1 The Audit Committee shall have the power to retain legal, accounting or other advisers.

**APPENDIX "E"**  
**INFORMATION CONCERNING SPINCO 2**

(see attached)

## APPENDIX “E”

### Information Concerning SpinCo 2

The following describes the proposed business of SpinCo 2, following the completion of the Arrangement and should be read together with the financial statements of SpinCo 2 attached hereto as Appendix “J” and the carve-out financial statements in respect of the Gibellini Vanadium Project attached hereto as Appendix “H”. Except where the context otherwise requires, all of the information contained in this Appendix is made on the basis that the Arrangement.

Unless the context otherwise requires, all references in this Appendix to “SpinCo 2” or “VanadiumCo” means “1324825 B.C. Ltd.”. Certain other terms used in this Appendix that are not otherwise defined herein are defined under “Glossary of Terms” in the Circular to which this Appendix is attached.

### CORPORATE STRUCTURE

#### Name and Incorporation

SpinCo 2 was incorporated as “1324825 B.C. Ltd.” under the BCBCA on September 17, 2021. Prior to the Effective Date of the Arrangement, SpinCo 2 will not carry on any business except as contemplated by the Arrangement.

SpinCo 2’s head office and registered and records office are located at Suite 1610 – 409 Granville Street, Vancouver, BC V6C 1T2.

### GENERAL DEVELOPMENT OF THE BUSINESS

SpinCo 2 is not currently a reporting issuer and the SpinCo 2 Shares are not listed on any stock exchange. If the Arrangement is completed, SpinCo 2 expects that it will be a reporting issuer in each province and territory of Canada except Quebec. It is anticipated that application will be made for the listing of the SpinCo 2 Shares on the TSXV. Any listing of the SpinCo 2 Shares will be subject to meeting TSXV initial listing requirements and there is no assurance such a listing will be obtained.

### DESCRIPTION OF THE BUSINESS

#### General

Currently, SpinCo 2 has no assets or operations. After the Effective Date, SpinCo 2 will be engaged in the business of exploration of the Gibellini Vanadium Project (as defined below), a mineral property located in Nevada, USA. SpinCo 2 will be an exploration stage company, will own no developing or producing properties and, consequently, will have no operating income or cashflow from the properties it holds.

The Spinout 2 Properties to be acquired by SpinCo 2 pursuant to the Arrangement include the Company’s interest in the claims below, all of which will be transferred from the Company to SpinCo 2 pursuant to the Arrangement Agreement and the Spinout 2 Share Contribution Agreement in exchange for SpinCo 2 Shares:

1. 40 unpatented lode mining claims situated in Eureka County, Nevada that are leased to the Company by Jacqualeene Campbell pursuant to a lease agreement (the “**Dietrich Lease**”), successor to Janelle Dietrich (the “**Dietrich Claims**”);
2. 105 unpatented lode mining claims situated in Eureka County, Nevada that are owned by VC Exploration (US), Inc., a wholly-owned subsidiary of the Company (the “**VC Exploration Claims**”); and
3. 442 unpatented lode mining claims situated in Eureka County, Nevada. The owner of record is NVMC US. The NVMC US claims comprise a number of different claim blocks, including the PCY claims (the “**PCY Claims**”), Nevada Vanadium claims (the “**Nevada Vanadium Claims**”), Stina (Bisoni–McKay) claims (the “**Bisoni-McKay Claims**”), and the 2018 MSM replacement claims (the “**2018 MSM Claims**”).

(together, items 1-3, the “**Spinout 2 Properties**” or the “**Gibellini Vanadium Property**”).

Pursuant to the Arrangement, the Company will transfer to RoyaltyCo, and RoyaltyCo will retain, a 2% royalty (the “**Gibellini Royalty**”) on the Gibellini Vanadium Project. The Gibellini Royalty will be calculated quarterly and will be payable in each quarter where the average V205 vanadium pentoxide flake 98% price per pound on the London Metals Exchange exceeds US\$12.00. The Gibellini Royalty is in addition to the other royalties described below.

Pursuant to the Spinout 2 Asset Contribution Agreement, SpinCo 2 will also be transferred all contracts, permits, environmental permits, intellectual property, business information (other than financial books and records) geological, geophysical and other technical information, dates, records, reports and studies exclusively related to the Spinout 2 Properties (the “**Spinout 2 Related Assets**”). SpinCo 2 will also assume all obligations and liabilities of any type whatsoever (including contingent or absolute obligations, and future obligations) of the Company related to the Spinout 2 Properties and the Spinout 2 Related Assets, including all environmental liabilities.

At the Effective Time, SpinCo 2 will assume the accounts payable and all other outstanding debts and amounts owing by the Company in respect of the Gibellini Vanadium Property on the day prior to the Effective Date (the “**Spinout 2 Assumed Liability**”) pursuant to the Spinout 2 Assumption Agreement in consideration for an amount equal thereto.

Pursuant to the Arrangement steps referred to above, it is anticipated that SpinCo 2 will issue 50,000,000 SpinCo 2 Shares.

## **SpinCo 2 Properties**

### ***The Gibellini Vanadium Property***

#### **General**

The Gibellini Vanadium Property (also referred to in this Appendix as the “**Gibellini Vanadium Project**”) is located in Eureka County, Nevada situated on the east flank of the Fish Creek Range in the Fish Creek Mining District, about 25 miles south of Eureka, and is accessed by dirt road extending westward from State Route 379.

The Gibellini Vanadium Project consists of the Gibellini vanadium deposit (the “**Gibellini Deposit**”), the Louie Hill vanadium deposit (the “**Louie Hill Deposit**”) and the Bisoni-McKay vanadium deposit (the “**Bisoni-McKay Deposit**”).

#### **Technical Report**

The following is a summary of the NI 43-101 Technical Report prepared by Kirk Hanson, P.E., Todd Wakefield, RM SME, and Alan Drake, P.L.Eng. (the “**Authors**”), on behalf of Wood Group USA, Inc. (“**Wood**”) and Mine Technical Services Ltd. (“**MTS**”), entitled “Gibellini Vanadium Project Eureka County, Nevada NI 43-101 Technical Report on Preliminary Economic Assessment Update” (the “**Gibellini Vanadium Technical Report**”) dated as of October 8, 2021 and effective as of August 30, 2021. Each of the Authors is a qualified person (a “**Qualified Person**”) and is independent of SpinCo 2. The summary of the Gibellini Vanadium Technical Report is incorporated in this Appendix with the consent of the Authors.

Investors should consult the Gibellini Vanadium Technical Report to obtain further particulars regarding the Gibellini Vanadium Project. The Gibellini Vanadium Technical Report is incorporated by reference herein and will be available for review under Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the summary of technical information in this Appendix should be read in the context of the qualifying statements, procedures and accompanying discussion within the complete Gibellini Vanadium Technical Report and the summary provided herein is qualified in its entirety by the Gibellini Vanadium Technical Report. Capitalized and abbreviated terms appearing in this section and not otherwise defined herein have the meaning ascribed to such terms in the Gibellini Vanadium Technical Report.

#### ***Project Setting***

The Gibellini Vanadium Project is situated Eureka County, Nevada on the east flank of the Fish Creek Range in the Fish Creek Mining District, about 25 miles south of Eureka, and is accessed by dirt road extending westward from State Route 379.

The 24.5 miles leading to the proposed mine site is either Federal, State or County-owned. The road can be paved, improved gravel or two-track dirt. The three miles of road access from County Road M-104 to the mine is a two-track dirt road; however, it can be upgraded to service the mine. This upgraded road would be the principal method of transport for goods and materials in and out of the Gibellini Vanadium Project.

The climate is typical of the dry Basin-and-Range conditions of northern Nevada. Exploration is possible year-round, though snow levels in winter and wet conditions in late autumn and in spring can make travel on dirt and gravel roads difficult. It is expected that any future mining operations will be able to be conducted year-round.

Nevada has a long mining history and a large resource of equipment and skilled personnel. Local resources necessary for the exploration and possible future development and operation of the Gibellini Vanadium Project are located in Eureka. Some resources would likely have to be brought in from the Elko and Ely areas.

A 69 kV power line is located approximately seven miles north of the proposed Gibellini Vanadium Project location and services Fiore Gold's Pan Mine. Exploration activities have been serviced by diesel generator as required, and this approach is likely to be used on any recommencement of exploration activities.

### ***Mineral Tenure, Surface Rights, Water Rights, Royalties and Agreements***

#### Ownership

The Company holds a 100% interest in the mineral claims by way of lease agreements and staked claims. Claims are in the name of the Company's indirectly wholly-owned Nevada subsidiaries, VC Exploration (US), Inc. ("**VC Exploration**") and Nevada Vanadium LLC.

In August 2020, Nevada Vanadium and the Company concluded an agreement with Stina Resources Nevada Ltd. ("**Stina Resources**") and Cellcube Energy Storage Systems Inc ("**Cellcube Energy**"), to purchase a set of claims, the Bisoni-McKay claims, which are situated adjacent the Gibellini Deposit claims.

#### Mineral Tenure

The Gibellini Vanadium ground holdings include:

1. the Dietrich Claims;
2. the VC Exploration Claims;
3. the PCY Claims, the Nevada Vanadium Claims, the Bisoni-McKay Claims, and the 2018 MSM Claims.

For more details with respect to the aforementioned mineral claims, see Tables 4.1, 4.2, 4.3, and 4.4 of the Gibellini Vanadium Technical Report.

#### Dietrich Claims

The Dietrich Lease over the Dietrich Claims has a 10-year period, commencing on June 22, 2017, unless terminated earlier under provisions in the Dietrich Lease. The Dietrich Lease can be extended for a second 10-year term. If mining operations are underway at either the end of the first or second year term, the Dietrich Lease will continue for additional one-year terms for as long as the mining operations continue. If no active mining is underway on the Dietrich Claims, but the claim area is being used to support mining operations on other claims, then the lease will continue for as long as operations are underway.

#### 2018 MSM Claims

The 2018 MSM Claims are located on ground that was previously covered by a series of unpatented claims that were held by Richard A. McKay, Nancy M. Minoletti, and Pamela S. Scutt (the "**McKay Claims**"). The McKay claims were originally subject to a 2017 lease agreement with Prophecy Development Corp. ("**Prophecy**"). In 2018, each of the McKay Claims were declared abandoned and cancelled by the Bureau of Land Management ("**BLM**") because certain statutory obligations had not been met by the claim holders. Prophecy staked new claims to cover

the open ground previously covered by the McKay Claims. A royalty agreement was established to replace the previous lease agreement for the McKay Claims (See Section 2 below).

### Surface Rights

The Gibellini Vanadium Project is situated entirely on public lands that are administered by the BLM. No easements or rights of way are required for access over public lands. Rights-of-way would need to be acquired for future infrastructure requirements, such as pipelines and powerlines.

### Royalties

#### **1. Dietrich Lease**

The Dietrich Lease contains both an advance royalty (the “**Dietrich Advance Royalty**”) and a production royalty (the “**Dietrich Production Royalty**”) and together with the Dietrich Advance Royalty, the “**Dietrich Royalty**”). Under the advance royalty provision, Prophecy was required to pay \$35,000 to Ms. Dietrich upon execution of the Dietrich Lease. Thereafter, on the anniversary date of the execution of the Dietrich Lease, the Company must pay Dietrich Advance Royalty as follows:

1. If the average vanadium pentoxide price per pound, as quoted on Metal Bulletin, is below \$7.00 per pound during the preceding 12 months, \$35,000 during the initial term and \$50,000 during the additional term; or
2. If the average vanadium pentoxide price per pound, as quoted on Metal Bulletin, is equal to or above \$7.00 per pound during the preceding 12 months, \$10,000 x the average vanadium pentoxide price per pound, up to a maximum of \$120,000 annually.

The Dietrich Advance Royalty will continue until such time the Company begins payment of the Dietrich Production Royalty. If the Dietrich Production Royalty payable in any one year is less than the Dietrich Advance Royalty that would otherwise be paid for that year, then the Company will pay the difference between the two amounts. All Dietrich Advance Royalty payments, as well as the difference between the Dietrich Advance Royalty payment made and the Dietrich Production Royalty that would otherwise be due in such year, may be deducted as credits against the Company’s future Dietrich Production Royalty payments, provided that the credit will not be applied to payment of the difference between the Dietrich Production Royalty paid during any year and the Dietrich Advance Royalty that would otherwise be payable.

The Dietrich Lease does not specifically set forth what events trigger the payment of the Dietrich Production Royalty; the legal opinion provided notes that a reasonable interpretation is that payment of such a royalty would be due upon commencement of commercial mining operations. The Dietrich Production Royalty requires the Company to pay a 2.5% net smelter return (NSR) until \$3 M in payments is made. After that milestone is reached, the NSR falls to 2%.

The Company has the option to require Ms. Dietrich to transfer title over all but four of the unpatented mining claims within the Dietrich Claims at any time in exchange for US\$1 million to be paid as an Dietrich Advance Royalty or transfer payment.

The proposed Gibellini Deposit pit is almost entirely within the Dietrich Claims, and the Dietrich Royalty will be payable on production. The advance royalty obligation and production royalty payable are not “affected, reduced or relieved” by the title transfer.

#### **2. 2018 MSM Claims / McKay Claims**

Pursuant to the terms of a royalty agreement with the McKay claimants (the “**McKay Royalty Agreement**”) the advance royalty provision, upon commencement of "commercial production" from the Gibellini Vanadium Project, the Company must pay \$75,000 to the McKay claimants (the “**McKay Advance Royalty**”). Upon the sale of "all or any portion" of the 2018 MSM Claims to any third party, the Company must pay the McKay claimants \$50,000. In addition, no later than July 10 of each year during the term of the McKay Royalty Agreement, the Company must pay a sliding scale McKay Advance Royalty as follows:



1. If the average vanadium pentoxide price per pound, as quoted on Metal Bulletin, is below \$7.00 per pound during the preceding 12 months, \$12,500; or
2. If the average vanadium pentoxide price per pound, as quoted on Metal Bulletin, is equal to or above \$7.00 per pound during the preceding 12 months, \$2,000 times the average vanadium pentoxide price per pound, up to a maximum of \$28,000 annually.

The McKay Advance Royalty payments will continue until such time as the Company begins payment of the production royalty (the “**McKay Production Royalty**” and together with the McKay Advance Royalty, the “**McKay Royalty**”), provided, however, that if the McKay Production Royalty payable in any year is less than the McKay Advance Royalty otherwise payable for such year, then the Company must pay the difference between such amounts. All McKay Advance Royalty payments, as well as the difference between the McKay Advance Royalty payment made and the McKay Production Royalty that would otherwise be due in such year, may be deducted as credits against the Company's future McKay Production Royalty payments, provided that the credit will not be applied to payment of the difference between the McKay Production Royalty paid during any year and the McKay Advance Royalty that would otherwise be payable.

A small portion of the Gibellini Deposit pit and the majority of the proposed Louie Hill pit are within the 2018 MSM Claims area, formerly the McKay Claims. The McKay Royalty will be payable on production.

#### Water Rights

An agreement is in place with Mr. John C. Gretlein with regard to water rights held by Mr. Gretlein for irrigation purposes (the “**Gretlein Agreement**”). The Gretlein Agreement has a 10-year term commencing in 2018 and can be extended. The water rights are presently diverted from a canal located in the SE¼ NW¼ of Sec. 8, Township 16N, Range 53E, MDB&M. The Gretlein Agreement grants the Company a portion of these water rights, consisting of a maximum amount of approximately 1,046.5 acre-feet of water per year. The Gretlein Agreement envisages the following:

1. The leased water will consist of 805 acre-feet per year to be consumed at the Gibellini Vanadium Project, and will be measured by a meter at a pump located on the canal on Mr. Gretlein's property;
2. Approximately 241.5 acre-feet per year (the actual amount to be determined by the Nevada Division of Water Resources) will not be used by either Mr. Gretlein or the Company, and will be used to offset the irrigation recharge that will not occur. This water amount will be determined by monitoring other Fish Creek Ranch water use through measurement by water meters placed at all other Fish Creek Ranch points of diversion; and
3. Water will be available in the canal to allow the Company to take water at a minimum rate of 500 gal/min and a maximum rate of 750 gal/min for 24 hours per day, seven days per week, 365 days per year.

The Gretlein Agreement has a provision that if the Company uses all of the 805 acre-feet per year allocation, the Company can negotiate for additional water at a price per gallon to be set at the time of negotiations. The Gretlein Agreement requires a \$100,000 water rental payment per year until water take commences, at which point the rental payment increases to \$350,000 per year. The Gretlein Agreement is subject to the approval of the Nevada Division of Water Resources for the planned change in water usage.

#### ***Geology and Mineralization***

The deposits of the Gibellini Vanadium Project are examples of the “USGS Shale-Hosted Vanadium” deposit type. Vanadium-rich metalliferous black shales occur primarily in late Proterozoic and Phanerozoic marine successions. They typically contain high concentrations of organic matter, reduced sulfur, and a suite of metals including copper, molybdenum, vanadium, platinum group elements (PGEs), silver, uranium, vanadium, and zinc.

The Gibellini Vanadium Project is located on the east flank of the southern part of the Fish Creek Range. The historic limestone-hosted Gibellini manganese–vanadium mine and the Gibellini Deposit, Louie Hill Deposit and Bisoni–McKay Deposit are the most significant deposits in the district and all occur within the Gibellini Vanadium Project boundary.

The vanadium-host shale unit ranges from 175 to >300 ft thick and overlies gray mudstone. The shale has been oxidized to a depth of about 100 ft. The oxidation state is classified as one of three oxide codes: oxidized, transitional, and reduced. Vanadium grade changes across these boundaries. The transitional zone reports the highest average vanadium grades, and this zone is interpreted to have been upgraded by supergene processes.

Mineralization is tabular, conformable with bedding, and remarkably continuous in grade and thickness between drill holes. In the oxidized zone, complex vanadium oxides occur in fractures in the sedimentary rocks including metahewettite ( $\text{CaV}_6\text{O}_{16}\cdot\text{H}_2\text{O}$ ), bokite ( $\text{KAl}_3\text{Fe}_6\text{V}_2\text{O}_{76}\cdot 30\text{H}_2\text{O}$ ), schoderite ( $\text{Al}_2\text{PO}_4\text{VO}_4\cdot 8\text{H}_2\text{O}$ ), and metaschoderite ( $\text{Al}_2\text{PO}_4\text{VO}_4\cdot 6\text{H}_2\text{O}$ ). In the reduced sediments, vanadium occurs in organic material (kerogen) made up of fine grained, flaky, and stringy organism fragments <15  $\mu\text{m}$  in size.

### ***History***

There is no modern commercial vanadium production recorded from the Gibellini Vanadium Project.

#### Niganz-Maganese – Vanadium Mine

The Gibellini Deposit manganese–vanadium mine (also known as the Niganz manganese–vanadium mine), located immediately northeast of the Gibellini Deposit, was intermittently mined until the mid-1950s.

#### Gibellini-Louie Hill

Work completed on the Gibellini–Louie Hill area prior to the Company’s involvement was undertaken by a number of companies, including the Nevada Bureau of Mines and Geology (NBMG, 1946), Terteling & Sons (1964–1965), Atlas Minerals Company (“Atlas”) (1969) TransWorld Resources Ltd (1969), Noranda Inc. (“Noranda”) (1972–1975), and Inter-Globe Resources Ltd (“Inter-Globe”) 1989). Rocky Mountain Resources (“RMP”), later renamed to American Vanadium, conducted work from 2006–2011. No on-ground work or exploration drilling has been conducted in the Gibellini Deposit area since 2011. Work conducted by these companies included geological mapping, surface and underground geochemical sampling, trenching, rotary, reverse circulation (“RC”) and core drilling, resource estimates, and metallurgical testing.

RMP completed a PA in 2008, and a feasibility study in 2011. Additional metallurgical testwork and closure column leach and attenuation studies were conducted in 2013 and 2014. All baseline studies for permitting were conducted in 2012–2015.

Prophecy acquired the Gibellini–Louie Hill area from American Vanadium in 2017. Prophecy completed no exploration or drilling activities after the Gibellini Vanadium Project acquisition. A preliminary economic assessment (the 2018 PEA) was completed on the Gibellini Deposit and Louie Hill Deposit. Prophecy was renamed to “Silver Elephant Mining Corp.” in March, 2020.

The Company commissioned an updated PEA in 2021, based on mining of the Gibellini Deposit and Louie Hill Deposit. While none of the previous studies are considered by the Company to remain current, some elements of the studies, such as metallurgical test work, environmental baseline studies, and cost estimation data, are used in the Gibellini Vanadium Technical Report.

#### Bisoni-McKay

Work completed on the Bisoni–McKay area prior to the Company’s involvement was undertaken by Union Carbide Corporation (Union Carbide; 1958–1959), Hecla Mining Company (Hecla; 1970s), TRV Minerals Corp. (TRV; 1981), Inter-Globe (1981), Vanadium International (1993–2004, 2007–to date) and Stina Resources (2005–2007). Work conducted by these companies included trenching, RC and core drilling, bulk sampling for heap leach testing, and mineral resource estimation.

### ***Drilling and Sampling***

#### Drilling

A total of 335 drill holes (about 73,424 ft) have been completed on the Gibellini Vanadium Project since 1946, comprising 21 core holes (5,800 ft), 180 rotary drill holes (30,642 ft; note not all drill holes have footages recorded) and 130 RC holes (36,982 ft).

Drill holes were geologically logged, and logging information collected could include, depending on the drill program, formation, lithology, rock color, alteration mineralogy, stain color, and oxide zone (oxidized, transition, un-oxidized).

Collar locations are sourced from a combination of digitization of locations on maps, original drill logs, and hand-held global positioning system (GPS) instrument readings.

No down-hole surveys are recorded. Most of the drill holes making up the Gibellini Vanadium Project resource database are relatively short (98% of holes are less than 350 ft in length) and vertical, and so the Qualified Person does not consider the lack of down-hole surveys to be a significant concern. About half of the inclined drill holes at Bisoni-McKay Deposit are >300 ft in length and there is a risk that mineralized intercepts may be misplaced because of the lack of down-hole surveys in the inclined drill holes.

There is no information available on the legacy drilling recoveries for the Gibellini Deposit and Louie Hill Deposit. No information is available on the legacy RC drilling recoveries for the Bisoni-McKay Deposit. Core recovery for the 2005 Stina Resources campaign at the Bisoni-McKay Deposit ranged between 91 and 98%. For the Gibellini Deposit and Louie Hill Deposit drill hole campaigns, in the Qualified Person's opinion, core recovery is generally adequate, averaging 91.6%. The fine-grained and diffuse nature of mineralization would favor there being no grade bias caused by poor recovery.

Vertical intersections of mineralization are roughly approximate to the true mineralized thickness at the Gibellini Deposit and Louie Hill Deposit. Inclined intersections of mineralization are roughly approximate to the true mineralized thickness at the Bisoni-McKay Deposit.

RC samples were typically collected on 5 ft intervals. Core sampling was on nominal 5 ft intervals, but could range from 1-9 ft.

#### Sampling and Assay

Limited to no information is available regarding the laboratories used or the sample preparation and analytical methods for the early drill campaigns, and available assay data are from drill logs. Where known, independent analytical and assay laboratories included Union Assay Office Inc. (Union), Colorado School of Mines Research Institute (CSMRI), Skyline Laboratories (Skyline), Bondar Clegg, and ALS Chemex. The only known accreditations are for ALS Chemex, which, depending on the laboratory location, held ISO 9002 or ISO17025 accreditation for selected sample preparation or analytical techniques.

Where known, sample preparation procedures consisted of crushing to 70% passing 2 mm and pulverizing to 85% passing 75 µm. Analytical methods consisted of four-acid digestion on a 2.0 g subsample and ICP-AES finish for vanadium, and an additional 26- or 32-element suite, depending on the drill campaign. Gold, platinum, and palladium were determined by standard fire assay on a 30 g subsample. Select samples were assayed for uranium and selenium concentrations by X-ray fusion (XRF).

#### *Data Verification*

AMEC performed two data verification exercises, one in 2008, and a second during 2011, in support of technical reports on the Gibellini Vanadium Project. Both audits concluded that the data were generally acceptable for Mineral Resource estimation; however, restrictions on confidence classifications were made for some drill programs supporting Mineral Resource estimation at the Gibellini Deposit and Louie Hill Deposit.

MTS compiled all legacy drill data from the Bisoni-McKay Deposit from original documents in January 2021. MTS and the Company completed several data verification programs to confirm the data quality of the resource database. In the Qualified Person's opinion, the Bisoni-McKay Deposit resource database contains the best location, assay, and geology information available to the Company and is acceptable for resource estimation purposes. Because of

data quality issues identified in the legacy drill data, the Qualified Person assigned a maximum classification of Inferred to the Bisoni–McKay Deposit’s Mineral Resource estimate.

### ***Metallurgical Test-Work***

Metallurgical test work and associated analytical procedures were performed by recognized testing facilities, and the tests performed were appropriate to the mineralization type.

Samples selected for testing were representative of the various types and styles of mineralization at the Gibellini Deposit. Samples were selected from a range of depths within the deposit. Sufficient samples were taken to ensure that tests were performed on sufficient sample mass.

Limited metallurgical test work has been performed on mineralized material from Louie Hill Deposit.

Metallurgical recovery assumptions for the projected life of mine include:

1. Gibellini Deposit: 60% for oxide, 70% for transition, and 52% for reduced material; and
2. Louie Hill Deposit: 60% for oxide.

Scoping-level metallurgical testwork was carried out by Hazen Research on the Bisoni– McKay Deposit samples in 2006. The purpose of the testwork was to examine potentially suitable front-end processing options that included magnetic separation, direct leaching, acid pugging and curing, and roasting experiments. The testwork results indicated a similar leach response and acid consumption to the equivalent Gibellini Deposit mineralization. Overall recovery indications for the Bisoni–McKay Deposit at a scoping level of study were 65% for oxide, 56% for transition and 50% for reduced mineralization.

Wood notes that commercial heap leaching and SX recovery of vanadium ores has not been done before; nonetheless, heap leaching and SX recovery are common technologies in the mining industry. The most notable examples are the multiple copper heap leach projects that use an acid-leach solution to mobilize the metal followed by recovery in a SX plant, which is then followed by electro-winning. The Gibellini Deposit process would apply similar acid heap leaching and SX technology to recover vanadium. However, instead of electro-winning, the future Gibellini Deposit process would use an acid strip followed by precipitation to produce a final product.

During the 2011 testwork, American Vanadium identified a calcium boundary at 2.5% calcium. Calcium content may affect acid consumption in heap leaching. American Vanadium contoured this shape and identified that none of the metallurgical holes penetrated it; consequently, the metallurgical columns were in relatively benign material. American Vanadium also noted that the 2.5% calcium contour extended into the base of the transition mineralized material, particularly in the south–central portion of the deposit. This is a potential project risk to be considered in any future development plan, due to the elevated calcium levels and likely elevated acid consumption for this material.

### ***Mineral Resource Estimation***

Three Mineral Resource estimates were performed at the Gibellini Deposit, Louie Hill Deposit and Bisoni– McKay Deposit. The Qualified Person personally performed the Bisoni–McKay Deposit’s Mineral Resource estimate and reviewed the estimates for the Gibellini Deposit and Louie Hill Deposit that were performed by Mr. E.J.C. Orbock III, RM SME and Mr. Mark Hertel, RM SME (Principal Geologists at AMEC at the time the Gibellini Deposit and Louie Hill Deposit estimates were performed) respectively, and is responsible for those estimates.

#### **Gibellini**

Geological models were developed by American Vanadium geologists, and included oxidation domains and a grade envelope. Assays were composited along the trace of the drill hole to 10 ft fixed lengths; oxidation boundaries were treated as hard during composite construction.

Tonnage factors were calculated from specific gravity measurements and assigned to the blocks based on oxidation domain.

AMEC did not cap Gibellini Deposit assays, but capped three high-grade composites greater than 1.5% V<sub>2</sub>O<sub>5</sub> to 1.5% V<sub>2</sub>O<sub>5</sub>. AMEC allowed all composites to interpolate grade out to 110 ft and capped composites greater than 1% V<sub>2</sub>O<sub>5</sub> to 1% V<sub>2</sub>O<sub>5</sub> beyond 110 ft.

Variography, using correlograms, was performed to establish anisotropy ellipsoids and the nugget value.

Only composites from RMP, Noranda, Inter-Globe, and Atlas drill campaigns were used for grade interpolation at the Gibellini Deposit. Hard contacts were maintained between oxidation domains: oxide blocks were estimated using oxide composites; transition blocks were estimated using transition composites; and reduced blocks were estimated using reduced composites. A range restriction of 110 ft was placed on composites with grades greater than 1% V<sub>2</sub>O<sub>5</sub> for each of the domains.

Ordinary kriging (OK) was used to estimate vanadium grade into blocks previously tagged as being within the 0.05% V<sub>2</sub>O<sub>5</sub> grade domain solid. Two kriging passes were employed to interpolate blocks with vanadium grades.

AMEC interpolated blocks for grade that were outside of the grade shell using only composites external to the 0.05% V<sub>2</sub>O<sub>5</sub> grade shell. These composites generally contain values of <0.05% V<sub>2</sub>O<sub>5</sub>. Mine block tabulation indicates that there were no oxide or transition blocks above the resource cut-off grades and only 2,645 st, classified Inferred, of reduced material above a cut-off grade of 0.088% V<sub>2</sub>O<sub>5</sub> averaging 0.120% V<sub>2</sub>O<sub>5</sub> were interpolated.

No potential biases were noted in the model from the validations performed.

AMEC was of the opinion that continuity of geology and grade is adequately known for Measured and Indicated Mineral Resources for grade interpolation and mine planning. Classification of Measured Mineral Resources broadly corresponds to a 110 x 110 ft drill grid spacing, Indicated Mineral Resources a 220 x 220 ft drill grid spacing, and Inferred Mineral Resources required a composite within 300 ft from the block.

#### Louie-Hill Deposit

Geological models were developed by American Vanadium geologists as a grade envelope that differentiated mineralized from non-mineralized material.

Assays from the Louie Hill Deposit were composited down-the-hole to 20 ft fixed lengths; no oxidation boundaries were interpreted, and the composite boundaries were treated as “hard” between mineralized and non-mineralized domains.

As no density measurements have been completed to date on mineralization from the Louie Hill Deposit, the Gibellini Deposit density data were used in the Louie Hill Deposit estimate. No grade capping was employed for the Louie Hill Deposit.

Variography, using correlograms, was performed to establish anisotropy ellipsoids and the nugget value.

Ordinary kriging was used to estimate V<sub>2</sub>O<sub>5</sub> grades into blocks domain tagged as mineralized and non-mineralized. A range restriction of 200 ft was placed on grades greater than 0.15% V<sub>2</sub>O<sub>5</sub>, for blocks within the non-mineralized domain. Two kriging passes were employed to interpolate grades into the mineralized domain blocks. Blocks that contained both percentages of mineralized and non-mineralized material were weight averaged for a whole block V<sub>2</sub>O<sub>5</sub> grade.

No potential biases were noted in the model from the validations performed.

Because of the uncertainty in the drilling methods, sample preparation, assay methodology, and the slight grade bias of the Union Carbide’s assays as compared to the American Vanadium assays, AMEC limited the classification of resource blocks to the Inferred Mineral Resource category.

#### Bisoni-McKay Deposit

Geological interpretations were developed by Stina Resources geologists. MTS used those interpretations, together with grade and oxidation-type polygons to construct a geological model. The grade and oxidation polygons were linked to create 3D surfaces or domain solids to code the block model.

MTS composited assays to 20 ft fixed lengths. Capping was not considered to be warranted for the Bisoni– McKay Deposit assays. No density data are available for the Bisoni– McKay Deposit area. MTS assigned density to the block model based on the density factors by oxidation type used for the Gibellini Deposit resource model.

Variography was performed to establish anisotropy ellipsoids and the nugget value. Acceptable variograms were obtained for the North A area; however, the variograms for the South B area were not useable. As a result, MTS used the same search distances for South B as used for North A area.

Estimation of V2O5 in the North A area was completed by OK and inverse distance (ID) methods using soft boundaries between oxidation types and hard boundaries between the mineralized and unmineralized domains. Estimation within the mineralized domain was completed in two passes using OK. The first pass estimated blocks using search ellipse distances determined from variography and the second pass estimated blocks using an extended minor axis distance and a minimum of one composite. A third pass estimated blocks in the unmineralized domain using ID. MTS estimated resources for the South B area using the ID method.

No potential biases were noted in the model from the validations performed.

All Mineral Resources at the Bisoni–McKay Deposit are classified in the Inferred category. Based only on data spacing, some proportion of Mineral Resources could be classified as Indicated, but the data quality issues with the legacy drill data discussed in the Gibellini Vanadium Technical Report preclude the Qualified Person from classifying the Mineral Resources above the Inferred category.

#### ***Mineral Resource Statement***

Mineral Resources are stated in Table 1-1 (Gibellini Deposit), Table 1-2 (Louie Hill Deposit) and Table 1-3 (Bisoni–McKay Deposit) using cut-off grades appropriate to the oxidation state of the mineralization. Mineral Resources take into account geological, mining, processing and economic constraints, and have been confined within appropriate LG pit shells, and therefore are classified in accordance with the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves (2014 CIM Definition Standards). Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Mr. Todd Wakefield of Mine Technical Services, a SME Registered Member, is the Qualified Person for the Mineral Resource estimates. The estimates have an effective date of 5 June 2021.

Factors which may affect the conceptual pit shells used to constrain the mineralization, and therefore the Mineral Resource estimates include commodity price assumptions, metallurgical recovery assumptions, pit slope angles used to constrain the estimates, lithology and faulting models for the Louie Hill Deposit and Bisoni-McKay Deposit, changes to the input parameters used in the constraining pit shells, assignment of oxidation state values, and assignment of density values.

The Gibellini Deposit resource model has a known error that has effectively reduced the overall grade for Measured and Indicated by approximately 1%. Adjustments to Atlas’s transition assays between zero percent and 0.410% V2O5 were implemented twice. In 2011, AMEC reran the model with the correction and the results indicate an approximate error of 1%. AMEC was of the opinion that the error was not material to the estimate; the review conducted by Wood of the model in support of the current Mineral Resource estimate also concurs that the error is not material. The Qualified Person concurs with this view.

*Table 1-1: Mineral Resource Statement – Gibellini Deposit*

<b>Confidence Category</b>	<b>Domain</b>	<b>Cut-off V2O2 (%)</b>	<b>Tons (ktons)</b>	<b>Grade V2O5 (%)</b>	<b>Contained V2O5 (klb)</b>
Measured	Oxide	0.101	3,960	0.251	19,870
	Transition	0.086	3,980	0.377	29,980
Indicated	Oxide	0.101	7,830	0.222	34,760
	Transition	0.086	7,190	0.325	46,730



<b>Total Measured and Indicated</b>			22,950	0.286	131,340
Inferred	Oxide	0.101	160	0.17	550
	Transition	0.086	10	0.18	30
	Reduced	0.116	14,800	0.175	51,720
<b>Total Inferred</b>			<b>13,970</b>	<b>0.175</b>	<b>52,300</b>

Table 1-2: Mineral Resource Statement – Louie Hill Deposit

Confidence Category	Cut-off V2O5 (%)	Tons (kton)	Grade V2O5 (%)	Contained
Inferred	0.101	7,520	0.276	41,490
<b>Total Inferred</b>	<b>0.101</b>	<b>7,520</b>	<b>0.276</b>	<b>41,490</b>

Table 1-3: Mineral Resource Statement – Bisoni-McKay Deposit

Area	Confidence Category	Domain	Cut-off V2O5 (%)	Tons (kton)	Grade V2O5 (%)	Contained V2O5 (klb)
North Area A	Inferred	Oxide	0.107	6,970	0.29	39,720
		Transition	0.124	1,500	0.33	9,900
		Reduced	0.139	9,080	0.39	70,580
<b>Total North Area A</b>	<b>Inferred</b>	<b>All</b>	<b>Variable</b>	<b>17,540</b>	<b>0.34</b>	<b>120,210</b>
South Area B	Inferred	Oxide	0.107	1,470	0.28	8,160
		Transition	0.124	320	0.4	2,540
		Reduced	0.139	510	0.3	3,100
Total South Area B	Inferred	All	Variable	2,300	0.3	13,810
<b>Total</b>	<b>Inferred</b>	<b>All</b>	<b>Variable</b>	<b>19,850</b>	<b>0.34</b>	<b>134,020</b>

The PEA by Wood Plc has an effective date of August 30, 2021. The Qualified Person for the resource estimate is Mr. Todd Wakefield, RM, SME of Mine Technical Services, and has an effective date of June 5, 2021. The resource model for Gibellini was prepared by Mr. E.J.C. Orbock III, RM SME. The resource model for Louie Hill was prepared by Mr. Mark Hertel, RM SME. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

### Mining Methods

The mine plan is partly based on Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the 2021 PEA based on these Mineral Resources will be realized.

Table 1-4 provides the subset of the Mineral Resource estimate within the PEA mine plan for the Gibellini Deposit; Table 1-5 summarizes the subset of the Mineral Resource estimate within the 2021 PEA mine plan for Louie Hill Deposit.

The 2021 PEA mine plan assumes production at 3 Mst/a from two open pits, at the Gibellini Deposit and Louie Hill Deposit. The pit designs are based on pit shells obtained using the LG algorithm for pit optimizations in Whittle mining software. The ultimate pit designs are based on the \$10.00 per pound V2O5 pit shells. Approximately 30% of the total estimated pounds of V2O5 in the 2021 PEA mine plan is in the Inferred category. Smoothed pit designs were made for the ultimate pits only. Whittle pit shells without smoothed designs were used for the internal pit phases in the mine schedule.

For the pit design, Wood incorporated geotechnical recommendations published in the Gibellini Vanadium Project Feasibility Level Pit Slope Design (Orman, 2012). Single and double benches of 20 and 40 ft, respectively were utilized. A 40° overall slope angle (OSA) was assumed for the 2021 PEA study based on dry conditions for the pit optimizations and the preliminary assessment pit design geometry recommendations. A slot cut was placed in the southwest corner of the Gibellini Deposit pit to facilitate drainage from the pit bottom. The pit bottom is limited to an elevation of 6,740 ft above sea level to avoid interaction with the known perched water table.

Five pit phases were developed for the Gibellini Vanadium Project. Phases I, II and III are mined from the Gibellini Deposit and Phases IV and Phase V are mined from the Louie Hill deposit. The Gibellini Deposit pit will be mined first in its entirety based on the higher confidence categories of the resource estimate, and the preliminary nature of the Louie Hill Deposit pit, as opposed to having the pits based on optimized grade.

The haul roads in the 2021 PEA conceptual open pit are designed to accommodate 100- st haul trucks with a maximum gradient of 10% and an overall width of 85 ft. Access into the final pit bottoms will be gained via a section of single-lane road that will be 50 ft wide.

Two waste rock storage facilities (WRSFs) were designed for a total capacity of 4.1 Mst. Only non-acid generating (NAG) material will be placed on waste dumps. All potentially- acid generating (PAG) material will be included with the mineralized material and stacked on the heap leach pad. Waste material from the Gibellini Deposit pit will be stored in a planned East WRSF that will have a maximum capacity of 2.5 Mst. An additional 2 Mst of inert waste material from the slot-cut area of the Gibellini Deposit pit will be used as construction material for the Louie Hill haul road. Waste from the Louie Hill pit is currently all classified as NAG and will be stored on a planned West WRSF that will have a capacity of 1.6 Mst. This material can also be used as construction material or backfill within the Gibellini Deposit pit if needed.

The mine plan assumption is that all mining will be performed by contractors using a small equipment fleet. No Owner fleet equipment will be required.

*Table 1-4: Subset of the Gibellini Mineral Resource Estimate Within the 2021 PEA Mine*

Leach Material	Domain	Cut-off V2O5 (%)	Tonnage (kst)	Grade V2O5 (%)	Contained V2O5 (klb)
Measured	Oxide	0.135	3,890	0.253	19,684
	Transition	0.135	3,944	0.378	29,824
Indicated	Oxide	0.135	6,246	0.24	30,024
	Transition	0.135	7,056	0.316	44,624
<b>Total Measured and Indicated</b>		<b>0.135</b>	<b>21,136</b>	<b>0.294</b>	<b>124,156</b>
Inferred	Oxide	0.135	116	0.174	403
	Reduced	0.135	5,183	0.163	16,919
<b>Total Inferred</b>		<b>0.135</b>	<b>5,299</b>	<b>0.163</b>	<b>17,323</b>

*Table 1-5: Subset of the Louie Hill Mineral Resource Estimate Within the 2021 PEA Mine Plan*

Leach Material	Domain	Cut-off V2O5 (%)	Tonnage (kst)	Grade V2O5 (%)	Contained V2O5 (klb)
Inferred	Oxide	0.155	6,963	0.282	39,315
<b>Total Inferred</b>		<b>0.155</b>	<b>6,963</b>	<b>0.282</b>	<b>39,315</b>

### **Recovery Methods**

Commercial heap leaching and solvent extraction recovery of vanadium mineralization has not been done before; nonetheless, heap leaching and solvent extraction recovery are common technology in the mining industry. The most notable examples are the multiple copper heap leach projects that use an acid leach solution to mobilize the metal followed by recovery in a solvent extraction plant, which is then followed by electro-winning. The Gibellini Vanadium Project process applies the same acid heap leaching and solvent extraction technology to recover vanadium. However, instead of electro-winning, the Gibellini Vanadium Project process will use an acid strip followed by precipitation to produce a final product.

The design for the process plant is based on processing the mined material through a heap leach operation using heap-leach technology and standard proven equipment. The process design is based on the metallurgical testwork and is appropriate to the crush and recovery characteristics defined for the different oxidation states of the mineralization.

The envisaged process will consist of primary crushing, stockpiling and reclaim, secondary crushing and screening, agglomeration and heap leaching, gypsum removal, solvent extraction and precipitation.

Reagent requirements have been appropriately established for the operational throughput. Consumables required for the process will include sulfuric acid, polymer, kerosene, diethyl-hexa phosphoric acid (DEHPA), tri-octyl phosphorous oxide (Topo), hydrochloric acid, anhydrous ammonia, sodium hydroxide, sodium chlorate, sulfur dioxide and/or powdered iron, diesel, and propane. The water supply source for future operations has been leased from the Fish Creek Ranch. Power for the process route is assumed to be supplied from a new distribution line to be constructed to the Gibellini Vanadium Project.

### ***Project Infrastructure***

Infrastructure to support the Gibellini Vanadium Project will consist of site civil work, site facilities/buildings, a water system, and site electrical including an on-site photovoltaic (PV) energy and large-scale battery storage system.

Site facilities will include both mine facilities and process facilities. The mine facilities will include the main office building, truck shop and warehouse, truck wash, fuel storage and distribution, and miscellaneous facilities. The process facilities will include the process office building, assay laboratory, product storage building, heap leach pad, and solvent extraction, thickening and stripping areas. Both the mine facilities and the process facilities will be serviced with potable water, fire water, power, propane, communication, and sanitary systems.

Access to site will be provided by a light vehicle road from the site to the county road. Within the site, heavy equipment roads will connect the open pits and WRSFs to the main facilities and processing areas.

All mine personnel are assumed to commute from Eureka or other towns located in the region. No onsite camps or accommodations are anticipated.

The Gibellini Deposit heap leach facility will leach minus half-inch crushed and polymer agglomerated vanadium mineralized material from the Gibellini Deposit and Louie Hill Deposit pits. The leach pad will be developed in two phases, an initial phase of 16.7 Mst and an expansion, with a total planned capacity of 33.4 Mst. The Gibellini Vanadium Project process ponds would work together as a system with process and stormwater being contained in the system as a whole. Under normal operating conditions, solution would discharge directly from the heap leach pad through a piping network that discharges into either the PLS pond or the intermediate leach solution (ILS) pond depending upon solution grade. Solution would be pumped directly from each pond into the processing plant.

The mine design assumes an average water requirement of 500 gal/min, of which 40 gal/min would be potable, and the remainder non-potable.

Gibellini Mine operations will be supported by a utility interconnection. The utility power supply for the Gibellini Vanadium Project site is assumed to be a new three-phase, 24.9 kV overhead distribution line that will tap into and step-down the 69 kV supply carried by the existing line to the Pan Mine to 24.9 kV and place it on a line to the Gibellini Vanadium Project. Negotiations with the power utility, Mt. Wheeler Power, would need to be undertaken to secure any future power supply contract and transmission line to the site. Site emergency power will be provided with a standby power generator rated for the maximum power required in the event of a utility power failure.

### ***Environmental Considerations***

As all permitting to date has been done in the name of Nevada Vanadium, that name, rather than the Company, is used in the Gibellini Vanadium Technical Report.

### ***Markets and Contracts***

Multiple sources were used to arrive at the study price of \$10.00 per pound V<sub>2</sub>O<sub>5</sub> sold including consensus pricing from recently-published technical reports, three-year average pricing published by the European market, and the July 20th, 2021 spot price from the Europe market. The average price of the three sources is \$9.82/lb V<sub>2</sub>O<sub>5</sub> which was rounded up to a study price of \$10.00/lb V<sub>2</sub>O<sub>5</sub>.

The Company proposes to ship bagged products in one ton supersacks to end users. The final products included:

1. Fused vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>);
2. High-grade vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>);and
3. Wet yellowcake (uranium).

No value is placed on the wet yellowcake product in the 2021 PEA. Both the fused vanadium pentoxide and high-grade vanadium pentoxide are assumed to sell at the study price of \$10.00/lb vanadium pentoxide less shipping and marketing costs of \$0.54/lb.

Mining will be undertaken using contract mining services. No contracts are in place.

### ***Capital Cost Estimates***

Capital and operating costs for the 2021 PEA are based on supplying 3 Mst of crushed and agglomerated leach material annually from two open pits, the Gibellini Deposit and the Louie Hill Deposit, to the heap leach pads. Initial mine development is focused on the Gibellini Deposit, with the Louie Hill Deposit following nine years later. During the capital period, an initial leach pad having a capacity of 16.7 Mt is constructed followed by one expansion of approximately 16.7 Mt. Total initial capital is estimated at \$147 million (Table 1-6).

*Table 1-6: Project Cost Estimate Cost Estimates*

<b>Project Capital Cost Estimate Cost Description</b>	<b>Total (\$000s)</b>
Open Pit Mine	
Mobile equipment	122
On Site Infrastructure	
Site preparation	2,740
Roads	1,577
Water supply	2,263
Sanitary system	69
On-site electrical	2,325
Communications	187
Contact water ponds	186
Non-process facilities - buildings	8,594
Process Facilities	
Material handling	21,730
Heap leach system	22,033
Process plant	24,167
Off-Site Infrastructure	
Water system	5,095

Electrical supply system	3,657
First fills	975
<b>Total Direct Cost</b>	<b>95,720</b>
Construction indirect costs	5,355
Sales Tax/OH&P	5,333
EPCM	11,178
Contingency	29,396
<b>Total Project Cost</b>	<b>146,982</b>

The 2021 PEA capital cost estimate is based on the 2011 feasibility study capital estimate adjusted for inflation and a 25% contingency to reflect the level of study. All costs are escalated to Q1 2021. Sustaining capital costs are likewise based on the 2011 feasibility study adjusted for inflation and inclusive of contingency; however, unlike the 2011 feasibility study, the 2021 PEA sustaining costs account for the inclusion of mineralized material from Louie Hill, supporting infrastructure, and an additional leach pad expansions to accommodate the larger 2021 PEA resource base.

CostMine's Mining Cost Service was referenced to escalate Gibellini Vanadium Project costs from Q2 2011 to Q1 2021. The escalation for surface mining over this time period was 21.3% whereas for milling it was 24.5%.

The Gibellini Deposit mining capital costs are minimal due to the use of contract mining, no pre-strip requirements, and minimal development requirements. The contract miner is assumed to supply the initial mine equipment fleet with the Owner supplying the mine facilities inclusive of the truck shop, wash bay, mine offices, and tire change area. These facilities are accounted for in the non-process facilities and buildings portion of the capital estimate.

Process capital accounts for the majority of the initial capital expenditure and is estimated at \$67.9 million. Costs consist of the material handling system, heap leach system and process plant.

On-site infrastructure costs are estimated at \$17.9 million and off-site infrastructure costs total an estimated \$9.7 million. Indirect costs account for \$21.9 million of the initial capital expenditure.

The 2011 feasibility study contingency of 12.6% was replaced with a 25% contingency to more appropriately reflect the current level of study, the study basis being Mineral Resources, and the uncertainty associated with additional project costs due to changes in permitting, regulatory, and design requirements. The contingency on the initial capital is estimated at \$29.4 million.

Sustaining capital costs are estimated at \$25.2 million (Table 1-7). The majority of the sustaining capital costs are incurred as a result of expanding the leach pad from the initial 16.7 Mt capacity to approximately 33.4 Mt in one 16.7 Mt expansion. The expansion occurs a year prior to loading in Year 5. Approximately \$1.2 million is estimated in Year 8 for building the infrastructure to support Louie Hill Deposit development. Approximately \$1.0 million is estimated for replacing mobile equipment, primarily in the process area. It is assumed that over the approximate 11.1 year mine life, 50% of the initial mobile equipment will be either replaced or rebuilt.

Table 1-7: Sustaining Capital Costs

<b>Description</b>	<b>Total (000s)</b>
Leach pad expansions	23,069
Haul road to Louie Hill	814
Storm water controls Louie Hill pit/WRSF/roads	386
Equipment annual allowance	971
<b>Total sustaining capital</b>	<b>25,240</b>

The 2011 feasibility study contingency of 12.6% was replaced with a 25% contingency to more appropriately reflect

the current level of study, the study basis being Mineral Resources, and the uncertainty associated with additional project costs due to changes in permitting, regulatory, and design requirements. The contingency on the initial capital is estimated at \$29.4 million.

### *Operating Cost Estimates*

The 2021 PEA operating cost estimate is based on the 2011 feasibility study operating cost estimate adjusted for inflation and supplemented with recent quotes for mine contract rates and acid pricing. For mining, contract quotes (seven in total) from recent 2019–2020 projects were used to benchmark costs for Gibellini Deposit.

Process and general and administrative (G&A) operating costs from the 2011 feasibility study were adjusted for inflation by area using Cost Mine’s Mining Cost Service data.

For sulfuric acid, which accounts for over half the process operating costs, an indicative quote of \$150/st acid based on historical pricing for 2020, obtained in May 2021, was used.

Mine operating costs are estimated to average \$2.84/st mined over the LOM inclusive of a \$2.62/st contract mine cost, \$0.27/st Owner’s cost, and a \$0.05/st haul cycle reduction.

Process operating costs are estimated to average \$11.79/st leached, which is an approximate 5.8% decrease compared to the 2011 feasibility study process costs of \$12.51/st.

G&A operating costs are estimated at \$0.97/st, which is a 13% increase over the 2011 feasibility study costs of \$0.86/st. The increase is primarily a result of higher labor costs.

Operating costs are anticipated to average \$16.12/st leached over the LOM (Table 1-8). Annual operating costs average \$48 million and vary primarily with mine stripping requirements. Process costs account for 73% of the total operating costs followed by mining at 21% and G&A at 6%.

### *Interpretation and Conclusions*

Under the assumptions in the Gibellini Vanadium Technical Report, the Gibellini Vanadium Project returns positive economics.

### *Recommendations*

Recommendations are envisaged as a single-stage program. Additional metallurgical testwork and drilling are recommended for the Louie Hill Deposit and Bisoni–McKay Deposit. Mining-related studies are recommended for Gibellini Deposit and Louie Hill Deposit. The work program budget is estimated at approximately \$5,000,000.

## **RISK FACTORS**

**An investment in SpinCo 2 Shares, as well as SpinCo 2’s prospects, are highly speculative due to the high-risk nature of its business and the present stage of its development. Shareholders of SpinCo 2 may lose their entire investment.** The risks described below are not the only ones facing SpinCo 2. Additional risks not currently known to SpinCo 2, or that SpinCo 2 currently deems immaterial, may also impair SpinCo 2’s operations. If any of the following risks actually occur, SpinCo 2’s business, financial condition and operating results could be adversely affected.

Shareholders should consult with their professional advisors to assess the Arrangement and their resulting investment in SpinCo 2. In evaluating SpinCo 2 and its business and whether to vote in favour of the Arrangement, Shareholders should carefully consider, in addition to the other information contained in the Circular and this Appendix “E” the risk factors which follow, as well as the risks associated with the Arrangement (see in the Circular “*The Meeting — Risks Associated with the Arrangement*”). These risk factors may not be a definitive list of all risk factors associated with the Arrangement, an investment in SpinCo 2 or in connection with SpinCo 2’s business and operations.



### **Listing of SpinCo 2 Shares**

The SpinCo 2 Shares are not currently listed on any stock exchange. Although an application is expected to be made to the TSXV for listing of the SpinCo 2 Shares on the TSXV, there is no assurance when, or if, the SpinCo 2 Shares will be listed on the TSXV or on any other stock exchange. Until the SpinCo 2 Shares are listed on a stock exchange, shareholders of SpinCo 2 may not be able to sell their SpinCo 2 Shares. Even if a listing is obtained, ownership of SpinCo 2 Shares will involve a high degree of risk.

### **Additional Financing and Dilution**

**At present, SpinCo 2 does not have any available funds and SpinCo 2 is not anticipated to have any available funds at the time of completion of the Arrangement. Following the completion of the Arrangement, SpinCo 2 will need to complete a debt or equity financing in order to obtain the funds necessary to fund its business. There is no assurance that such a financing will be completed.**

SpinCo 2 plans to focus on exploring for minerals and will use its working capital to carry out such exploration. However, SpinCo 2 will require additional funds to further such activities. To obtain such funds, SpinCo 2 may sell additional securities including, but not limited to, its common shares or some form of convertible security, the effect of which would result in a substantial dilution of the equity interests of SpinCo 2's shareholders.

There is no assurance that additional funding will be available to SpinCo 2 for additional exploration or for the substantial capital that is typically required in order to bring a mineral project to the production decision or to place a property into commercial production. There can be no assurance that SpinCo 2 will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

### **Qualification under the *Tax Act* for a Registered Plan**

If the SpinCo 2 Shares are not listed on a designated stock exchange in Canada before the due date for SpinCo 2's first income tax return or if SpinCo 2 does not otherwise satisfy the conditions in the *Tax Act* to be a "public corporation", the SpinCo 2 Shares will not be considered to be a qualified investment for a Registered Plan from their date of issue. Where a Registered Plan acquires a SpinCo 2 Share in circumstances where the SpinCo 2 Share is not a qualified investment under the *Tax Act* for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant under the Registered Plan, including that the Registered Plan may become subject to penalty taxes, the annuitant of such Registered Plan may be subject to a penalty tax or, in the case of a registered education savings plan, such plan may have its tax exempt status revoked.

### **Limited Business History**

SpinCo 2 has a short history of operations and has no history of earnings. The likelihood of success of SpinCo 2 must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. SpinCo 2 has limited financial resources and there is no assurance that funding will be available to it when needed. There is also no assurance that SpinCo 2 can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

### **Unknown Environmental Risks for Past Activities**

Exploration and mining operations incur risks of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks. However, those risks have not been eliminated, and the risk of environmental contamination from present and past exploration or mining activities exists for mining companies. Companies may be liable for environmental contamination and natural resource damages relating to properties that they currently own or operate or at which environmental contamination occurred while or before they owned or operated the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at the SpinCo 2 mineral interests do not exist.

### **Sale of SpinCo 2 Shares by the Company as Funding for its Canadian withholding tax obligations, if required**

If the Company determines that a deemed dividend will arise as a consequence of the Arrangement, the Company will be entitled to deduct and withhold from any consideration payable or otherwise deliverable to a Shareholder that is not resident in Canada for Canadian tax purposes (including the SpinCo 2 Shares) such amounts as the Company is required, entitled or permitted to deduct and withhold under the Tax Act. To the extent that the Company is required to deduct and withhold from consideration that is not cash, including the SpinCo 2 Shares, the Company is entitled to liquefy such consideration to the extent necessary in order to fund its deduction, withholding and remittance obligations. Any such sales may negatively impact the trading price of the SpinCo 2 Shares where such shares are listed.

### **Acquisitions and Joint Ventures**

SpinCo 2 will evaluate from time to time opportunities to acquire and joint venture mining assets and businesses. These acquisitions and joint ventures may be significant in size, may change the scale of SpinCo 2's business and may expose it to new geographic, political, operating, financial and geological risks. SpinCo 2's success in its acquisition and joint venture activities will depend on its ability to identify suitable acquisition and joint venture candidates and partners, acquire or joint venture them on acceptable terms and integrate their operations successfully with those of SpinCo 2. Any acquisitions or joint ventures would be accompanied by risks, such as the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of SpinCo 2's ongoing business; the inability of management to maximize the financial and strategic position of SpinCo 2 through the successful incorporation of acquired assets and businesses or joint ventures; additional expenses associated with amortization of acquired intangible assets; the maintenance of uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; dilution of SpinCo 2's present shareholders or of its interests in its subsidiaries or assets as a result of the issuance of shares to pay for acquisitions or the decision to grant earning or other interests to a joint venture partner; and the potential unknown liabilities associated with acquired assets and businesses. There can be no assurance that SpinCo 2 would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions or joint ventures. There may be no right for shareholders to evaluate the merits or risks of any future acquisition or joint venture undertaken except as required by applicable laws and regulations.

### **No History of Mineral Production or Mining Operations**

SpinCo 2 has never had a vanadium producing property. There is no assurance that commercial quantities of vanadium will be discovered nor is there any assurance that SpinCo 2's exploration programs will yield positive results. Even if commercial quantities of gold are discovered, there can be no assurance that any property, including the Gibellini Vanadium Property, will ever be brought to a stage where vanadium resources can profitably be produced therefrom. Factors which may limit the ability to produce gold resources include, but are not limited to, the price of vanadium, availability of additional capital and financing and the nature of any mineral deposits. SpinCo 2 does not have a history of mining operations that would guarantee it will produce revenue, operate profitably or provide a return on investment in the future. SpinCo 2 has not paid dividends in the past and SpinCo 2 does not have any plans to pay dividends in the foreseeable future.

### **Economics of Developing Mineral Properties**

Mineral exploration and development is speculative and involves a high degree of risk. While the discovery of an ore body may result in substantial rewards, few properties which are explored are commercially mineable and ultimately developed into producing mines. There is no assurance that SpinCo 2's vanadium deposits are commercially mineable.

Should any mineral resources and reserves exist, substantial expenditures will be required to confirm mineral reserves which are sufficient to commercially mine and to obtain the required environmental approvals and permitting required to commence commercial operations. The decision as to whether a property contains a commercial mineral deposit and should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and/or geologists, all of which involves significant expense. This decision will involve consideration and evaluation of several significant factors including, but not limited to: (1) costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies and construction of production facilities; (2) availability and costs of financing; (3)

ongoing costs of production; (4) vanadium prices; (5) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and (6) political climate and/or governmental regulation and control. Development projects are also subject to the successful completion of engineering studies, issuance of necessary governmental permits, and availability of adequate financing. Development projects have no operating history upon which to base estimates of future cash flow.

The ability to sell, and profit from the sale of any eventual mineral production from any property will be subject to the prevailing conditions in the mineral's marketplace at the time of sale. The global minerals marketplace is subject to global economic activity and changing attitudes of consumers and other end-users' demand for mineral products. Many of these factors are beyond the control of a mining company and therefore represent a market risk which could impact the long-term viability of SpinCo 2 and its operations.

### **Factors Beyond the Control of SpinCo 2**

The potential profitability of mineral properties is dependent upon many factors beyond SpinCo 2's control. For instance, world prices of and markets for minerals are unpredictable, highly volatile, potentially subject to governmental fixing, 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 (assuming that such mineral deposits are known to exist) may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways SpinCo 2 cannot predict and are beyond SpinCo 2's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of SpinCo 2.

The mining industry is intensely competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for the sale of the same. There can be no assurance that metal prices will be such that SpinCo 2's properties can be mined at a profit. Factors beyond the control of SpinCo 2 may affect the marketability of any minerals discovered. Metal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, international investment patterns, national fiscal policies, monetary systems, speculative activities and increased production due to improved mining and production methods. The supply of, and demand for, SpinCo 2's principal products and exploration targets, gold, is affected by various factors, including political events, economic conditions and production costs. The price of gold, silver and other metals has fluctuated widely in recent years. Future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on SpinCo 2's business, financial condition and result of operations. Moreover, the ability of SpinCo 2 to fund its activities and the valuation of investor companies will depend significantly upon the market price of precious and other metals. The effect of these factors, individually or in the aggregate, is impossible to predict with accuracy.

### **SpinCo 2's proposed operations will require access to adequate infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect SpinCo 2's operations, financial condition and results of operations.

### **SpinCo 2 currently depends on a single property**

At the Effective Date, SpinCo 2's only material mineral property will be the Gibellini Vanadium Property. Unless SpinCo 2 acquires or develops additional material properties or projects, SpinCo 2 will be solely dependent upon the operation of the Gibellini Vanadium Property for its revenue and profits, if any. If SpinCo 2 loses or abandons its interest in the Gibellini Vanadium Property, there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the TSXV. There is also no guarantee that the

TSXV will approve the acquisition of any additional properties by SpinCo 2, whether by way of option or otherwise, should SpinCo 2 wish to acquire any additional properties.

### **Regulatory Requirements**

The current or future operations of SpinCo 2, including development activities and possible commencement of production on its properties, requires permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which SpinCo 2 may require for the development and construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which SpinCo 2 might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments or changes to current laws, regulations government policies and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on SpinCo 2 and cause increases in costs or require abandonment or delays in the development of new mining properties.

### **Insurance**

SpinCo 2's business is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, changes in the regulatory environment, natural phenomena (such as inclement weather conditions, earthquakes, pit wall failures and cave-ins) and encountering unusual or unexpected geological conditions. Many of the foregoing risks and hazards could result in damage to, or destruction of, SpinCo 2's mineral properties or future processing facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of their exploration or development activities, delay in or inability to receive necessary regulatory approvals, or costs, monetary losses and potential legal liability and adverse governmental action. SpinCo 2 may be subject to liability or sustain loss for certain risks and hazards against which they do not or cannot insure or which it may reasonably elect not to insure because of the cost. This lack of insurance coverage could result in material economic harm to SpinCo 2.

### **Current Global Financial Condition**

SpinCo 2 will be required to raise additional funds in the future for the development of its projects and other activities through the issuance of additional equity or debt. Current financial and economic conditions globally have been subject to increased uncertainties. Access to financing has been negatively affected by these economic uncertainties. These factors may affect the ability of SpinCo 2 to obtain equity and/or debt financing in the future and, if obtained, influence the terms available to SpinCo 2. If these increased levels of volatility and market turmoil continue, SpinCo 2 may not be able to secure appropriate debt or equity financing. If additional capital is raised by the issuance of shares from the treasury of SpinCo 2, shareholders may suffer dilution. Future borrowings by SpinCo 2 or its subsidiaries may increase the level of financial and interest rate risk to SpinCo 2 as SpinCo 2 will be required to service future indebtedness.

### **Environmental Risks and Hazards**

All phases of SpinCo 2's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general, transportation, storage and disposal of solid and hazardous

waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect SpinCo 2's operations. Environmental hazards may exist on the properties which are unknown to SpinCo 2 at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

SpinCo 2 is not insured against most environmental risks. Insurance against environmental risks (including potential liability for pollution and other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. SpinCo 2 will periodically evaluate the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance.

Without such insurance, and if SpinCo 2 becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds SpinCo 2 has to pay such liabilities and result in bankruptcy. Should SpinCo 2 be unable to fund fully the remedial cost of an environmental problem, SpinCo 2 might be required to enter into interim compliance measures pending completion of the required remedy.

### **Litigation Risk**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit.

### **Costs of Land Reclamation Risk**

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the properties in which SpinCo 2 holds an interest. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of SpinCo 2.

### **No Assurance of Title to Property**

There may be challenges to title to the mineral properties in which SpinCo 2 holds a material interest. If there are title defects with respect to any properties, SpinCo 2 might be required to compensate other persons or perhaps reduce its interest in the affected property. Also, in any such case, the investigation and resolution of title issues would divert management's time from ongoing exploration and development programs.

### **Dependence on Key Individuals**

SpinCo 2 is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on SpinCo 2. At this time, SpinCo 2 does not maintain key-person insurance on the lives of any of its key personnel. In addition, while certain of SpinCo 2's officers and directors have experience in the exploration of mineral producing properties, SpinCo 2 will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of SpinCo 2 or be available upon commercially acceptable terms.

### **Risk of Amendments to Laws**

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on SpinCo 2 and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.



## Conflicts of Interest

Some of the directors and officers of SpinCo 2 are directors and officers of other companies, some of which are in the same business as SpinCo 2. Some of SpinCo 2's directors and officers will continue to pursue the acquisition, exploration and, if warranted, the development of mineral resource properties on their own behalf and on behalf of other companies, and situations may arise where they will be in direct competition with SpinCo 2. SpinCo 2's directors and officers are required by law to act in the best interests of SpinCo 2. They may have the same obligations to the other companies in respect of which they act as directors and officers. Discharge of their obligations to SpinCo 2 may result in a breach of their obligations to the other companies and, in certain circumstances, this could expose SpinCo 2 to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of SpinCo 2. Such conflicting legal obligations may expose SpinCo 2 to liability to others and impair its ability to achieve its business objectives.

## Influence of Third Party Stakeholders

The lands in which SpinCo 2 holds an interest, or the exploration equipment and roads or other means of access which SpinCo 2 intends to utilize in carrying out its work programs or general business mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, SpinCo 2's work programs may be delayed even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for SpinCo 2.

## Fluctuation in Market Value of SpinCo 2 Shares

Assuming the SpinCo 2 Shares are listed on the TSXV, the market price of the SpinCo 2 Shares, as a publicly traded stock, can be affected by many variables not directly related to the corporate performance of SpinCo 2, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of SpinCo 2 Shares in the future cannot be predicted. The lack of an active public market could have a material adverse effect on the price of SpinCo 2 Shares.

## Substantial Number of Authorized but Unissued SpinCo 2 Shares

SpinCo 2 has an unlimited number of common shares which may be issued by the board of directors of SpinCo 2 (the "SpinCo 2 Board") without further action or approval of SpinCo 2's shareholders. While the SpinCo 2 Board is required to fulfill its fiduciary obligations in connection with the issuance of such shares, SpinCo 2 Shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of SpinCo 2's shareholders.

See also in the Circular, "*The Meeting — Risks Associated with the Arrangement*".

## AVAILABLE FUNDS AND PRINCIPAL PURPOSES

### Principal Purposes

The following table summarizes expenditures anticipated by SpinCo 2 required to achieve its business objectives during the 12 months following completion of the Arrangement and the proposed listing of the SpinCo 2 Shares on the TSXV (see in this Appendix "E" - "*Business Objectives and Milestones*", which follows).

Principal purpose	Amount
Obtain TSXV listing <sup>(1)</sup>	\$50,000
General and administrative expenses <sup>(2)</sup>	\$800,000
<b>TOTAL:</b>	<b>\$850,000</b>

Notes:

<sup>(1)</sup> Consists of filing fees, legal fees and audit fees.

<sup>(2)</sup> Includes estimated audit fees, legal fees, consulting fees and office administration expenses.



**At present, SpinCo 2 does not have any available funds and SpinCo 2 is not anticipated to have any available funds at the time of completion of the Arrangement. Following the completion of the Arrangement, SpinCo 2 will need to complete a debt or equity financing in order to obtain the funds necessary to fund its business. There is no assurance that such a financing will be completed. See “Risks Associated with SpinCo 2”.**

### **BUSINESS OBJECTIVES AND MILESTONES**

Following completion of the Arrangement, SpinCo 2 intends to:

- Complete a financing in order to finance its operations as outlined in “Principal Purposes” above.
- Complete an application for listing of the SpinCo 2 Shares on the TSXV.

### **SELECTED FINANCIAL INFORMATION**

#### **Financial Statements**

Upon completion of the Arrangement, the Gibellini Vanadium Property will form the primary business of SpinCo 2. As a result, included as Appendix “H” to this Circular are the audited carve-out financial statements for the years ended December 31, 2020, December 31, 2019 and December 31, 2018. Also included and attached as Appendix “H” to this Circular are unaudited interim carve-out financial statements for the Gibellini Vanadium Property for the six-month period ended June 30, 2021.

Included as Appendix “J” to this Circular are audited financial statements of SpinCo 2 for the period from incorporation until September 30, 2021 comprised of the statement of financial position, statement of changes in equity, statement of cash flows and notes to such statements.

The financial statements of SpinCo 2 and the Gibellini Vanadium Property were prepared in accordance with International Financial Reporting Standards.

#### **Selected Financial Statement Information**

The following tables set out selected financial information in respect of the Gibellini Vanadium Property as at and for the periods ended June 30, 2021 (unaudited) and December 31, 2020 (audited), all of which is qualified by the more detailed information contained in the audited financial statements included as Appendix “H” to this Circular.

<b>Nevada Vanadium Mining Corp. Carve-out Financial Statements Selected Financial Statement Information Statement of Financial Position</b>		
	<b>As at June 30, 2021 (unaudited)</b>	<b>As at December 31, 2020 (audited)</b>
<b>Assets</b>		
Cash	\$10,203	\$29,600
Prepaid expenses	\$2,172	\$2,172
Equipment	\$72,556	\$80,401
Mineral properties	\$14,663,294	\$13,290,081
<b>Total Assets</b>	<b>\$14,748,235</b>	<b>\$13,402,254</b>
<b>Liabilities</b>		
Accounts payable	\$751,048	\$230,330
<b>Total Liabilities</b>	<b>\$751,048</b>	<b>\$230,330</b>
<b>Carve-out Equity</b>		
Owner's net investment	\$13,997,187	\$13,171,924
<b>Total Equity</b>	<b>\$13,997,187</b>	<b>\$13,171,924</b>

<b>Nevada Vanadium Mining Corp. Carve-out Financial Statements Selected Financial Statement Information Statement of Comprehensive Loss</b>		
	<b>For the six months ended June 30, 2021 (unaudited)</b>	<b>For the year ended December 31, 2020 (audited)</b>
Advertising and promotion	\$23,555	\$316,202
Consulting and management fees	\$34,820	\$333,342
Depreciation	\$1,257	\$24,030
Director fees	\$5,073	\$63,471
Insurance	\$3,211	\$58,999
Office and administration	\$4,097	\$59,481
Professional fees	\$12,986	\$187,815
Salaries and benefits	\$22,032	\$309,794
Share based payments	\$17,409	\$450,384
Stock exchange and shareholders services	\$6,410	\$105,453
Travel and accomodation	\$413	\$54,542
<b>Net and Comprehensive Loss</b>	<b>(\$131,274)</b>	<b>(\$1,963,513)</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Management Discussion and Analysis — of the period from incorporation to September 30, 2021

The following Management's Discussion and Analysis ("MD&A") is as at November 14, 2021 and covers period from SpinCo 2's incorporation on September 17, 2021 until September 30, 2021. It includes financial information from, and should be read in conjunction with, the financial statements of the SpinCo 2 and the notes thereto, which are attached as Appendix "J" to the Circular, as well as the disclosure contained throughout this Appendix "E" and the Circular. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated.

#### Overall Performance

SpinCo 2 was incorporated on September 17, 2021 and commenced business at that time. SpinCo 2's sole business focus has been to acquire and operate the exploration business of the Company solely in respect of the Gibellini Vanadium Property. To that end, SpinCo 2 will enter into various agreements with the Company for the acquisition of the Gibellini Vanadium Property and the Spinout 2 Related Assets, including the Spinout 2 Asset Contribution Agreement and the Spinout 2 Assumption Agreement (see in this Appendix "E" "General Development of SpinCo 2's Business – Spinout 2 Properties"). Other than these proposed acquisitions, SpinCo 2 has made no significant acquisitions or dispositions since incorporation.

Upon the completion of the Arrangement, SpinCo 2 is expected to seek capital to fund its business and obtain a listing on the TSXV.

As of the date of this MD&A, SpinCo 2's costs and operations have been funded, to date, by its sole shareholder, the Company. SpinCo 2 is expected to seek to raise additional funds through public or private equity funding, bank debt financing or from other sources.

#### Selected Financial Information

The following table sets forth selected financial information with respect to SpinCo 2, which information has been derived from and should be read in conjunction with the audited financial statements of SpinCo 2 for the period from its incorporation until September 30, 2021 (attached as Appendix "J" to the Circular).

<u>Financial Position</u>	<u>As at September 30, 2021 (audited)</u>
Total assets	\$10
Total liabilities	\$--
Equity	\$10
Number of common shares outstanding <sup>(1)</sup>	100

<sup>(1)</sup> See in the Appendix "E" in "Description of Securities Distributed" and "Prior Sales".

#### Significant Acquisitions and Significant Dispositions

SpinCo 2 has made no significant acquisitions or dispositions since incorporation. See in this Appendix "E" "General Development of SpinCo 2's Business".

#### Results of Operations

For the period ended September 30, 2021, SpinCo 2 had no revenues or expenses.

#### Liquidity and Capital Resources and Requirements

To date SpinCo 2's operations have been funded by the Company, its sole shareholder. As at September 30, 2021, SpinCo 2 had share capital of \$10 and working capital of \$10.

SpinCo 2 has no source of revenue, income or cash flow. It is, as of the date of this MD&A, wholly dependent upon its sole shareholder, the Company, for advance of funds. SpinCo 2 also needs to have adequate working capital for TSXV listing purposes, being sufficient funds: i) for exploration of the Gibellini Vanadium Property and ii) to cover a minimum 12 months of general and administrative expenses. See in this Appendix “E”, “*Available Funds and Principal Purposes*” and “*Risks Associated With SpinCo 2*”.

### **Transactions with Related Parties**

SpinCo 2 will be party to the Spinout 2 Asset Contribution Agreement and the Spinout 2 Assumption Agreement pursuant to which it will acquire the Gibellini Vanadium Property (see in this Appendix “E”, “*General Development of SpinCo 2’s Business*”, “*Promoters*” and “*Interests of Management and Other in Material Transactions*”).

As at the date of the Circular, SpinCo 2 is the Company’s wholly-owned subsidiary and certain directors and officers of SpinCo 2 are also the directors and officers of the Company. See in this Appendix “E”, “*Directors and Executive Officers*”.

### **Proposed Transactions**

SpinCo 2 is expected to apply to the TSXV for listing of the SpinCo 2 Shares on the TSXV. Upon completion of the Arrangement and satisfaction of all of the outstanding listing requirements of the TSXV, management of SpinCo 2 anticipates SpinCo 2 will be a publicly traded junior mineral exploration company, with a portfolio of exploration properties in Nevada, USA, as well as an experienced board of directors and management team and, in the view of its management, capitalization sufficient to achieve its business objectives in the near term.

In order to become effective, the Arrangement must be approved by a resolution passed by at least a 66 2/3% majority of the votes cast in respect of the Arrangement Resolution (as defined and the text of which is set out in Appendix “A” to the Circular) by Shareholders present in person or represented by proxy at the Meeting. The Arrangement must also be sanctioned by the Court, which will consider the fairness of the Arrangement to Shareholders. In addition, completion of the Arrangement is subject to customary closing conditions, all of which are described in the Circular. See in the Circular, “*The Meeting — The Arrangement*”. See also in this Appendix “E”, “*Business Objectives and Milestones*”.

Other than the Arrangement and the transactions proposed to be completed prior thereto, as at the date of this MD&A, SpinCo 2 has no proposed asset or business acquisitions or dispositions.

### **Disclosure of Outstanding Share Data**

SpinCo 2 has one class of shares outstanding, being common shares without par value (as previously defined herein, the “**SpinCo 2 Shares**”). As at the date of this MD&A and the date of the Circular, 100 SpinCo 2 Shares were issued and outstanding. See in this Appendix “E”, “*Description of Securities Distributed*”, “*Prior Sales*” and “*Consolidated Capitalization*”.

As of the date of this MD&A, SpinCo 2 has not granted any incentive awards under the SpinCo 2 Incentive Plan (as hereinafter defined), or otherwise, nor has it issued any other rights or securities to purchase SpinCo 2 Shares. The board of directors of SpinCo 2 Board does not intend to grant any incentive awards until such time following listing as the trading price of the SpinCo 2 Shares on the TSXV has stabilized such that a fair market value exercise price for options can be determined. See in this Appendix “E”, “*Options and Other Rights to Purchase Securities of SpinCo 2*”.

### **Business Risks and Uncertainties**

See in this Appendix “E”, “*Risks Associated with SpinCo 2*” for additional information, risks and uncertainties associated with SpinCo 2, its business and operations, and the SpinCo 2 Shares. In addition, see in the Circular, “*The Meeting — Risks Associated with the Arrangement*”.

## Contractual Obligations

SpinCo 2 presently has no contractual obligations other than as disclosed in the Circular, and agreements related to the Gibellini Vanadium Property as disclosed in this Appendix “E” under “*General Development of SpinCo 2’s Business*”.

## Off-Balance Sheet Arrangements

SpinCo 2 does not have any off-balance sheet arrangements.

## DESCRIPTION OF CAPITAL STRUCTURE

### Authorized Capital

SpinCo 2’s authorized share capital consists of an unlimited number of common shares without par value, of which 100 SpinCo 2 Shares (held by the Company) are issued and outstanding as fully paid and non-assessable as of the date of the Circular.

Assuming completion of the Arrangement pursuant to its terms it is anticipated that SpinCo 2 will have the following outstanding securities:

<b>Security</b>	<b>Reason for Issuance</b>	<b>Number</b>
SpinCo 2 Shares	Arrangement	50,000,000
	<ul style="list-style-type: none"> <li>• <i>Issuable to Shareholders<sup>(1)</sup></i></li> </ul>	23,655,904
	<ul style="list-style-type: none"> <li>• <i>To be held for issuance to holders upon exercise of outstanding warrants of the Company<sup>(2)</sup></i></li> </ul>	1,611,313
	<ul style="list-style-type: none"> <li>• <i>To be held for issuance to holders upon exercise of outstanding stock options of the Company<sup>(3)</sup></i></li> </ul>	1,602,750
	<ul style="list-style-type: none"> <li>• <i>To be purchased by RoyaltyCo pursuant to the Arrangement</i></li> </ul>	23,130,033
Options	SpinCo 2 Incentive Plan	Nil

#### Notes:

- (1) Based on: (i) 22,839,540 Common Shares of the Company outstanding (on a post-Consolidation basis) as of the date hereof; (ii) the Company issuing an additional 816,364 Common Shares (on a post-Consolidation basis) pursuant to a private placement prior to the completion of the Arrangement; and (iii) Shareholders receiving one SpinCo 2 Share for each Common Share of the Company outstanding at the Effective Time.
- (2) Based on 1,611,313 warrants of the Company outstanding (on a post-Consolidation basis) as of the date hereof. Pursuant to the Arrangement, holders of outstanding warrants of the Company will be entitled to receive, upon exercise of each warrant, in lieu of each Silver Elephant Common Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares. The Company is holding in trust these SpinCo 1 Shares for such issuance. Assumes no finder’s warrants are issued in connection with the Company’s private placement.
- (3) Based on 1,602,750 options of the Company outstanding (on a post-Consolidation basis) as of the date hereof Pursuant to the Arrangement, holders of outstanding options of the Company will be entitled to receive, upon exercise of each option, in lieu of each Silver Elephant Common Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares. The Company is holding in trust these SpinCo 1 Shares for such issuance.

### SpinCo 2 Shares

SpinCo 2 Shares are not subject to any future call or assessment and do not have any pre-emptive, conversion or redemption rights, and all have equal voting rights. There are no special rights or restrictions of any nature attached to any of the SpinCo 2 Shares, all of which rank equally as to all benefits which might accrue to the holders of the SpinCo 2 Shares. All holders of SpinCo 2 Shares are entitled to receive a notice of any general meeting to be convened by SpinCo 2. At any general meeting of SpinCo 2, subject to the restrictions on joint registered owners of

SpinCo 2 Shares, every Shareholder has one vote for each SpinCo 2 Share of which he or she is the registered owner. Voting rights may be exercised in person or by proxy.

The holders of SpinCo 2 Shares are entitled to share pro rata in any: (i) dividends if, as and when declared by the SpinCo 2 Board, and (ii) such assets of SpinCo 2 as are distributable to shareholders upon liquidation of SpinCo 2. The aggregate SpinCo 2 Shares outstanding upon completion of the Arrangement will be fully paid and non-assessable.

### **Warrants**

As of the date of this Circular, SpinCo 2 does not have any warrants outstanding. At the Effective Time it is anticipated that no warrants of SpinCo 2 will be outstanding.

### **Stock Options and SARs**

As of the date of the Circular, SpinCo 2 does not have any SpinCo 2 Options or SpinCo 2 SARs outstanding. At the Effective Time it is anticipated that no awards of SpinCo 2 will be outstanding.

SpinCo 2 has adopted the SpinCo 2 Incentive Plan (see in this Appendix “E”, “*Options and Other Rights to Purchase Securities of SpinCo 2 — SpinCo 2 Incentive Plan*”). The SpinCo 2 Board does not intend to grant any incentive awards until such time following listing of the SpinCo 2 Shares on the TSXV that the trading price of the SpinCo 2 Shares has stabilized such that a fair market value exercise price for awards can be determined. At the Meeting, Shareholders will be asked to consider and if advisable approve the SpinCo 2 Incentive Plan. See in this Appendix “E” — *SpinCo 2 Incentive Plan*.

### **Listing of SpinCo 2 Shares**

It is expected that an application will be made for the listing of the SpinCo 2 Shares on the TSXV. Listing will be subject to SpinCo 2 fulfilling all the initial listing requirements of the TSXV. There can be no assurances as to if, or when, the SpinCo 2 Shares will be listed or traded on the TSXV, or any other stock exchange.

**As at the date of the Circular, there is no market through which the SpinCo 2 Shares to be distributed pursuant to the Arrangement may be sold and Shareholders may not be able to resell the SpinCo 2 Shares to be distributed to them pursuant to the Arrangement. This may affect the pricing of the SpinCo 2 Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the SpinCo 2 Shares, and the extent of issuer regulation.**

As at the date of the Circular, SpinCo 2 does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the TSX, a U.S. marketplace, or a marketplace outside Canada and the United States of America.

See in this Appendix “E”, “*Risks Associated with SpinCo 2*”.

### **DIVIDENDS**

SpinCo 2 has not paid dividends since its incorporation. While there are no restrictions precluding SpinCo 2 from paying dividends, it has no source of cash flow and anticipates using all available cash resources toward its stated business objectives. At present, SpinCo 2’s policy is to retain earnings, if any, to finance its business operations. The SpinCo 2 Board will determine if and when dividends should be declared and paid in the future based on SpinCo 2’s financial position at the relevant time.



## CONSOLIDATED CAPITALIZATION

The following table sets out the share and loan capital of SpinCo 2. The table should be read in conjunction with the other disclosure contained in this Appendix “E” and in the Circular. See also in this Appendix “E”, “*Description of Securities Distributed*” and “*Prior Sales*”.

Capital	Authorized	Amount outstanding as of June 30, 2021 <sup>(1)</sup>	Amount outstanding as of the Information Circular <sup>(1)</sup>	Amount outstanding assuming completion of the Arrangement <sup>(2)</sup> <sub>(3)(4)</sub>
SpinCo 2 Shares	Unlimited	100	1 common share	50,000,000 common shares
Warrants and broker warrants	N/A	Nil	Nil	Nil

Notes:

- (1) See in this Appendix “E”, “*Prior Sales*”.
- (2) Represents the aggregate of the number of SpinCo 2 Shares issuable under the Arrangement...
- (3) After the Effective Date, once the SpinCo 2 Shares are issued to the Shareholders, the one (1) common share outstanding as of the date of the Circular will be cancelled.
- (4) Assumes no Options or Warrants are exercised prior to the Effective Date. This number would increase to 53,214,063 if all the Options and Warrants were exercised prior to the Effective Date.

## OPTIONS TO PURCHASE SECURITIES

### SpinCo 2 Incentive Plan

The SpinCo 2 Board, with the approval of the Company, SpinCo 2’s sole shareholder, has adopted a stock option incentive plan (the “**SpinCo 2 Incentive Plan**”) that will be implemented upon acceptance by: (i) the Securityholders at the Meeting and (ii) the TSXV in conjunction with the proposed listing of the SpinCo 2 Shares on the TSXV. The SpinCo 2 Incentive Plan is a rolling incentive plan that sets the number of SpinCo 2 Shares issuable under the SpinCo 2 Incentive Plan at a maximum of 10% of the SpinCo 2 Shares issued and outstanding at the time of any grant under the SpinCo 2 Incentive Plan. As of the date of the Circular, SpinCo 2 has not granted any SpinCo 2 Options or SpinCo 2 SARs under the SpinCo 2 Incentive Plan, or otherwise, nor has it issued any other rights or securities to purchase SpinCo 2 Shares. The SpinCo 2 Board does not intend to grant any incentive awards until such time following listing of the SpinCo 2 Shares on the TSXV that the trading price of the SpinCo 2 Shares on the TSXV has stabilized, such that a fair market value exercise price for options can be determined.

### Summary of the SpinCo 2 Incentive Plan

The SpinCo 2 Incentive Plan reserves for issuance a maximum of 10% of the SpinCo 2 Shares at the time of a grant of SpinCo 2 Options and SpinCo 2 SARs under the SpinCo 2 Incentive Plan. The SpinCo 2 Incentive Plan will be administered by the SpinCo 2 Board and provide for grants of non-transferable SpinCo 2 Options and SpinCo 2 SARs under the SpinCo 2 Incentive Plan at the discretion of the SpinCo 2 Board, to directors, officers, employees, management company employees of, or consultants to, SpinCo 2 and its subsidiaries, or their permitted assigns (each an “**Eligible Person**”). Bonus Shares (as defined below) shall not form of the 10% limit.

In addition, the following restrictions apply to the number of SpinCo 2 Options and SpinCo 2 SARs:

- (a) the number of SpinCo 2 Shares reserved for issuance pursuant to the SpinCo 2 Incentive Plan (together with those SpinCo 2 Shares which may be issued pursuant to any other security-based compensation arrangement of SpinCo 2 or options for services granted by SpinCo 2) to any one person shall not exceed 5% of the SpinCo 2 Shares outstanding on a non-diluted basis on the date of grant;
- (b) the number of securities issuable to insiders, at any time, under all security-based compensation arrangements, cannot exceed 10% of issued and outstanding securities of the SpinCo 2 Shares; and

- (c) the number of securities issued to insiders, within any one-year period, under all security-based compensation arrangements, cannot exceed 10% of issued and outstanding securities of SpinCo 2.

In the event the SpinCo 2 Shares are listed on the TSXV, the following limits will also apply:

- (i) the aggregate number of SpinCo 2 Shares reserved for issuance pursuant to SpinCo 2 Options granted to any one person (including any holding company of such person) in any twelve month period may not exceed 5% of the issued and outstanding SpinCo 2 Shares;
- (ii) the aggregate number of SpinCo 2 Shares reserved for issuance pursuant to SpinCo 2 Options granted to insiders, as a group, at any point in time, may not exceed 10% of the issued and outstanding SpinCo 2 Shares;
- (iii) the aggregate number of SpinCo 2 Shares reserved for issuance pursuant to SpinCo 2 Options granted to insiders, as a group, within a twelve month period, may not exceed 10% of the issued and outstanding SpinCo 2 Shares calculated at the date a SpinCo 2 Option is granted to any Insider;
- (iv) the aggregate number of SpinCo 2 Shares reserved for issuance pursuant to SpinCo 2 Options granted to any one consultant in any twelve month period, may not exceed 2% of the issued and outstanding SpinCo 2 Shares;

The exercise price of options granted under the SpinCo 2 Incentive Plan will be determined by the SpinCo 2 Board. Following listing of the SpinCo 2 Shares on the TSXV, the exercise price must not be lower than the last closing sales price for the common shares as quoted on the TSXV for the market trading day immediately prior to the date of grant of the option, less any discount permitted by the TSXV.

Options to acquire more than 2% of the issued and outstanding SpinCo 2 Shares may not be granted to any one consultant in any 12-month period and options to acquire more than an aggregate of 2% of the issued and outstanding SpinCo 2 Shares may not be granted to persons employed to provide Investor Relations Activities (as such term is defined by the policies of the TSXV) in any 12-month period.

The term of any options granted under the SpinCo 2 Incentive Plan will be fixed by the SpinCo 2 Board and may not exceed ten years. Should an Eligible Person cease to qualify as an Eligible Person under the SpinCo 2 Incentive Plan prior to expiry of the term of their respective options, those options will terminate at the earlier of (i) the end of the period of time permitted for exercise of the option or, (ii) one year after the option holder ceases to be an Eligible Person for any reason other than death, disability or just cause. If an option holder providing Investor Relations Activities ceases to provide such Investor Relations Activities to SpinCo 2, options granted to such option holder will expire on the 30th day after such cessation. If such cessation as an Eligible Person is on account of disability or death, the options terminate on the first anniversary of such cessation, and if it is on account of termination of employment for just cause, the options terminate immediately. In the circumstance where the end of the term of a SpinCo 2 Option falls within, or within ten business days after the end of, a “black out” or similar period imposed under any insider trading policy or similar policy of SpinCo 2 (but not, for greater certainty, a restrictive period resulting from the SpinCo 2 or its insiders being the subject of a cease trade order of a securities regulatory authority), the end of the term of such SpinCo 2 Option shall be the tenth business day after the earlier of the end of such black out period or, provided the blackout period has ended, the expiry date for such SpinCo 2 Option.

The SpinCo 2 Incentive Plan also provides for adjustments to outstanding options in the event of alteration in the capital structure of SpinCo 2, merger or amalgamation involving SpinCo 2 or SpinCo 2’s entering into a plan of arrangement. Moreover, upon a change of control, all options outstanding under the SpinCo 2 Incentive Plan shall become immediately exercisable.

The directors of SpinCo 2 may, at their discretion at the time of any grant, impose a schedule over which period of time options will vest and become exercisable by the optionee; however, for so long as the SpinCo 2 Shares are listed on the TSXV, options granted to persons performing Investor Relations Activities must vest in stages over a 12-month period with no more than one quarter of the options vesting in any three month period.

In addition, pursuant to the SpinCo 2 Incentive Plan, SpinCo 2 shall have the right to issue, or reserve for issuance, for no cash consideration, to any Eligible Person, as compensation or a discretionary bonus, any number of SpinCo 2

Shares (“**Bonus Shares**”) as SpinCo 2 Board may determine. The price at which such Bonus Shares are issued shall be equal to the market price. Notwithstanding any other term herein, and for avoidance of doubt, the total maximum number of Bonus Shares issuable pursuant to the SpinCo 2 Incentive Plan in any one financial year is equal to 5% of the issued and outstanding SpinCo 2 Common Shares as at the end of the most recently completed financial year.

The SpinCo 2 Board shall have the right to grant to any Eligible Person SpinCo 2 SARs, with the specific terms and conditions thereof to be as provided in the SpinCo 2 Incentive Plan and in the certificate entered into in respect of such grant. A SpinCo 2 SAR shall entitle the participant to receive from SpinCo 2 the number of SpinCo 2 Shares, disregarding fractions, as determined on the following basis:

<b>Number of SpinCo 2 Shares</b>	<b>Number of Stock Appreciation Rights x (Market Price – SAR Exercise Price) / Market Price</b> , less any amount withheld on account of income taxes
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The exercise price per SpinCo 2 Share under each SpinCo 2 SAR (“**SAR Exercise Price**”) shall be the fair market value of the SpinCo 2 Shares, expressed in terms of money, as determined by the SpinCo 2 Board in its sole discretion, provided that such price may not be less than the SpinCo 2 SAR fair market value or such other minimum price as may be permitted under the applicable rules and regulations of all regulatory authorities to which SpinCo 2 is subject, including the TSX, TSXV or any other stock exchange.

Subject to any required approval of the TSXV, the SpinCo 2 Board may terminate, suspend or amend the terms of the SpinCo 2 Incentive Plan, provided that for certain amendments, the SpinCo 2 Board must obtain shareholder approval, and, where required, Disinterested Shareholder Approval (as such term is defined in the SpinCo 2 Incentive Plan).

TSXV policy requires that the SpinCo 2 Incentive Plan be approved and ratified by SpinCo 2’s shareholders and submitted to the TSXV for acceptance on an annual basis. Further shareholder approval will not be required for option grants made in accordance with the SpinCo 2 Incentive Plan, except in certain circumstances as required by the policies of the TSXV.

The SpinCo 2 Board shall have the power to, without shareholder approval, at any time and from time to time, either prospectively or retrospectively, amend, suspend, or terminate the SpinCo 2 Incentive Plan or any award granted thereunder, including, without limiting the generality of the foregoing, changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the SpinCo 2 Plan, and changes regarding the vesting or other terms of awards, provided, however that:

- (a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the SpinCo 2 Shares are listed;
- (b) no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing rights of a recipient with respect to any then outstanding award, as determined by the Board acting in good faith, without his or her consent in writing;
- (c) the SpinCo 2 Board shall obtain shareholder approval (including Disinterested Shareholder Approval if required by TSXV Policies) of the following:
  - (i) any amendment to the maximum number of SpinCo 2 Shares in respect of which awards may be granted under the SpinCo 2 Plan (other than pursuant to Section 2.2 of the SpinCo 2 Incentive Plan);
  - (ii) any amendment that would reduce the exercise price of an outstanding awards held by an insider (other than pursuant to Section 2.2 of the SpinCo 2 Incentive Plan);
  - (iii) any amendment that would extend the term of any award granted under the of the SpinCo 2 Incentive Plan beyond the expiry date, if that extension would benefit an insider of SpinCo 2;
  - (iv) any cancellation and re-issue of awards;

- (v) any amendment which would permit awards granted under the SpinCo 2 Incentive Plan to be transferable or assignable other than for normal estate settlement purposes; and
- (vi) any amendment to the amendment provisions.

See “*Particulars of Other Matters to be Acted Upon – Approval of SpinCo 2’s Stock Option Plan*”.

#### **PRIOR SALES**

As of the date of this Circular, the Company has not issued any shares, other than the one share held by the Company.

#### **MARKET FOR SECURITIES**

Currently, there is no market for the SpinCo 2 Shares. Listing is subject to SpinCo 2 meeting the initial listing requirements of the TSXV, and meeting all conditions of listing imposed by the TSXV. There can, however, be no assurance as to if, or when, the SpinCo 2 Shares will be listed for trading on the TSXV.

#### **ESCROWED SHARES**

SpinCo 2 does not have any of its securities subject to escrow or contractual restrictions on transfer, nor is it expected to upon completion of the Arrangement, subject to regulatory approval thereof. In connection with the listing of the SpinCo 2 Shares on the TSXV, it is anticipated that certain outstanding securities of SpinCo 2 may be subject to escrow in accordance with policies of the TSXV. Further particulars regarding applicable escrow will be set forth in VanadiumCo’s listing application which will be available at [www.sedar.com](http://www.sedar.com).

In addition, upon completion of the Arrangement, assuming no further exercises of Options and Warrants of the Company occur prior to the Effective Time, 1,611,313 SpinCo 2 Shares will be held in trust by the Company for holders of outstanding Company warrants and 1,602,750 SpinCo 2 Shares will be held in trust by the Company for holders of outstanding Company options. In the event that the Company options and warrants expire unexercised, it is anticipated that these SpinCo 2 Shares will be held by the Company as an investment.

#### **PRINCIPAL SECURITY HOLDERS**

As of the date of the Circular, the Company holds 100% of the issued SpinCo 2 Shares. Assuming completion of the Arrangement and to the knowledge of SpinCo 2’s directors and officers, no person will beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the then issued SpinCo 2 Shares, other than RoyaltyCo, which will hold approximately 23,130,033 SpinCo 2 Shares representing approximately 46.3% of the outstanding SpinCo 2 Shares.

#### **DIRECTORS AND EXECUTIVE OFFICERS**

As at the date of the Circular, some of the directors of the Company are also the directors of SpinCo 2, having been elected as SpinCo 2’s directors by the Company, SpinCo 2’s sole shareholder. The directors of SpinCo 2 will be elected annually at each annual general meeting of the SpinCo 2 shareholders and will hold office until the next annual general meeting unless a director’s office is earlier vacated in accordance with the articles of SpinCo 2 or he or she becomes disqualified to serve as a director. As at the date of the Circular, the directors and executive officers of SpinCo 2 hold no SpinCo 2 Shares. Assuming completion of the Arrangement and based on the number of SpinCo 2 Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by all of the directors and officers of SpinCo 2 as a group as at the date of the Circular, the number and percentage of SpinCo 2 Shares that will be beneficially owned, directly or indirectly, or over which control or direction will be exercised by all of the directors and executive officers of SpinCo 2 as a group will be approximately 0.9% of the then issued and outstanding SpinCo 2 Shares.

The names, province or state and country of residence, positions and offices, and principal occupations of each of the directors and executive officers of SpinCo 2 are as follows:

<b>Name and Position</b>	<b>Principal occupation<sup>(2)</sup></b>	<b>Number and Percentage of SpinCo 2 Shares owned<sup>(3)</sup></b>	<b>Director and/or Officer since</b>
Ronald Espell <i>Chief Executive Officer</i>	Vice President, Environmental of the Company	15,000 (<1%)	November 8, 2021
Greg Hall <sup>(1)</sup> <i>Director</i>	President and Director of Water Street Assets; Director of CanX CBD Processing	21,309 (<1%)	November 8, 2021
John Lee <sup>(1)</sup> <i>Director and Chairman</i>	Executive Chair of the Company	391,040 (<1%)	November 8, 2021
Harald Batista <sup>(1)</sup> <i>Director</i>	Independent mining consultant	Nil	November 8, 2021
Daniel Oosterman <i>Vice-President, Exploration</i>	Vice-President, Exploration of the Company	10,153 (<1%)	November 8, 2021
Irina Plavutska <i>Chief Financial Officer</i>	Chief Financial Office of the Company	1,000 (<1%)	September 17, 2021

**Notes:**

(1) Member of the Audit Committee.

(2) The information as to principal occupation has been furnished by each director and/or officer individually.

(3) Figures calculated assuming the completion of the Arrangement and assuming that no Options or Warrants are exercised prior to the Effective Date, SpinCo 2 will have 50,000,000 SpinCo 2 Shares issued and outstanding.

See in this Appendix “E” “SpinCo 2 Audit Committee” and “Corporate Governance - Board Committees”.

As at the date hereof, there are no SpinCo 2 Shares beneficially owned, directly or indirectly, or control or direction was exercised over those shares, by the directors and executive officers of SpinCo 2. On the Effective Date, each of the directors and executive officers of SpinCo 2 will beneficially own, directly or indirectly, or control or direct one SpinCo 2 Share for each one Silver Elephant Share held. It is expected that, upon completion of the Arrangement, 438,502 SpinCo 2 Shares, or approximately 0.9% of the SpinCo 2 Shares outstanding on a non-diluted basis will be beneficially owned, directly or indirectly, or control or direction will be exercised over those shares, by the directors and executive officers of SpinCo 2 as a group.

### **Cease Trade Orders, Penalties, Sanctions or Bankruptcies**

#### *Cease Trade Orders*

Other than as disclosed below, no director or executive officer of SpinCo 2 is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including SpinCo 2) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

#### *Bankruptcies*

No director or executive officer of SpinCo 2, or a shareholder holding a sufficient number of securities of SpinCo 2 to affect materially control of SpinCo 2, (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including SpinCo 2) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to

bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

#### *Penalties or Sanctions*

No director or executive officer of SpinCo 2, or a shareholder holding a sufficient number of securities of SpinCo 2 to affect materially the control of SpinCo 2, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

The foregoing, not being within the knowledge of SpinCo 2, has been furnished by the respective directors, executive officers and shareholders holding a sufficient number of securities of SpinCo 2 to affect materially control of SpinCo 2.

#### **Conflicts of Interest**

Certain directors and officers of SpinCo 2 are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties, including the Company. Such associations to other public companies in the resource sector may give rise to conflicts of interest from time to time. As a result, opportunities provided to a director of SpinCo 2 may not be made available to SpinCo 2, but rather may be offered to a company with competing interests. The directors and senior officers of SpinCo 2 are required by law to act honestly and in good faith with a view to the best interests of SpinCo 2 and to disclose any personal interest which they may have in any project or opportunity of SpinCo 2, and to abstain from voting on such matters.

The directors and officers of SpinCo 2 are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interests and SpinCo 2 will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers.

### **EXECUTIVE COMPENSATION**

#### **Compensation of Executive Officers**

SpinCo 2 was incorporated on September 17, 2021 and, accordingly, has not yet completed a financial year and has not yet developed a compensation program. Upon completion of the Arrangement, it is anticipated that SpinCo 2 will establish a compensation committee (the "**Compensation Committee**") which will recommend how directors will be compensated for their services as directors. The Compensation Committee is expected to recommend the granting of stock options in such amounts and upon such terms as may be recommended by the Compensation Committee and approved by the SpinCo 2 Board from time to time.

The Compensation Committee will also consider and make recommendations with respect to the compensation of the executive officers of SpinCo 2. It is anticipated that all executive officers of SpinCo 2 will receive cash compensation and stock option grants in line with market practice for public issuers in the same industry and market and of the same size as SpinCo 2. For a description of the SpinCo 2 Incentive Plan see in this Appendix "E" – "Options to Purchase Securities – Summary of the SpinCo 2 Incentive Plan.

#### **Long-Term Incentive Plan**

SpinCo 2 does not have any long-term incentive plans.

#### **Option-based Awards**

Following completion of the Arrangement, SpinCo 2 will not have any SpinCo 2 Options outstanding.



### **Pension Plan Benefits**

SpinCo 2 does not have defined benefit or defined contribution plans.

### **Director Compensation**

Upon completion of the Arrangement, it is anticipated that SpinCo 2 will pay cash compensation to its directors in amounts paid to directors of comparable publicly traded Canadian companies for services rendered in their capacity as directors.

## **AUDIT AND CORPORATE GOVERNANCE**

### **Board of Directors**

National Instrument 52-110 – Audit Committees (“**NI 52-110**”) sets out the standard for director independence. Under NI 52-110, a director is independent if he or she has no direct or indirect material relationship with SpinCo 2. A material relationship is a relationship which could, in the view of the SpinCo 2 Board, be reasonably expected to interfere with the exercise of a director’s independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship with SpinCo 2. Applying the definition set out in NI 52-110, the following members of the SpinCo 2 Board are independent: Harald Batista and Greg Hall. John Lee, being the Chief Executive Officer of the Company is not independent.

The SpinCo 2 Board as a whole has responsibility for developing SpinCo 2’s approach to: (i) financial reporting and internal controls; (ii) issues relating to compensation of directors, officers and employees; (iii) corporate governance issues and matters relating to nomination of directors; and (iv) administration of timely and accurate disclosure, confidentiality and insider trading policy, certain of which responsibilities are delegated to SpinCo 2’s Audit Committee (see “*Board Committees*” and “*Audit Committee*” which follow).

The SpinCo 2 Board is responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. The SpinCo 2 Board’s consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions. The SpinCo 2 Board delegates to management responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on SpinCo 2’s business in the ordinary course, managing SpinCo 2’s cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The SpinCo 2 Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, where deemed necessary by the independent directors, the independent directors hold in-camera sessions exclusive of non-independent directors and members of management, which process facilitates open and candid discussion amongst the independent directors.

## Other Directorships

Certain of the directors of SpinCo 2 are presently also directors of other issuers that are “reporting issuers” as that term is defined in and for the purposes of securities legislation, which positions are summarized as follows:

Name of Director	Other Reporting Issuer	Market <sup>(1)</sup>	Position	From	To
John Lee	Silver Elephant Mining Corp.	TSX	Chairman	June 2011	Present
Greg Hall	Silver Elephant Mining Corp.	TSX	Director	October 2009	Present

## Position Descriptions

John Lee is the Chair of the SpinCo 2 Board. The Chair of the SpinCo 2 Board will primarily be responsible for ensuring that the SpinCo 2 Board is functioning properly and that it is meeting its obligations and responsibilities to SpinCo 2 under the BCBCA. The responsibilities of the chairman of the Audit Committee are set out in the Audit Committee charter which is mandated by the SpinCo 2 Board. The SpinCo 2 Board has not adopted position descriptions and position descriptions and responsibilities will be determined as necessary and from time to time for each position.

## Orientation and Continuing Education

As it was only recently incorporated, SpinCo 2 has not yet developed an official orientation or training program for new directors, and this has not, to date, been necessary as the directors of SpinCo 2 are also directors of the Company and familiar with the role of a director of a publicly listed mineral resource company. However, going forward, new directors will be provided the opportunity to become familiar with SpinCo 2 by meeting with the other directors and with officers and employees. Orientation activities will be tailored to the particular needs and experience of each director and the overall needs of the SpinCo 2 Board. Potential candidates will be provided with publicly available materials in order to acquaint themselves with SpinCo 2, including recent press releases, financial reports and other relevant materials.

The SpinCo 2 Board encourages each of the directors to stay current on developing corporate governance requirements through continuous improvement and education. Directors are routinely provided information and publications on developing regulatory issues.

## Board Mandate

The board of directors has not adopted a written mandate however it is required to monitor the management of the business and affairs of SpinCo 2 and to act with a view to the best interests of SpinCo 2. The board of directors will oversee the development, adoption and implementation of SpinCo 2’s strategies and plans.

## Board Committees

The SpinCo 2 Board has appointed an audit committee (the “**SpinCo 2 Audit Committee**”) comprised of John Lee (Chair), Greg Hall and Harald Batista and upon completion of the Arrangement. A description of the authority, responsibilities, duties and function of the SpinCo 2 Audit Committee can be found in this Appendix “E” under the heading “*Audit Committee*”, which follows.

## Assessments

The SpinCo 2 Board does not consider that formal assessments would be useful at this stage of SpinCo 2’s development. The SpinCo 2 Board, at least annually, will conduct informal assessments of the SpinCo 2 Board’s effectiveness, the individual directors and reports from each committee representing its own effectiveness. As part of the amendments, the SpinCo 2 Board or the individual committee may review their respective mandate or charter and conduct reviews of applicable policies.

## ***Audit Committee***

### **Audit Committee Charter**

The SpinCo 2 Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information, and compliance with laws. It is anticipated that the SpinCo 2 Board will adopt an Audit Committee Charter, substantially in the form attached to this Appendix “E” as Schedule “1”, mandating the role of the SpinCo 2 Audit Committee in supporting the SpinCo 2 Board in meeting its responsibilities to its shareholders.

### **Audit Committee Members**

The Audit Committee will be comprised of at least three members, all of whom shall be directors of SpinCo 2. Whenever reasonably feasible members of the Audit Committee should be independent and shall have no direct or indirect material relationship with SpinCo 2. If less than a majority of the SpinCo 2 Board are independent, then a majority of the members of the Audit Committee may be made of members that are not independent of SpinCo 2, provided that there is an exemption in the applicable securities law, rule, regulation, policy or instrument (if any).

### **Relevant Education and Experience**

All of the SpinCo 2 Audit Committee members are experienced businessmen with experience in financial matters; each has a broad understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields of endeavour. In addition, each of the members of the SpinCo 2 Audit Committee has knowledge of the role of an audit committee in the realm of reporting companies. Set out below is a description of the education and experience of each member of the SpinCo 2 Audit Committee that is relevant to the performance of her or his responsibilities as an audit committee member.

John Lee	Mr. Lee has been an accredited investor in the resource industry since 2001. Mr. Lee is a CFA charter holder and has degrees in economics and engineering from Rice University
Greg Hall	As corporate director of several public companies since 2003, Mr. Hall has been involved in strategic planning, mergers and acquisitions, and investment decisions. Currently Mr. Hall is President and Director of Water Street Assets, Director of CanX CBD Processing and a Member of the Institute of Corporate Directors. Mr. Hall is a graduate of the Rotman School of Management, University of Toronto, SME Enterprise Board Program, and a Member of the Institute of Corporate Directors
Harald Batista	Mr. Batista is an accomplished entrepreneur with over two decades of international sales and marketing experience. He previously served as a director of the Company. He holds an MBA degree from Santa Clara University in California.

### **Pre-Approved Policies and Procedures for Non-Audit Services**

SpinCo 2’s Audit Committee Charter requires that management seek approval from the SpinCo 2 Audit Committee of all non-audit services to be provided to SpinCo 2 or any of its subsidiaries by SpinCo 2’s external auditor, prior to engaging the external auditor to perform those non-audit services.

### **External Auditor Service Fees**

Since SpinCo 2’s incorporation on September 17, 2021, no fees, audit or otherwise, have been billed to SpinCo 2 by its auditor, Davidson & Company LLP.

## Reliance on Exemption

As SpinCo 2 is an “IPO venture issuer” for purposes of applicable securities legislation, SpinCo 2 is relying on the exemption in Section 6.1 of NI 52-110 from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*).

## PROMOTERS

The Company took the initiative of founding and organizing SpinCo 2 and its business and operations and, as such, may be considered to be the promoter of SpinCo 2 for the purposes of applicable securities legislation. As at the date of the Circular, the Company is the sole (100%) shareholder of SpinCo 2 and has transferred or will transfer assets to SpinCo 2 to hold and operate the Gibellini Vanadium Property and as contemplated by the terms of the Arrangement. See in this Appendix “E”, “*General Development of SpinCo 2’s Business*”, “*Material Properties*” and “*Prior Sales*”. See also in the Circular, “*The Meeting — The Arrangement*”, “*The Meeting— Reasons for the Arrangement*”.

During the 10 years prior to the date of the Circular, the Company has not been subject to:

- (b) a cease trade order (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person is named in the order), or
- (c) an order similar to a cease trade order, or
- (d) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for a period of more than 30 consecutive days; nor has the Company been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; nor has the Company become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold its assets.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

### Legal Proceedings

SpinCo 2 is not aware of any material legal proceedings to which SpinCo 2 or a proposed subsidiary is a party or to which the Gibellini Vanadium Property is subject, nor is SpinCo 2 aware that any such proceedings are contemplated.

### Regulatory Actions

There are currently no: (a) penalties or sanctions imposed against SpinCo 2 by a court relating to securities legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against SpinCo 2 that would likely be considered important to a reasonable investor in making an investment decision in SpinCo 2; and (c) settlement agreements SpinCo 2 entered into before a court relating to securities legislation or with a securities regulatory authority since SpinCo 2 was incorporated.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since SpinCo 2’s incorporation, no director, executive officer, or shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding SpinCo 2 Shares, or any known associates or affiliates of such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect SpinCo 2 other than the Company in connection with SpinCo 2’s incorporation (see in this Appendix “E” “*Corporate Structure*” and

“Promoters”), the entering into of the Arrangement Agreement (see in the Circular, “*The Meeting — The Arrangement*”), and the transfer of assets to SpinCo 2 in connection with the Arrangement (see in this Appendix “E”, “*General Development of SpinCo 2’s Business*”). See also in this Appendix “E”, “*Material Contracts*” below.

Certain directors and officers of the Company are also the directors and officers of SpinCo 2. See in the Circular under the heading “*The Meeting — Background to the Arrangement*”, “*The Meeting — Recommendation of the Board*”, “*The Meeting — Reasons for the Arrangement*”.

#### **AUDITOR**

The auditor of SpinCo 2 is Davidson & Company LLP of Vancouver, British Columbia.

#### **TRANSFER AGENT AND REGISTRAR**

The registrar and transfer agent of SpinCo 2 and for the SpinCo 2 Shares is Computershare Investor Services Inc. with offices at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3A8 Canada.

#### **INTERESTS OF EXPERTS**

Davidson & Company LLP, the auditor of SpinCo 2, has confirmed that it is independent with respect to SpinCo 2 within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Certain legal matters relating to the Arrangement and SpinCo 2 will be passed upon by MLT Aikins LLP of Vancouver, British Columbia, legal counsel to SpinCo 2.

The disclosure with respect to the Gibellini Vanadium Property in this Appendix is based on the Gibellini Vanadium Technical Report prepared by the Authors on behalf of Mercator.

None of the aforementioned persons nor any directors, officers, employees or partners, as applicable, of each of the aforementioned companies and partnerships, has received or will receive as a result of the Arrangement a direct or indirect interest in a property of SpinCo 2 or any associate or affiliate of SpinCo 2, nor is currently expected to be elected, appointed or employed as a director, officer or employee of SpinCo 2 or any associate or affiliate of SpinCo 2.

#### **MATERIAL CONTRACTS**

Pursuant to the Arrangement, SpinCo 2 will acquire the Company’s interest in the Gibellini Vanadium Property by way of the Spinout 2 Asset Contribution Agreement; which will be filed on SpinCo 2’s SEDAR profile at [www.sedar.com](http://www.sedar.com) in due course.

#### **OTHER MATERIAL FACTS**

There are no other material facts other than as disclosed herein.

#### **FINANCIAL STATEMENTS**

See in this Circular “*Selected Financial Information — Financial Statements*” and Appendices “H” and “J”.

## SCHEDULE 1

1324825 B.C. Ltd.  
(the "Company")

### AUDIT COMMITTEE CHARTER

The Audit Committee will be governed by the following charter:

#### 1.0 Purpose of the Committee

1.1 The purpose of the Audit Committee is to assist the Board of Directors in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

#### 2.0 Members of the Audit Committee

2.1 At least one Member must be "financially literate" as defined under MI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

2.2 The Audit Committee shall consist of no less than three Directors. 2.3 At least one Member of the Audit Committee shall be "independent" as defined under MI 52-110, while the Company is in the developmental stage of its business.

#### 3.0 Relationship with External Auditors

3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

3.4 The Audit Committee will have direct communications access at all times with the external auditors.

#### 4.0 Non-Audit Services

4.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit Committee must consider that the benefits to the Company from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.

4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Company:

- (i) acting as an agent of the Company for the sale of all or substantially all of the undertaking of the Company; and
- (ii) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.



## **5.0 Appointment of Auditors**

5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

## **6.0 Evaluation of Auditors**

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

## **7.0 Remuneration of the Auditors**

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

## **8.0 Termination of the Auditors**

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

## **9.0 Funding of Auditing and Consulting Services**

9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

## **10.0 Role and Responsibilities of the Internal Auditor**

10.1 At this time, due to the Company's size and limited financial resources, the Chief Financial Officer of the Company shall be responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

## **11.0 Oversight of Internal Controls**

11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

## **12.0 Continuous Disclosure Requirements**

12.1 At this time, due to the Company's size and limited financial resources, the Chief Financial Officer of the Company is responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

## **13.0 Other Auditing Matters**

13.1 The Audit Committee may meet with the external auditors independently of the management of the Company at any time, acting reasonably.

13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

**14.0 Annual Review**

14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

**15.0 Independent Advisers**

15.1 The Audit Committee shall have the power to retain legal, accounting or other advisers.

**APPENDIX "F"**  
**INFORMATION CONCERNING SPINCO 3**

(see attached)

## APPENDIX “F”

### Information Concerning SpinCo 3

The following describes the proposed business of SpinCo 3, following the completion of the Arrangement and should be read together with the financial statements of SpinCo 3 attached hereto as Appendix “K”. Except where the context otherwise requires, all of the information contained in this Appendix is made on the basis that the Arrangement.

Unless the context otherwise requires, all references in this Appendix to “SpinCo 3” or “RoyaltyCo” means “Battery Metals Royalties Corp.”. Certain other terms used in this Appendix that are not otherwise defined herein are defined under “Glossary of Terms” in the Circular to which this Appendix is attached.

### CORPORATE STRUCTURE

#### Name and Incorporation

SpinCo 3 was incorporated as “Battery Metals Royalties Corp.” under the BCBCA on July 9, 2021. Prior to the Effective Date of the Arrangement, SpinCo 3 will not carry on any business except as contemplated by the Arrangement.

SpinCo 3’s head office and registered and records office are located at Suite 1610 – 409 Granville Street, Vancouver, BC V6C 1T2.

### GENERAL DEVELOPMENT OF THE BUSINESS

SpinCo 3 is not currently a reporting issuer and the SpinCo 3 Shares are not listed on any stock exchange. If the Arrangement is completed, SpinCo 3 expects that it will be a reporting issuer in all of the provinces and territories of Canada other than Quebec. It is anticipated that application will be made for the listing of the SpinCo 3 Shares on the TSXV. Any listing of the SpinCo 3 Shares will be subject to meeting TSXV initial listing requirements and there is no assurance such a listing will be obtained. Following the Arrangement SpinCo 3 will be an investment issuer focused on acquiring royalty interest and investments in mineral exploration companies. Its initial royalty interests will be the Royalties and its initial investments will be its interests in NickelCo and VanadiumCo.

### DESCRIPTION OF THE BUSINESS

#### General

Currently, SpinCo 3 has no assets or operations. After the Effective Date, SpinCo 3 will own and hold the Spinout 3 Assets. The Spinout 3 Assets to be acquired by SpinCo 3 pursuant to the Arrangement include the Company’s interest in Royalties below, all of which will be transferred from the Company to SpinCo 3 pursuant to the Arrangement Agreement in exchange for SpinCo 3 Shares:

1. The royalty agreement between Ilumina Silver Mining Corp. (“**Ilumina**”) and the Company dated August 25, 2021 (the “**Ilumina Royalty Agreement**”);
2. The royalty interest agreement dated August 25, 2021 (the “**Minago Royalty Agreement**”);
3. The royalty agreement between Nevada Vanadium Mining Corp. (“**Nevada Vanadium**”) and the Company dated August 25, 2021 (the “**Nevada Vanadium Royalty Agreement**”);
4. The royalty interest agreement dated August 25, 2021 (the “**Titan Royalty Agreement**”); and
5. The royalty agreement between Asia Mines Inc. (“**Asia Mines**”) and the Company dated August 25, 2021 (the “**Asia Mines Royalty Agreement**” and together with the Ilumina Royalty Agreement, Minago Royalty Agreement, Nevada Vanadium Royalty Agreement, Titan Royalty Agreement, the “**Spinout 3 Royalty Agreements**”).

### **Ilumina Royalty Agreement**

Pursuant to the Ilumina Royalty Agreement, Ilumina has granted and agreed to pay, in each fiscal quarter where the average price per ounce of silver, as reported on the Nominated Metals Exchange or Substitute Metals Exchange in the event such pricing is not reported on the Nominated Metals Exchange, exceeds \$30.00, to the Company, a royalty equal to two per cent (2%) of returns in respect of all mineral products produced from the certain mineral leases in Bolivia which comprise part of the Company's Pulacayo, Paca and Sanawayo in Bolivia after the commencement of commercial production (the "**Ilumina Royalty**"). Each royalty payment will be provisional and subject to adjustment in accordance with the Ilumina Royalty Agreement.

### **Minago Royalty Agreement**

Pursuant to the Minago Royalty Agreement, the Company has granted and agreed to pay, in each fiscal quarter where the average price per pound of nickel as reported on the Nominated Metals Exchange or Substitute Metals Exchange in the event such pricing is not reported on the Nominated Metals Exchange exceeds \$15.00, to the Company, a royalty equal to two per cent (2%) of returns in respect of all mineral products produced from the Minago Property (as defined and described in Schedule "E" of this Circular) after the commencement of commercial production (the "**Minago Royalty**"). Each royalty payment will be provisional and subject to adjustment in accordance with the Minago Royalty Agreement.

For further details with respect to the Minago Property, see Schedule "D" of this Circular.

### **Nevada Vanadium Royalty Agreement**

Pursuant to the Nevada Vanadium Royalty Agreement, Nevada Vanadium has granted and agreed to pay, in each fiscal quarter where the average V2O5 Vanadium Pentoxide Flake 98% price per pound as reported on the Nominated Metals Exchange or Substitute Metals Exchange in the event such pricing is not reported on the Nominated Metals Exchange exceeds \$12.00, to the Company, a royalty equal to two per cent (2%) of returns in respect of all mineral products produced from the Gibellini Vanadium Property (as defined and described in Schedule "F" of this Circular) after the commencement of commercial production (the "**Nevada Vanadium Royalty**"). Each royalty payment will be provisional and subject to adjustment in accordance with the Nevada Vanadium Royalty Agreement.

For further details with respect to the Gibellini Vanadium Property, see Schedule "E" of this Circular.

### **Titan Royalty Agreement**

Pursuant to the Titan Royalty Agreement, the Company has granted and agreed to pay, in each fiscal quarter where the average V2O5 Vanadium Pentoxide Flake 98% price per pound as reported on the Nominated Metals Exchange or Substitute Metals Exchange in the event such pricing is not reported on the Nominated Metals Exchange exceeds \$12.00, to the Company, a royalty equal to two per cent (2%) of returns in respect of all mineral products produced from the Titan property, a vanadium-titanium-iron project located in Ontario, Canada, after the commencement of commercial production (the "**Titan Royalty**"). Each royalty payment will be provisional and subject to adjustment in accordance with the Titan Royalty Agreement.

### **Asia Mines Royalty Agreement**

Pursuant to the Asia Mines Royalty Agreement, Asia Mines has granted and agreed to pay, a royalty equal to: (i) two per cent (2%) of returns in respect of all mineral products, other than coal produced from the Ulaan Ovoo Property in Mongolia after the commencement of commercial production; and (ii) in respect of coal, \$2.00 per tonne of coal extracted from the Ulan Ovoo Property in Mongolia (the "**Asian Mines Royalty**" and together with the Ilumina Royalty, Minago Royalty, Nevada Vanadium Royalty and the Titan Royalty, the "**Spinout 3 Royalties**"). Each royalty payment will be provisional and subject to adjustment in accordance with the Asia Mines Royalty Agreement.

### **Interest in NickelCo and VanadiumCo**

Pursuant to the Arrangement, RoyaltyCo will receive approximately 23,130,033 SpinCo 1 Shares and 23,130,033 SpinCo 2 Shares, in each case representing approximately 46.3% of the outstanding SpinCo 1 and SpinCo 2 Shares

(before taking into account any SpinCo Financing. See Appendix “D” and Appendix “E” of this Circular for more information on NickelCo and VanadiumCo.

## RISK FACTORS

**An investment in SpinCo 3 Shares, as well as SpinCo 3’s prospects, are highly speculative due to the high-risk nature of its business and the present stage of its development. Shareholders of SpinCo 3 may lose their entire investment.** The risks described below are not the only ones facing SpinCo 3. Additional risks not currently known to SpinCo 3, or that SpinCo 3 currently deems immaterial, may also impair SpinCo 3’s operations. If any of the following risks actually occur, SpinCo 3’s business, financial condition and operating results could be adversely affected.

Shareholders should consult with their professional advisors to assess the Arrangement and their resulting investment in SpinCo 3. In evaluating SpinCo 3 and its business and whether to vote in favour of the Arrangement, Shareholders should carefully consider, in addition to the other information contained in the Circular and this Appendix “F” the risk factors which follow, as well as the risks associated with the Arrangement (see in the Circular “*The Meeting — Risks Associated with the Arrangement*”). These risk factors may not be a definitive list of all risk factors associated with the Arrangement, an investment in SpinCo 3 or in connection with SpinCo 3’s business and operations.

### **Additional Financing and Dilution**

**At present, SpinCo 3 does not have any available funds and SpinCo 3 is not anticipated to have any available funds at the time of completion of the Arrangement. Following the completion of the Arrangement, SpinCo 3 will need to complete a debt or equity financing in order to obtain the funds necessary to fund its business. There is no assurance that such a financing will be completed.** To obtain such funds, SpinCo 3 may sell additional securities including, but not limited to, its common shares or some form of convertible security, the effect of which would result in a substantial dilution of the equity interests of SpinCo 3’s shareholders.

### **Listing of SpinCo 3 Shares**

The SpinCo 3 Shares are not currently listed on any stock exchange. Although an application is expected to be made to the TSXV for listing of the SpinCo 3 Shares on the TSXV, there is no assurance when, or if, the SpinCo 3 Shares will be listed on the TSXV or on any other stock exchange. Until the SpinCo 3 Shares are listed on a stock exchange, shareholders of SpinCo 3 may not be able to sell their SpinCo 3 Shares. Even if a listing is obtained, ownership of SpinCo 3 Shares will involve a high degree of risk.

### **Qualification under the *Tax Act* for a Registered Plan**

If the SpinCo 3 Shares are not listed on a designated stock exchange in Canada before the due date for SpinCo 3’s first income tax return or if SpinCo 3 does not otherwise satisfy the conditions in the *Tax Act* to be a “public corporation”, the SpinCo 3 Shares will not be considered to be a qualified investment for a Registered Plan from their date of issue. Where a Registered Plan acquires a SpinCo 3 Share in circumstances where the SpinCo 3 Share is not a qualified investment under the *Tax Act* for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant under the Registered Plan, including that the Registered Plan may become subject to penalty taxes, the annuitant of such Registered Plan may be subject to a penalty tax or, in the case of a registered education savings plan, such plan may have its tax exempt status revoked.

### **Limited Business History**

SpinCo 3 has a short history of operations and has no history of earnings. The likelihood of success of SpinCo 3 must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. SpinCo 3 has limited financial resources and there is no assurance that funding will be available to it when needed. There is also no assurance that SpinCo 3 can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.



### **Risks of Ownership Interests in SpinCo 1 and SpinCo 2**

SpinCo 3, through its ownership of securities of SpinCo 1 and SpinCo 2, will be subject to the risks affecting these companies. For more information regarding the risks affecting SpinCo 1 and SpinCo 2 please refer to Appendix “D” and Appendix “E” of this Circular.

### **Sale of SpinCo 3 Shares by the Company as Funding for its Canadian withholding tax obligations, if required**

If the Company determines that a deemed dividend will arise as a consequence of the Arrangement, the Company will be entitled to deduct and withhold from any consideration payable or otherwise deliverable to a Shareholder that is not resident in Canada for Canadian tax purposes (including the SpinCo 3 Shares) such amounts as the Company is required, entitled or permitted to deduct and withhold under the Tax Act. To the extent that the Company is required to deduct and withhold from consideration that is not cash, including the SpinCo 3 Shares, the Company is entitled to liquidate such consideration to the extent necessary in order to fund its deduction, withholding and remittance obligations. Any such sales may negatively impact the trading price of the SpinCo 3 Shares where such shares are listed.

### **Dependence on Third-Party Operators**

SpinCo 3 is not and will not be directly involved in the exploration, development and production of minerals from, or the continued operation of, the mineral projects underlying the royalties or streams that are or may be held by SpinCo 3. The exploration, development and operation of such properties is determined and carried out by third party owners and operators thereof and any revenue that may be derived from SpinCo 3’s asset portfolio will be based on production by such owners and operators. Third party owners and operators will generally have the power to determine the manner in which the properties are exploited, including decisions regarding feasibility, exploration and development of such properties or decisions to commence, continue or reduce, or suspend or discontinue production from a property. The interests of third party owners and operators and those of SpinCo 3 may not always be aligned. As an example, it will usually be in the interest of SpinCo 3 to advance development and production on properties as rapidly as possible, in order to maximize near-term cash flow, while third party owners and operators may take a more cautious approach to development, as they are exposed to risk on the cost of exploration, development and operations. Likewise, it may be in the interest of owners and operators to invest in the development of, and emphasize production from, projects or areas of a project that are not subject to royalties, streams or similar interests that are or may be held by SpinCo 3. The inability of SpinCo 3 to control or influence the exploration, development or operations for the properties in which SpinCo 3 holds or may hold royalties or streams may have a material adverse effect on SpinCo 3’s business, results of operations and financial condition. In addition, the owners or operators may take action contrary to SpinCo 3’s policies or objectives; be unable or unwilling to fulfill their obligations under their agreements with SpinCo 3; or experience financial, operational or other difficulties, including insolvency, which could limit the owner or operator’s ability to advance such properties or perform its obligations under arrangements with SpinCo 3. SpinCo 3 may not be entitled to any compensation if the properties in which it holds or may hold royalties or streams discontinue exploration, development or operations on a temporary or permanent basis. The owners or operators of the projects in which SpinCo 3 holds an interest may, from time to time, announce transactions, including the sale or transfer of the projects or of the operator itself, over which SpinCo 3 has little or no control. If such transactions are completed, it may result in a new operator, which may or may not explore, develop or operate the project in a similar manner to the current operator, which may have a material adverse effect on SpinCo 3’s business, results of operations and financial condition. The effect of any such transaction on SpinCo 3 may be difficult or impossible to predict.

### **Royalties or streams may not be honoured by operators of a project**

Royalties and streams are typically contractually based. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. Non-performance by SpinCo 3’s counterparties may occur if such counterparties find themselves unable to honor their contractual commitments due to financial distress or other reasons. In such circumstances, SpinCo 3 may not be able to secure similar agreements on as competitive terms or at all. No assurance can be given that SpinCo 3’s financial results will not be adversely affected by the failure of a counterparty or counterparties to fulfil their contractual obligations in the future. Such failure could have a material adverse effect on SpinCo 3’s business, results of operations and financial condition. To the extent grantors of royalties or streams that are or may be held by SpinCo 3 do not abide by their contractual obligations, SpinCo 3 may be forced to take legal action to enforce its contractual rights. Such litigation may be time

consuming and costly and, as with all litigation, no guarantee of success can be made. Should any such decision be determined adversely to SpinCo 3, it may have a material adverse effect on SpinCo 3 's business, results of operations and financial condition.

#### **Limited or no access to data or the operations underlying its interests**

SpinCo 3 is not, and will not be, the owner or operator of any of the properties underlying its current or future royalties or streams and has no input in the exploration, development or operation of such properties. Consequently, SpinCo 3 has limited or no access to related exploration, development or operational data or to the properties themselves. This could affect SpinCo 3's ability to assess the value of a royalty or similar interest. This could also result in delays in cash flow from that anticipated by SpinCo 3, based on the stage of development of the properties underlying its royalties and similar interests. SpinCo 3's entitlement to payments in relation to such interests may be calculated by the royalty payors in a manner different from SpinCo 3's projections and SpinCo 3 may not have rights of audit with respect to such interests. In addition, some royalties, streams or similar interests may be subject to confidentiality arrangements that govern the disclosure of information with regard to such interests and, as a result, SpinCo 3 may not be in a position to publicly disclose related non-public information. The limited access to data and disclosure regarding the exploration, development and production of minerals from, or the continued operation of, the properties in which SpinCo 3 has an interest may restrict SpinCo 3's ability to assess value, which may have a material adverse effect on SpinCo 3's business, results of operations and financial condition.

#### **Risks Faced by Owners and Operators**

To the extent that they relate to the exploration, development and production of minerals from, or the continued operation of, the properties in which SpinCo 3 holds or may hold royalties, streams or similar interests, SpinCo 3 will be subject to the risk factors applicable to the owners and operators of such mines or projects. Mineral exploration, development and production generally involves a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of metals, including weather related events, unusual and unexpected geology formations, seismic activity, environmental hazards and the discharge of toxic chemicals, explosions and other conditions involved in the drilling, blasting and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to property, injury or loss of life, environmental damage, work stoppages, delays in exploration, development and production, increased production costs and possible legal liability. Any of these hazards and risks and other acts of God could shut down such activities temporarily or permanently. Mineral exploration, development and production is subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability for the owners or operators thereof. The exploration for, and development, mining and processing of, mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. SpinCo 3 currently has royalty interests in various exploration-stage projects. While the discovery of mineral deposits may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that exploration or development programs planned by the owners or operators of the properties underlying royalties or streams that are or may be held by SpinCo 3 will result in profitable commercial mining operations. Whether a mineral deposit will be commercially viable depends on a number of factors, including cash costs associated with extraction and processing; the particular attributes of the deposit, such as size, grade and proximity to infrastructure; mineral prices, which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; and political stability. The exact effect of these factors cannot be accurately predicted but the combination of these factors may result in one or more of the properties underlying SpinCo 3's current or future interests not receiving an adequate return on invested capital. Accordingly, there can be no assurance the properties underlying SpinCo 3's interests will be brought into a state of commercial production.

#### **Dependence on future payments from owners and operators**

SpinCo 3 will be dependent to a large extent on the financial viability and operational effectiveness of owners and operators of the properties underlying the royalties or streams that are or may be held by SpinCo 3. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues. Payments may be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, recovery by the operators of expenses, the establishment by the operators of mineral reserves for such expenses or the

bankruptcy, insolvency or other adverse financial condition of the operator. SpinCo 3's rights to payment under royalties and similar interests must, in most cases, be enforced by contract without the protection of a security interest over property that SpinCo 3 could readily liquidate. This inhibits SpinCo 3's ability to collect outstanding royalties in the event of a default. In the event of a bankruptcy, insolvency or other arrangement of an operator or owner, SpinCo 3 will be treated like any other unsecured creditor, and therefore have a limited prospect for full recovery of royalty or similar revenue.

### **Security over Underlying Assets**

There is no guarantee that SpinCo 3 will be able to effectively enforce any guarantees, indemnities or other security interests it may have. Should a bankruptcy or other similar event occur that precludes a counterparty from performing its obligations under an agreement with SpinCo 3, SpinCo 3 would have to enforce its security interest. In the event that the counterparty has insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities owed to SpinCo 3. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on SpinCo 3. In addition, because the counterparty may be owned and operated by foreign affiliates, SpinCo 3's security interests may be subject to enforcement and insolvency laws of foreign jurisdictions that vary significantly, and SpinCo 3's security interests may not be enforceable as anticipated. Further, there can be no assurance that any judgments obtained in any local court will be enforceable in those jurisdictions. If SpinCo 3 is unable to enforce its security interests, there may be a material adverse effect on SpinCo 3.

### **Unknown defects and impairments**

A defect in any business arrangement may arise to defeat or impair the claim of SpinCo 3 to such transaction, which may have a material adverse effect on SpinCo 3. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement SpinCo 3 enters into. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by SpinCo 3. Any impairment charges on SpinCo 3's carrying value of business arrangements could have a material adverse effect on SpinCo 3.

### **Commodities price risk**

The revenue derived by SpinCo 3 from its asset portfolio will be significantly affected by changes in the market price of the minerals underlying each of its royalty and streaming assets. Mineral prices fluctuate on a daily basis and are affected by numerous factors beyond the control of SpinCo 3, including levels of supply and demand or industrial development levels. While SpinCo 3 plans to mitigate this risk by diversifying the underlying commodities in its portfolio of royalties and streams, macro-level factors such as inflation and the level of interest rates, the strength of the U.S. dollar and geopolitical events in significant mining countries will impact mining and minerals industries overall. Such external economic factors are, in turn, influenced by changes in international investment patterns, monetary systems and political developments. Each of the minerals underlying the future portfolio of SpinCo 3 is a commodity, and is by its nature subject to wide price fluctuations and future material price declines could result in a decrease in revenue or, in the case of severe declines that cause a suspension or termination of production by relevant operators, a complete cessation of revenue from royalties, streams or similar interests that SpinCo 3 may hold. Any such price decline may have a material adverse effect on SpinCo 3's business, results of operations and financial condition.

### **Acquisition strategy**

As part of SpinCo 3's business strategy, it will seek to purchase a diversity of royalties, streams or similar interests from third party mining companies and others. In pursuit of such opportunities, SpinCo 3 may fail to select appropriate acquisition targets or negotiate acceptable arrangements, including arrangements to finance acquisitions. SpinCo 3 cannot ensure that it can complete any acquisition, transaction or business arrangement that it pursues, or is pursuing, on favourable terms or at all, or that any acquisition, transaction or business arrangement completed will ultimately benefit SpinCo 3.

### **Costs may influence return to SpinCo 3**

Net profit royalties and similar interests allow the operator to account for the effect of prevailing cost pressures on the project before calculating a royalty. These cost pressures typically include costs of labour, equipment, electricity, environmental compliance, and numerous other capital, operating and production inputs. Such costs will fluctuate in ways SpinCo 3 will not be able to predict, will be beyond the control of Resulting Issuer and can have a dramatic effect on the revenue payable on these royalties and similar interests. Any increase in the costs incurred by operators on applicable properties will likely result in a decline in the royalty revenue received by SpinCo 3. This, in turn, will affect overall revenue generated by SpinCo 3, which may have a material adverse effect on its business, results of operations and financial condition.

### **Compliance with laws.**

SpinCo 3's, owners' and operators' operations will be subject to various laws, regulations and guidelines. SpinCo 3 will endeavour to and cause its counterparties to comply with all relevant laws, regulations and guidelines. However, there is a risk that SpinCo 3's and its counterparties' interpretation of laws, regulations and guidelines, including applicable stock exchange rules and regulations, may differ from those of others, and SpinCo 3's and its counterparties' operations may not be in compliance with such laws, regulations and guidelines. In addition, achievement of SpinCo 3's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals required by SpinCo 3 or its counterparties may significantly delay or impact the development of SpinCo 3's business and operations, and could have a material adverse effect on the business, results of operations and financial condition of SpinCo 3. Any potential noncompliance could cause the business, financial condition and results of the operations of SpinCo 3 to be adversely affected. Further, any amendment to the applicable rules and regulations governing the activities of SpinCo 3 and its counterparties may cause adverse effects to SpinCo 3's operations. The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in any of the countries in which SpinCo 3 may operate could result in an increase in SpinCo 3's taxes, or other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in SpinCo 3's profits being subject to additional taxation or which could otherwise have a material adverse effect on SpinCo 3. Due to the complexity and nature of SpinCo 3's operations, various tax matters may be outstanding from time to time. If SpinCo 3 is unable to resolve any of these matters favourably, there may be a material adverse effect on SpinCo 3.

### **Anti-bribery and anti-corruption laws**

SpinCo 3 will be subject to anti-bribery and anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada) and the Foreign Corrupt Practices Act (United States). Failure to comply with these laws could subject SpinCo 3 to, among other things, reputational damage, civil or criminal penalties, other remedial measures and legal expenses, which may have a material adverse effect on SpinCo 3's business, results of operations and financial condition. It may not be possible for SpinCo 3 to ensure compliance with anti-bribery and anti-corruption laws in every jurisdiction in which its employees, agents or sub-contractors are located or may be located in the future. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under anti-bribery and anti-corruption laws, resulting in greater scrutiny and punishment of companies convicted of violating such laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third-party agents. If SpinCo 3 is the subject of an enforcement action or is otherwise in violation of such laws, it may result in significant penalties, fines and/or sanctions imposed on SpinCo 3, which may have a material adverse effect on SpinCo 3's business, results of operations and financial condition.

### **Rights of third parties.**

Some royalty, stream and similar interests that are or may be held by SpinCo 3 may be subject to buy-down right provisions, pursuant to which an operator may buy-back all or a portion of the stream or royalty; pre-emptive rights, pursuant to which parties have the right of first refusal or first offer with respect to a proposed sale or assignment of the stream or royalty; or claw back rights, pursuant to which the seller of a stream or royalty has the right to re-acquire the stream or royalty. The exercise of any such rights by the holders thereof may adversely affect the value of the applicable royalty, stream or similar interest of SpinCo 3.

### **Risks related to foreign jurisdictions**

The majority of the properties on which SpinCo 3 holds royalties or streams are located outside of Canada. The exploration, development and production of minerals from, or the continued operation of, these properties by their owners and operators are subject to the risks normally associated with conducting business in foreign countries. These risks include, depending on the country, nationalization and expropriation, social unrest and political instability, less developed legal and regulatory systems, uncertainties in perfecting mineral titles, trade barriers, exchange controls and material changes in taxation. These risks may, among other things, limit or disrupt the ownership, development or operation of properties, mines or projects in respect of which the royalties or streams that may be held by SpinCo 3, restrict the movement of funds, or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation. SpinCo 3's plan is to apply various methods to identify, assess and, where possible, mitigate these risks prior to entering into agreements to acquire royalties or streams. Such methods generally include conducting due diligence on the political, social, legal and regulatory systems and on the ownership, title and regulatory compliance of the properties subject to the royalties, streams or similar interests; engaging experienced local counsel and other advisors in the applicable jurisdiction; and negotiating where possible so that the applicable acquisition agreement contains appropriate protections, representations and/or warranties, in each case as SpinCo 3 deems necessary or appropriate in the circumstances, all applied on a risk-adjusted basis. Notwithstanding all of the foregoing, there can be no assurance, however, that SpinCo 3 will be able to identify or mitigate all risks relating to holding royalties, streams or similar interests in respect of properties, mines and projects located in foreign jurisdictions (including emerging markets), and the occurrence of any of the factors and uncertainties described above could have a material adverse effect on SpinCo 3's business, results of operations and financial condition.

### **Foreign currency risks**

While SpinCo 3 plans to report its financial results in Canadian Dollars, SpinCo 3's investments may be in other currencies and its royalty interests may be denominated and payable in other currencies. Accordingly, SpinCo 3 is exposed to foreign currency fluctuations. SpinCo 3 does not currently enter into any derivative contracts to reduce this exposure.

### **Current Global Financial Condition**

SpinCo 3 will be required to raise additional funds in the future for the development of its projects and other activities through the issuance of additional equity or debt. Current financial and economic conditions globally have been subject to increased uncertainties. Access to financing has been negatively affected by these economic uncertainties. These factors may affect the ability of SpinCo 3 to obtain equity and/or debt financing in the future and, if obtained, influence the terms available to SpinCo 3. If these increased levels of volatility and market turmoil continue, SpinCo 3 may not be able to secure appropriate debt or equity financing. If additional capital is raised by the issuance of shares from the treasury of SpinCo 3, shareholders may suffer dilution. Future borrowings by SpinCo 3 or its subsidiaries may increase the level of financial and interest rate risk to SpinCo 3 as SpinCo 3 will be required to service future indebtedness.

### **Environmental Risks and Hazards**

All phases of SpinCo 3's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect SpinCo 3's operations. Environmental hazards may exist on the properties which are unknown to SpinCo 3 at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

SpinCo 3 is not insured against most environmental risks. Insurance against environmental risks (including potential liability for pollution and other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. SpinCo 3 will periodically evaluate the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance.



Without such insurance, and if SpinCo 3 becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds SpinCo 3 has to pay such liabilities and result in bankruptcy. Should SpinCo 3 be unable to fund fully the remedial cost of an environmental problem, SpinCo 3 might be required to enter into interim compliance measures pending completion of the required remedy.

### **Litigation Risk**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit.

### **Dependence on Key Individuals**

SpinCo 3 is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on SpinCo 3. At this time, SpinCo 3 does not maintain key-person insurance on the lives of any of its key personnel. In addition, while certain of SpinCo 3's officers and directors have experience in the exploration of mineral producing properties, SpinCo 3 will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of SpinCo 3 or be available upon commercially acceptable terms.

### **Conflicts of Interest**

Some of the directors and officers of SpinCo 3 are directors and officers of other companies, some of which are in the same business as SpinCo 3. Some of SpinCo 3's directors and officers will continue to pursue the acquisition, exploration and, if warranted, the development of mineral resource properties on their own behalf and on behalf of other companies, and situations may arise where they will be in direct competition with SpinCo 3. SpinCo 3's directors and officers are required by law to act in the best interests of SpinCo 3. They may have the same obligations to the other companies in respect of which they act as directors and officers. Discharge of their obligations to SpinCo 3 may result in a breach of their obligations to the other companies and, in certain circumstances, this could expose SpinCo 3 to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of SpinCo 3. Such conflicting legal obligations may expose SpinCo 3 to liability to others and impair its ability to achieve its business objectives.

### **Fluctuation in Market Value of SpinCo 3 Shares**

Assuming the SpinCo 3 Shares are listed on the TSXV, the market price of the SpinCo 3 Shares, as a publicly traded stock, can be affected by many variables not directly related to the corporate performance of SpinCo 3, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of SpinCo 3 Shares in the future cannot be predicted. The lack of an active public market could have a material adverse effect on the price of SpinCo 3 Shares.

### **Substantial Number of Authorized but Unissued SpinCo 3 Shares**

SpinCo 3 has an unlimited number of common shares which may be issued by the board of directors of SpinCo 3 (the "**SpinCo 3 Board**") without further action or approval of SpinCo 3's shareholders. While the SpinCo 3 Board is required to fulfill its fiduciary obligations in connection with the issuance of such shares, SpinCo 3 Shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of SpinCo 3's shareholders.

See also in the Circular, "*The Meeting — Risks Associated with the Arrangement*".

## **AVAILABLE FUNDS AND PRINCIPAL PURPOSES**



## Principal Purposes

The following table summarizes expenditures anticipated by SpinCo 3 required to achieve its business objectives during the 12 months following completion of the Arrangement and the proposed listing of the SpinCo 3 Shares on the TSXV (see in this Appendix “F” - “*Business Objectives and Milestones*”, which follows).

<b>Principal purpose</b>	<b>Amount</b>
Obtain TSXV listing <sup>(1)</sup>	<b>\$50,000</b>
General and administrative expenses <sup>(2)</sup>	<b>\$500,000</b>
<b>TOTAL:</b>	<b>\$550,000</b>

Notes:

<sup>(1)</sup> Consists of filing fees, legal fees and audit fees.

<sup>(2)</sup> Includes estimated audit fees, legal fees, consulting fees and office administration expenses.

**At present, SpinCo 3 does not have any available funds and SpinCo 3 is not anticipated to have any available funds at the time of completion of the Arrangement. Following the completion of the Arrangement, SpinCo 3 will need to complete a debt or equity financing in order to obtain the funds necessary to fund its business. There is no assurance that such a financing will be completed. See “*Risks Associated with SpinCo 3*”**

## BUSINESS OBJECTIVES AND MILESTONES

Following completion of the Arrangement, SpinCo 3 intends to:

- Complete a financing in order to finance its operations as outlined in “Principal Purposes” above.
- Complete an application for listing of the SpinCo 3 Shares on the TSXV.

## SELECTED FINANCIAL INFORMATION

### Financial Statements

Included as Appendix “K” to this Circular are audited financial statements of SpinCo 3 for the period from incorporation until September 30, 2021, comprised of the statement of financial position, statement of changes in equity, statement of cash flows and notes to such statements.

The financial statements of SpinCo 3 were prepared in accordance with International Financial Reporting Standards.

### Selected Financial Statement Information

The following tables set out selected financial information in respect of SpinCo 3, all of which is qualified by the more detailed information contained in the audited financial statements of SpinCo 3 included as Appendix “K” to this Circular.

<b>Battery Metals Royalties Corp. Selected Financial Statement Information Statement of Financial Position</b>		<b>As at September 30, 2021 (audited)</b>
<b>Assets</b>		
Due from related party		\$1
<b>Total Assets</b>		<b>\$1</b>
<b>Equity</b>		
Share capital		\$1
<b>Total Equity</b>		<b>\$1</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Management Discussion and Analysis —period from incorporation to September 30, 2021

*The following Management's Discussion and Analysis ("MD&A") is as at November 14, 2021 and covers the period from SpinCo 3's incorporation to September 30, 2021. It includes financial information from, and should be read in conjunction with, the financial statements of the SpinCo 3 and the notes thereto, which are attached as Appendix "K" to the Circular, as well as the disclosure contained throughout this Appendix "F" and the Circular. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated.*

#### Overall Performance

SpinCo 3 was incorporated on July 9, 2021 and commenced business at that time. SpinCo 3's sole business focus has been to participate in the Arrangement. To that end, SpinCo 3 will enter into various agreements with the Company for the acquisition of the Royalties and shares of SpinCo 1 and SpinCo 2 (see in this Appendix "F" "General Development of SpinCo 3's Business – Spinout 3 Assets"). Other than these proposed acquisitions, SpinCo 3 has made no significant acquisitions or dispositions since incorporation.

Upon the completion of the Arrangement, SpinCo 3 is expected to seek capital to fund its business and obtain a listing on the TSXV.

As of the date of this MD&A, SpinCo 3's costs and operations have been funded, to date, by its sole shareholder, the Company. SpinCo 3 is expected to seek to raise additional funds through public or private equity funding, bank debt financing or from other sources.

#### Selected Financial Information

The following table sets forth selected financial information with respect to SpinCo 3, which information has been derived from and should be read in conjunction with the audited financial statements of SpinCo 3 for the period from its incorporation until September 30, 2021 (attached as Appendix "K" to the Circular).

<b><u>Financial Position</u></b>	<b>As at September 30, 2021 (audited)</b>
Total assets	\$1
Total liabilities	\$--
Shareholders' equity	\$1
Number of common shares outstanding <sup>(1)</sup>	1

<sup>(1)</sup> See in the Appendix “F” in “*Description of Securities Distributed*” and “*Prior Sales*”.

### **Significant Acquisitions and Significant Dispositions**

SpinCo 3 has made no significant acquisitions or dispositions since incorporation. See in this Appendix “F” “*General Development of SpinCo 3’s Business*”.

### **Results of Operations**

For the period ended September 30, 2021, SpinCo 3 had no revenues or expenses.

### **Liquidity and Capital Resources and Requirements**

To date SpinCo 3’s operations have been funded by the Company, its sole shareholder. As at September 30, 2021, SpinCo 3 had share capital of \$1 and working capital of \$1.

SpinCo 3 has no source of revenue, income or cash flow. It is, as of the date of this MD&A, wholly dependent upon its sole shareholder, the Company, for advance of funds. SpinCo 3 also needs to have adequate working capital for TSXV listing purposes, being sufficient funds to cover a minimum 12 months of general and administrative expenses. See in this Appendix “F”, “*Available Funds and Principal Purposes*” and “*Risks Associated With SpinCo 3*”.

### **Transactions with Related Parties**

SpinCo 3 will be party to the Arrangement Agreement pursuant to which it will acquire the Royalties and its interest in SpinCo 1 and SpinCo 2 (see in this Appendix “F”, “*General Development of SpinCo 3’s Business*”, “*Promoters*” and “*Interests of Management and Other in Material Transactions*”).

As at the date of the Circular, SpinCo 3 is the Company’s wholly-owned subsidiary and certain directors and officers of SpinCo 3 are also the directors and officers of the Company. See in this Appendix “F”, “*Directors and Executive Officers*”.

### **Proposed Transactions**

SpinCo 3 is expected to apply to the TSXV for listing of the SpinCo 3 Shares on the TSXV. Upon completion of the Arrangement and satisfaction of all of the outstanding listing requirements of the TSXV, management of SpinCo 3 anticipates SpinCo 3 will be a publicly traded investment issuer focused on acquiring royalty interest and investments in mineral exploration companies led by an experienced board of directors and management team and, in the view of its management, capitalization sufficient to achieve its business objectives in the near term.

In order to become effective, the Arrangement must be approved by a resolution passed by at least a 66 2/3% majority of the votes cast in respect of the Arrangement Resolution (as defined and the text of which is set out in Appendix “A” to the Circular) by Shareholders present in person or represented by proxy at the Meeting. The Arrangement must also be sanctioned by the Court, which will consider the fairness of the Arrangement to Shareholders. In addition, completion of the Arrangement is subject to customary closing conditions, all of which are described in the Circular. See in the Circular, “*The Meeting — The Arrangement*”. See also in this Appendix “F”, “*Business Objectives and Milestones*”.

Other than the Arrangement and the transactions proposed to be completed prior thereto, as at the date of this MD&A, SpinCo 3 has no proposed asset or business acquisitions or dispositions.

### **Disclosure of Outstanding Share Data**

SpinCo 3 has one class of shares outstanding, being common shares without par value (as previously defined herein, the “**SpinCo 3 Shares**”). As at the date of this MD&A and the date of the Circular, one (1) SpinCo 3 Share was issued and outstanding. See in this Appendix “F”, “*Description of Securities Distributed*”, “*Prior Sales*” and “*Consolidated Capitalization*”.

As of the date of this MD&A, SpinCo 3 has not granted any incentive awards under the SpinCo 3 Incentive Plan (as hereinafter defined), or otherwise, nor has it issued any other rights or securities to purchase SpinCo 3 Shares. The board of directors of SpinCo 3 Board does not intend to grant any incentive awards until such time following listing as the trading price of the SpinCo 3 Shares on the TSXV has stabilized such that a fair market value exercise price for options can be determined. See in this Appendix “F”, “*Options and Other Rights to Purchase Securities of SpinCo 3*”.

### Business Risks and Uncertainties

See in this Appendix “F”, “*Risks Associated with SpinCo 3*” for additional information, risks and uncertainties associated with SpinCo 3, its business and operations, and the SpinCo 3 Shares. In addition, see in the Circular, “*The Meeting — Risks Associated with the Arrangement*”.

### Contractual Obligations

SpinCo 3 presently has no contractual obligations other than as disclosed in the Circular and as disclosed in this Appendix “F” under “*General Development of SpinCo 3’s Business*”.

### Off-Balance Sheet Arrangements

SpinCo 3 does not have any off-balance sheet arrangements.

## DESCRIPTION OF CAPITAL STRUCTURE

### Authorized Capital

SpinCo 3’s authorized share capital consists of an unlimited number of common shares without par value, of which one SpinCo 3 Share (held by the Company) is issued and outstanding as fully paid and non-assessable as of the date of the Circular.

Assuming completion of the Arrangement pursuant to its terms it is anticipated that SpinCo 3 will have the following outstanding securities:

<u>Security</u>	<u>Reason for Issuance</u>	<u>Number</u>
SpinCo 3 Shares	Arrangement	80,000,000
	<ul style="list-style-type: none"> <li>• <i>Issuable to Shareholders<sup>(1)</sup></i></li> </ul>	<i>47,311,808</i>
	<ul style="list-style-type: none"> <li>• <i>To be held for issuance to holders upon exercise of outstanding warrants of the Company<sup>(2)</sup></i></li> </ul>	<i>3,222,626</i>
	<ul style="list-style-type: none"> <li>• <i>To be held for issuance to holders upon exercise of outstanding stock options of the Company<sup>(3)</sup></i></li> </ul>	<i>3,205,500</i>
	<ul style="list-style-type: none"> <li>• <i>To be held by the Company</i></li> </ul>	<i>26,260,066</i>
Options	SpinCo 3 Incentive Plan	Nil

#### Notes:

- (1) Based on: (i) 22,839,540 Common Shares of the Company outstanding (on a post-Consolidation basis) as of the date hereof; (ii) the Company issuing an additional 816,364 Common Shares (on a post-Consolidation basis) pursuant to a private placement financing prior to completion of the Arrangement; and (iii) Shareholders receiving two SpinCo 3 Shares for each Common Share of the Company outstanding at the Effective Time.
- (2) Based on 1,611,313 warrants of the Company outstanding (on a post-Consolidation basis) as of the date hereof. Pursuant to the Arrangement, holders of outstanding warrants of the Company will be entitled to receive, upon exercise of each warrant, in lieu of each Silver Elephant Common Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares. The Company is holding in trust these SpinCo 3 Shares for such issuance. Assumes no finder’s warrants are issued in connection with the Company’s private placement scheduled to close prior to completion of the Arrangement.
- (3) Based on 1,602,750 options of the Company outstanding (on a post-Consolidation basis) as of the date hereof Pursuant to the Arrangement, holders of outstanding options of the Company will be entitled to receive, upon exercise of each option, in lieu of each Silver Elephant Common Share to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of New Silver Elephant Shares, SpinCo1 Shares, SpinCo 2 Shares and SpinCo 3 Shares which the holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately

prior to the Effective Time, such holder had been the registered holder of the number of Silver Elephant Shares. The Company is holding in trust these SpinCo 3 Shares for such issuance.

### **SpinCo 3 Shares**

SpinCo 3 Shares are not subject to any future call or assessment and do not have any pre-emptive, conversion or redemption rights, and all have equal voting rights. There are no special rights or restrictions of any nature attached to any of the SpinCo 3 Shares, all of which rank equally as to all benefits which might accrue to the holders of the SpinCo 3 Shares. All holders of SpinCo 3 Shares are entitled to receive a notice of any general meeting to be convened by SpinCo 3. At any general meeting of SpinCo 3, subject to the restrictions on joint registered owners of SpinCo 3 Shares, every Shareholder has one vote for each SpinCo 3 Share of which he or she is the registered owner. Voting rights may be exercised in person or by proxy.

The holders of SpinCo 3 Shares are entitled to share pro rata in any: (i) dividends if, as and when declared by the SpinCo 3 Board, and (ii) such assets of SpinCo 3 as are distributable to shareholders upon liquidation of SpinCo 3. The aggregate SpinCo 3 Shares outstanding upon completion of the Arrangement will be fully paid and non-assessable.

### **Warrants**

As of the date of this Circular, SpinCo 3 does not have any warrants outstanding. At the Effective Time it is anticipated that no warrants of SpinCo 3 will be outstanding.

### **Stock Options and SARs**

As of the date of the Circular, SpinCo 3 does not have any SpinCo 3 Options or SpinCo 3 SARs outstanding. At the Effective Time it is anticipated that no such awards of SpinCo 3 will be outstanding.

SpinCo 3 has adopted the SpinCo 3 Incentive Plan (see in this Appendix “F”, “*Options and Other Rights to Purchase Securities of SpinCo 3 — SpinCo 3 Incentive Plan*”). The SpinCo 3 Board does not intend to grant any incentive awards until such time following listing of the SpinCo 3 Shares on the TSXV that the trading price of the SpinCo 3 Shares has stabilized such that a fair market value exercise price for awards can be determined. At the Meeting, Shareholders will be asked to consider and if advisable approve the SpinCo 3 Incentive Plan. See in this Appendix “F” — *SpinCo 3 Incentive Plan*.

### **Listing of SpinCo 3 Shares**

It is expected that an application will be made for the listing of the SpinCo 3 Shares on the TSXV. Listing will be subject to SpinCo 3 fulfilling all the initial listing requirements of the TSXV. There can be no assurances as to if, or when, the SpinCo 3 Shares will be listed or traded on the TSXV, or any other stock exchange.

**As at the date of the Circular, there is no market through which the SpinCo 3 Shares to be distributed pursuant to the Arrangement may be sold and Shareholders may not be able to resell the SpinCo 3 Shares to be distributed to them pursuant to the Arrangement. This may affect the pricing of the SpinCo 3 Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the SpinCo 3 Shares, and the extent of issuer regulation.**

As at the date of the Circular, SpinCo 3 does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the TSX, a U.S. marketplace, or a marketplace outside Canada and the United States of America.

See in this Appendix “F”, “*Risks Associated with SpinCo 3*”.

### **DIVIDENDS**

SpinCo 3 has not paid dividends since its incorporation. While there are no restrictions precluding SpinCo 3 from paying dividends, it has no source of cash flow and anticipates using all available cash resources toward its stated business objectives. At present, SpinCo 3’s policy is to retain earnings, if any, to finance its business operations. The

SpinCo 3 Board will determine if and when dividends should be declared and paid in the future based on SpinCo 3's financial position at the relevant time.

### CONSOLIDATED CAPITALIZATION

The following table sets out the share and loan capital of SpinCo 3. The table should be read in conjunction with the the other disclosure contained in this Appendix "F" and in the Circular. See also in this Appendix "F", "*Description of Securities Distributed*" and "*Prior Sales*".

Capital	Authorized	Amount outstanding as of September 30, 2021 <sup>(1)</sup>	Amount outstanding as of the Information Circular <sup>(1)</sup>	Amount outstanding assuming completion of the Arrangement <sup>(2) (3) (4)(5)</sup>
SpinCo 3 Shares	Unlimited	1 Share	1 Share	80,000,000 Shares
Long term debt	N/A	Nil	Nil	Nil

Notes:

- (1) See in this Appendix "F", "*Prior Sales*".
- (2) Represents the aggregate of the number of SpinCo 3 Shares issuable under the Arrangement.
- (3) Assumes no Options or Warrants are exercised prior to the Effective Date. This number would increase to 96,428,126 if all the Options and Warrants were exercised prior to the Effective Date.
- (4) After the Effective Date, once the SpinCo 3 Shares are issued to the Shareholders, the one (1) common share outstanding as of the date of the Circular will be cancelled.

### OPTIONS TO PURCHASE SECURITIES

#### SpinCo 3 Incentive Plan

The SpinCo 3 Board, with the approval of the Company, SpinCo 3's sole shareholder, has adopted a stock option incentive plan (the "**SpinCo 3 Incentive Plan**") that will be implemented upon acceptance by: (i) the Securityholders at the Meeting and (ii) the TSXV in conjunction with the proposed listing of the SpinCo 3 Shares on the TSXV. The SpinCo 3 Incentive Plan is a rolling incentive plan that sets the number of SpinCo 3 Shares issuable under the SpinCo 3 Incentive Plan at a maximum of 10% of the SpinCo 3 Shares issued and outstanding at the time of any grant under the SpinCo 3 Incentive Plan. As of the date of the Circular, SpinCo 3 has not granted any SpinCo 3 Options or SpinCo 3 SARs under the SpinCo 3 Incentive Plan, or otherwise, nor has it issued any other rights or securities to purchase SpinCo 3 Shares. The SpinCo 3 Board does not intend to grant any incentive awards until such time following listing of the SpinCo 3 Shares on the TSXV that the trading price of the SpinCo 3 Shares on the TSXV has stabilized, such that a fair market value exercise price for options can be determined.

#### Summary of the SpinCo 3 Incentive Plan

The SpinCo 3 Incentive Plan reserves for issuance a maximum of 10% of the SpinCo 3 Shares at the time of a grant of SpinCo 3 Options and SpinCo 3 SARs under the SpinCo 3 Incentive Plan. The SpinCo 3 Incentive Plan will be administered by the SpinCo 3 Board and provide for grants of non-transferable SpinCo 3 Options and SpinCo 3 SARs under the SpinCo 3 Incentive Plan at the discretion of the SpinCo 3 Board, to directors, officers, employees, management company employees of, or consultants to, SpinCo 3 and its subsidiaries, or their permitted assigns (each an "**Eligible Person**"). Bonus Shares (as defined below) shall not form of the 10% limit.

In addition, the following restrictions apply to the number of SpinCo 3 Options and SpinCo 3 SARs:

- (a) the number of SpinCo 3 Shares reserved for issuance pursuant to the SpinCo 3 Incentive Plan (together with those SpinCo 3 Shares which may be issued pursuant to any other security-based compensation arrangement of SpinCo 3 or options for services granted by SpinCo 3) to any one person shall not exceed 5% of the SpinCo 3 Shares outstanding on a non-diluted basis on the date of grant;
- (b) the number of securities issuable to insiders, at any time, under all security-based compensation arrangements, cannot exceed 10% of issued and outstanding securities of the SpinCo 3 Shares; and



- (c) the number of securities issued to insiders, within any one-year period, under all security-based compensation arrangements, cannot exceed 10% of issued and outstanding securities of SpinCo 3.

In the event the SpinCo 3 Shares are listed on the TSXV, the following limits will also apply:

- (i) the aggregate number of SpinCo 3 Shares reserved for issuance pursuant to SpinCo 3 Options granted to any one person (including any holding company of such person) in any twelve month period may not exceed 5% of the issued and outstanding SpinCo 3 Shares;
- (ii) the aggregate number of SpinCo 3 Shares reserved for issuance pursuant to SpinCo 3 Options granted to insiders, as a group, at any point in time, may not exceed 10% of the issued and outstanding SpinCo 3 Shares;
- (iii) the aggregate number of SpinCo 3 Shares reserved for issuance pursuant to SpinCo 3 Options granted to insiders, as a group, within a twelve month period, may not exceed 10% of the issued and outstanding SpinCo 3 Shares calculated at the date a SpinCo 3 Option is granted to any Insider;
- (iv) the aggregate number of SpinCo 3 Shares reserved for issuance pursuant to SpinCo 3 Options granted to any one consultant in any twelve month period, may not exceed 2% of the issued and outstanding SpinCo 3 Shares;

The exercise price of options granted under the SpinCo 3 Incentive Plan will be determined by the SpinCo 3 Board. Following listing of the SpinCo 3 Shares on the TSXV, the exercise price must not be lower than the last closing sales price for the common shares as quoted on the TSXV for the market trading day immediately prior to the date of grant of the option, less any discount permitted by the TSXV.

Options to acquire more than 2% of the issued and outstanding SpinCo 3 Shares may not be granted to any one consultant in any 12-month period and options to acquire more than an aggregate of 2% of the issued and outstanding SpinCo 3 Shares may not be granted to persons employed to provide Investor Relations Activities (as such term is defined by the policies of the TSXV) in any 12-month period.

The term of any options granted under the SpinCo 3 Incentive Plan will be fixed by the SpinCo 3 Board and may not exceed ten years. Should an Eligible Person cease to qualify as an Eligible Person under the SpinCo 3 Incentive Plan prior to expiry of the term of their respective options, those options will terminate at the earlier of (i) the end of the period of time permitted for exercise of the option or, (ii) one year after the option holder ceases to be an Eligible Person for any reason other than death, disability or just cause. If an option holder providing Investor Relations Activities ceases to provide such Investor Relations Activities to SpinCo 3, options granted to such option holder will expire on the 30th day after such cessation. If such cessation as an Eligible Person is on account of disability or death, the options terminate on the first anniversary of such cessation, and if it is on account of termination of employment for just cause, the options terminate immediately. In the circumstance where the end of the term of a SpinCo 3 Option falls within, or within ten business days after the end of, a “black out” or similar period imposed under any insider trading policy or similar policy of SpinCo 3 (but not, for greater certainty, a restrictive period resulting from the SpinCo 3 or its insiders being the subject of a cease trade order of a securities regulatory authority), the end of the term of such SpinCo 3 Option shall be the tenth business day after the earlier of the end of such black out period or, provided the blackout period has ended, the expiry date for such SpinCo 3 Option.

The SpinCo 3 Incentive Plan also provides for adjustments to outstanding options in the event of alteration in the capital structure of SpinCo 3, merger or amalgamation involving SpinCo 3 or SpinCo 3’s entering into a plan of arrangement. Moreover, upon a change of control, all options outstanding under the SpinCo 3 Incentive Plan shall become immediately exercisable.

The directors of SpinCo 3 may, at their discretion at the time of any grant, impose a schedule over which period of time options will vest and become exercisable by the optionee; however, for so long as the SpinCo 3 Shares are listed on the TSXV, options granted to persons performing Investor Relations Activities must vest in stages over a 12-month period with no more than one quarter of the options vesting in any three month period.

In addition, pursuant to the SpinCo 3 Incentive Plan, SpinCo 3 shall have the right to issue, or reserve for issuance, for no cash consideration, to any Eligible Person, as compensation or a discretionary bonus, any number of SpinCo 3

Shares (“**Bonus Shares**”) as SpinCo 3 Board may determine. The price at which such Bonus Shares are issued shall be equal to the market price. Notwithstanding any other term herein, and for avoidance of doubt, the total maximum number of Bonus Shares issuable pursuant to the SpinCo 3 Incentive Plan in any one financial year is equal to 5% of the issued and outstanding SpinCo 3 Common Shares as at the end of the most recently completed financial year.

The SpinCo 3 Board shall have the right to grant to any Eligible Person SpinCo 3 SARs, with the specific terms and conditions thereof to be as provided in the SpinCo 3 Incentive Plan and in the certificate entered into in respect of such grant. A SpinCo 3 SAR shall entitle the participant to receive from SpinCo 3 the number of SpinCo 3 Shares, disregarding fractions, as determined on the following basis:

<b>Number of SpinCo 3 Shares</b>	<b>Number of Stock Appreciation Rights x (Market Price – SAR Exercise Price) / Market Price</b> , less any amount withheld on account of income taxes
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The exercise price per SpinCo 3 Share under each SpinCo 3 SAR (“**SAR Exercise Price**”) shall be the fair market value of the SpinCo 3 Shares, expressed in terms of money, as determined by the SpinCo 3 Board in its sole discretion, provided that such price may not be less than the SpinCo 3 SAR fair market value or such other minimum price as may be permitted under the applicable rules and regulations of all regulatory authorities to which SpinCo 3 is subject, including the TSX, TSXV or any other stock exchange.

Subject to any required approval of the TSXV, the SpinCo 3 Board may terminate, suspend or amend the terms of the SpinCo 3 Incentive Plan, provided that for certain amendments, the SpinCo 3 Board must obtain shareholder approval, and, where required, Disinterested Shareholder Approval (as such term is defined in the SpinCo 3 Incentive Plan).

TSXV policy requires that the SpinCo 3 Incentive Plan be approved and ratified by SpinCo 3’s shareholders and submitted to the TSXV for acceptance on an annual basis. Further shareholder approval will not be required for option grants made in accordance with the SpinCo 3 Incentive Plan, except in certain circumstances as required by the policies of the TSXV.

The SpinCo 3 Board shall have the power to, without shareholder approval, at any time and from time to time, either prospectively or retrospectively, amend, suspend, or terminate the SpinCo 3 Incentive Plan or any award granted thereunder, including, without limiting the generality of the foregoing, changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the SpinCo 3 Plan, and changes regarding the vesting or other terms of awards, provided, however that:

- (a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the SpinCo 3 Shares are listed;
- (b) no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing rights of a recipient with respect to any then outstanding award, as determined by the Board acting in good faith, without his or her consent in writing;
- (c) the SpinCo 3 Board shall obtain shareholder approval (including Disinterested Shareholder Approval if required by TSXV Policies) of the following:
  - (i) any amendment to the maximum number of SpinCo 3 Shares in respect of which awards may be granted under the SpinCo 3 Plan (other than pursuant to Section 2.2 of the SpinCo 3 Incentive Plan);
  - (ii) any amendment that would reduce the exercise price of an outstanding awards held by an insider (other than pursuant to Section 2.2 of the SpinCo 3 Incentive Plan);
  - (iii) any amendment that would extend the term of any award granted under the of the SpinCo 3 Incentive Plan beyond the expiry date, if that extension would benefit an insider of SpinCo 3;
  - (iv) any cancellation and re-issue of awards;

- (v) any amendment which would permit awards granted under the SpinCo 3 Incentive Plan to be transferable or assignable other than for normal estate settlement purposes; and
- (vi) any amendment to the amendment provisions.

See “*Particulars of Other Matters to be Acted Upon – Approval of SpinCo 3’s Stock Option Plan*”.

#### **PRIOR SALES**

As of the date of this Circular, the Company has not issued any shares, other than the one share held by the Company.

#### **MARKET FOR SECURITIES**

Currently, there is no market for the SpinCo 3 Shares. Listing is subject to SpinCo 3 meeting the initial listing requirements of the TSXV, and meeting all conditions of listing imposed by the TSXV. There can, however, be no assurance as to if, or when, the SpinCo 3 Shares will be listed for trading on the TSXV.

#### **ESCROWED SHARES**

SpinCo 3 does not have any of its securities subject to escrow or contractual restrictions on transfer, nor is it expected to upon completion of the Arrangement, subject to regulatory approval thereof.

In connection with the listing of the SpinCo 3 Shares on the TSXV, it is anticipated that certain outstanding securities of SpinCo 3 may be subject to escrow in accordance with policies of the TSXV. Further particulars regarding applicable escrow will be set forth in SpinCo 3’s listing application which will be available at [www.sedar.com](http://www.sedar.com).

In addition, upon completion of the Arrangement, assuming no further exercises of Options and Warrants of the Company occur prior to the Effective Time, 3,222,626 SpinCo 3 Shares will be held in trust by the Company for holders of outstanding Company warrants and 3,205,500 SpinCo 3 Shares will be held in trust by the Company for holders of outstanding Company options. In the event that the Company options and warrants expire unexercised, it is anticipated that these SpinCo 3 Shares will be held by the Company as an investment.

#### **PRINCIPAL SECURITY HOLDERS**

As of the date of the Circular, the Company holds 100% of the issued SpinCo 3 Shares. Assuming completion of the Arrangement and to the knowledge of SpinCo 3’s directors and officers, no person will beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the then issued SpinCo 3 Shares other than the Company.

#### **DIRECTORS AND EXECUTIVE OFFICERS**

As at the date of the Circular, some of the directors of the Company are also the directors of SpinCo 3, having been elected as SpinCo 3’s directors by the Company, SpinCo 3’s sole shareholder. The directors of SpinCo 3 will be elected annually at each annual general meeting of the SpinCo 3 shareholders and will hold office until the next annual general meeting unless a director’s office is earlier vacated in accordance with the articles of SpinCo 3 or he or she becomes disqualified to serve as a director. As at the date of the Circular, the directors and executive officers of SpinCo 3 hold no SpinCo 3 Shares. Assuming completion of the Arrangement and based on the number of SpinCo 3 Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by all of the directors and officers of SpinCo 3 as a group as at the date of the Circular, the number and percentage of SpinCo 3 Shares that will be beneficially owned, directly or indirectly, or over which control or direction will be exercised by all of the directors and executive officers of SpinCo 3 as a group will be approximately 1.0% of the then issued and outstanding SpinCo 3 Shares.

The names, province or state and country of residence, positions and offices, and principal occupations of each of the directors and executive officers of SpinCo 3 are as follows:

<b>Name and Position</b>	<b>Principal occupation<sup>(2)</sup></b>	<b>Number and Percentage of SpinCo 3 Shares owned<sup>(3)</sup></b>	<b>Director and/or Officer since</b>
John Lee <i>Chief Executive Officer</i>	Executive Chair of the Company	782,080 (<1%)	November 8, 2021
Anthony Garson <sup>(1)</sup> <i>Director</i>	Independent mining consultant	Nil	November 8, 2021
Harald Batista <sup>(1)</sup> <i>Director</i>	Independent mining consultant	Nil	November 8, 2021
Daniel Oosterman <sup>(1)</sup> <i>Director</i>	Vice-President, Exploration of the Company	20,306 (<1%)	November 8, 2021
Irina Plavutska <i>Chief Financial Officer</i>	Chief Financial Officer of the Company since September 2013	2,000 (<1%)	July 9, 2021

**Notes:**

(1) Member of the Audit Committee.

(2) The information as to principal occupation has been furnished by each director and/or officer individually.

(3) Figures calculated assuming the completion of the Arrangement and assuming that no Options or Warrants are exercised prior to the Effective Date, SpinCo 3 will have 80,000,000 SpinCo 3 Shares issued and outstanding.

See in this Appendix “F” “SpinCo 3 *Audit Committee*” and “*Corporate Governance - Board Committees*”.

As at the date hereof, there are no SpinCo 3 Shares beneficially owned, directly or indirectly, or control or direction was exercised over those shares, by the directors and executive officers of SpinCo 3. On the Effective Date, each of the directors and executive officers of SpinCo 3 will beneficially own, directly or indirectly, or control or direct two SpinCo 3 Share for each one Silver Elephant Share held. It is expected that, upon completion of the Arrangement, 804,386 SpinCo 3 Shares, or approximately 1.0% of the SpinCo 3 Shares outstanding on a non-diluted basis will be beneficially owned, directly or indirectly, or control or direction will be exercised over those shares, by the directors and executive officers of SpinCo 3 as a group.

### **Cease Trade Orders, Penalties, Sanctions or Bankruptcies**

#### *Cease Trade Orders*

Other than as disclosed below, no director or executive officer of SpinCo 3 is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including SpinCo 3) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

#### *Bankruptcies*

No director or executive officer of SpinCo 3, or a shareholder holding a sufficient number of securities of SpinCo 3 to affect materially control of SpinCo 3, (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including SpinCo 3) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become

subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

#### *Penalties or Sanctions*

No director or executive officer of SpinCo 3, or a shareholder holding a sufficient number of securities of SpinCo 3 to affect materially the control of SpinCo 3, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

The foregoing, not being within the knowledge of SpinCo 3, has been furnished by the respective directors, executive officers and shareholders holding a sufficient number of securities of SpinCo 3 to affect materially control of SpinCo 3.

#### **Conflicts of Interest**

Certain directors and officers of SpinCo 3 are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties, including the Company. Such associations to other public companies in the resource sector may give rise to conflicts of interest from time to time. As a result, opportunities provided to a director of SpinCo 3 may not be made available to SpinCo 3, but rather may be offered to a company with competing interests. The directors and senior officers of SpinCo 3 are required by law to act honestly and in good faith with a view to the best interests of SpinCo 3 and to disclose any personal interest which they may have in any project or opportunity of SpinCo 3, and to abstain from voting on such matters.

The directors and officers of SpinCo 3 are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interests and SpinCo 3 will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers.

### **EXECUTIVE COMPENSATION**

#### **Compensation of Executive Officers**

SpinCo 3 was incorporated on July 9, 2021 and, accordingly, has not yet completed a financial year and has not yet developed a compensation program. Upon completion of the Arrangement, it is anticipated that SpinCo 3 will establish a compensation committee (the "**Compensation Committee**") which will recommend how directors will be compensated for their services as directors. The Compensation Committee is expected to recommend the granting of stock options in such amounts and upon such terms as may be recommended by the Compensation Committee and approved by the SpinCo 3 Board from time to time.

The Compensation Committee will also consider and make recommendations with respect to the compensation of the executive officers of SpinCo 3. It is anticipated that all executive officers of SpinCo 3 will receive cash compensation and stock option grants in line with market practice for public issuers in the same industry and market and of the same size as SpinCo 3. For a description of the SpinCo 3 Incentive Plan- see in this Appendix "F" – "Options to Purchase Securities – Summary of SpinCo 3 Incentive Plan."

#### **Long-Term Incentive Plan**

SpinCo 3 does not have any long-term incentive plans.

#### **Option-based Awards**

Following completion of the Arrangement, SpinCo 3 will not have any SpinCo 3 Options outstanding.

#### **Pension Plan Benefits**

SpinCo 3 does not have defined benefit or defined contribution plans.

## Director Compensation

Upon completion of the Arrangement, it is anticipated that SpinCo 3 will pay cash compensation to its directors in amounts paid to directors of comparable publicly traded Canadian companies for services rendered in their capacity as directors.

## AUDIT AND CORPORATE GOVERNANCE

### Board of Directors

National Instrument 52-110 – Audit Committees (“**NI 52-110**”) sets out the standard for director independence. Under NI 52-110, a director is independent if he or she has no direct or indirect material relationship with SpinCo 3. A material relationship is a relationship which could, in the view of the SpinCo 3 Board, be reasonably expected to interfere with the exercise of a director’s independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship with SpinCo 3. Applying the definition set out in NI 52-110, the following members of the SpinCo 3 Board are independent: Anthony Garson, Harald Batista and Dan Oosterman.

The SpinCo 3 Board as a whole has responsibility for developing SpinCo 3’s approach to: (i) financial reporting and internal controls; (ii) issues relating to compensation of directors, officers and employees; (iii) corporate governance issues and matters relating to nomination of directors; and (iv) administration of timely and accurate disclosure, confidentiality and insider trading policy, certain of which responsibilities are delegated to SpinCo 3’s Audit Committee (see “*Board Committees*” and “*Audit Committee*” which follow).

The SpinCo 3 Board is responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. The SpinCo 3 Board’s consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions. The SpinCo 3 Board delegates to management responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on SpinCo 3’s business in the ordinary course, managing SpinCo 3’s cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The SpinCo 3 Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, where deemed necessary by the independent directors, the independent directors hold in-camera sessions exclusive of non-independent directors and members of management, which process facilitates open and candid discussion amongst the independent directors.

### Other Directorships

Certain of the directors of SpinCo 3 are presently also directors of other issuers that are “reporting issuers” as that term is defined in and for the purposes of securities legislation, which positions are summarized as follows:

Name of Director	Other Reporting Issuer	Market <sup>1</sup>	Position	From	To
John Lee	Silver Elephant Mining Corp.	TSX	Director	June 2011	Present
Anthony Garson	n/a	n/a	n/a	n/a	n/a
Harald Batista	n/a	n/a	n/a	n/a	n/a
Danniel Oosterman	n/a	n/a	n/a	n/a	n/a

### Position Descriptions

John Lee is the Chair of the SpinCo 3 Board. The Chair of the SpinCo 3 Board will primarily be responsible for ensuring that the SpinCo 3 Board is functioning properly and that it is meeting its obligations and responsibilities to



SpinCo 3 under the BCBCA. The responsibilities of the chairman of the Audit Committee are set out in the Audit Committee charter which is mandated by the SpinCo 3 Board. The SpinCo 3 Board has not adopted position descriptions and position descriptions and responsibilities will be determined as necessary and from time to time for each position.

### **Orientation and Continuing Education**

As it was only recently incorporated, SpinCo 3 has not yet developed an official orientation or training program for new directors, and this has not, to date, been necessary as the directors of SpinCo 3 are also directors of the Company and familiar with the role of a director of a publicly listed mineral resource company. However, going forward, new directors will be provided the opportunity to become familiar with SpinCo 3 by meeting with the other directors and with officers and employees. Orientation activities will be tailored to the particular needs and experience of each director and the overall needs of the SpinCo 3 Board. Potential candidates will be provided with publicly available materials in order to acquaint themselves with SpinCo 3, including recent press releases, financial reports and other relevant materials.

The SpinCo 3 Board encourages each of the directors to stay current on developing corporate governance requirements through continuous improvement and education. Directors are routinely provided information and publications on developing regulatory issues.

### **Board Mandate**

The board of directors has not adopted a written mandate however it is required to monitor the management of the business and affairs of SpinCo 3 and to act with a view to the best interests of SpinCo 3. The board of directors will oversee the development, adoption and implementation of SpinCo 3's strategies and plans.

### **Board Committees**

The SpinCo 3 Board has appointed an audit committee (the "**SpinCo 3 Audit Committee**") comprised of Anthony Garson (Chair), Harald Batista and Danniell Oosterman. A description of the authority, responsibilities, duties and function of the SpinCo 3 Audit Committee can be found in this Appendix "F" under the heading "*Audit Committee*", which follows.

### **Assessments**

The SpinCo 3 Board does not consider that formal assessments would be useful at this stage of SpinCo 3's development. The SpinCo 3 Board, at least annually, will conduct informal assessments of the SpinCo 3 Board's effectiveness, the individual directors and reports from each committee representing its own effectiveness. As part of the amendments, the SpinCo 3 Board or the individual committee may review their respective mandate or charter and conduct reviews of applicable policies.

### ***Audit Committee***

#### **Audit Committee Charter**

The SpinCo 3 Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information, and compliance with laws. It is anticipated that the SpinCo 3 Board will adopt an Audit Committee Charter, substantially in the form attached to this Appendix "F" as Schedule "1", mandating the role of the SpinCo 3 Audit Committee in supporting the SpinCo 3 Board in meeting its responsibilities to its shareholders.

#### **Audit Committee Members**

The Audit Committee will be comprised of at least three members, all of whom shall be directors of SpinCo 3. Whenever reasonably feasible members of the Audit Committee should be independent and shall have no direct or indirect material relationship with SpinCo 3. If less than a majority of the SpinCo 3 Board are independent, then a

majority of the members of the Audit Committee may be made of members that are not independent of SpinCo 3, provided that there is an exemption in the applicable securities law, rule, regulation, policy or instrument (if any).

### Relevant Education and Experience

All of the SpinCo 3 Audit Committee members are experienced businessmen with experience in financial matters; each has a broad understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields of endeavour. In addition, each of the members of the SpinCo 3 Audit Committee has knowledge of the role of an audit committee in the realm of reporting companies. Set out below is a description of the education and experience of each member of the SpinCo 3 Audit Committee that is relevant to the performance of her or his responsibilities as an audit committee member.

Anthony Garson	Mr. Garson is a former equities analyst who covered a significant number of companies within the mining and mineral exploration sectors. He was previously a director of Aurico Metals Inc. where he served on the audit committee.
Harald Batista	Mr. Batista is an accomplished entrepreneur with over two decades of international sales and marketing experience. He previously served as a director of the Company. He holds an MBA degree from Santa Clara University in California.
Dan Oosterman	Mr. Oosterman is a mining executive with over 17 years of business experience.

### Pre-Approved Policies and Procedures for Non-Audit Services

SpinCo 3's Audit Committee Charter requires that management seek approval from the SpinCo 3 Audit Committee of all non-audit services to be provided to SpinCo 3 or any of its subsidiaries by SpinCo 3's external auditor, prior to engaging the external auditor to perform those non-audit services.

### External Auditor Service Fees

Since SpinCo 3's incorporation on July 9, 2021, no fees, audit or otherwise, have been billed to SpinCo 3 by its auditor, Davidson & Company LLP.

### Reliance on Exemption

As SpinCo 3 is an "IPO venture issuer" for purposes of applicable securities legislation, SpinCo 3 is relying on the exemption in Section 6.1 of NI 52-110 from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*).

## PROMOTERS

The Company took the initiative of founding and organizing SpinCo 3 and its business and operations and, as such, may be considered to be the promoter of SpinCo 3 for the purposes of applicable securities legislation. As at the date of the Circular, the Company is the sole (100%) shareholder of SpinCo 3 and has transferred or will transfer assets to SpinCo 3 as contemplated by the terms of the Arrangement. See in this Appendix "F", "*General Development of SpinCo 3's Business*", "*Material Properties*" and "*Prior Sales*". See also in the Circular, "*The Meeting — The Arrangement*", "*The Meeting— Reasons for the Arrangement*".

During the 10 years prior to the date of the Circular, the Company has not been subject to:

- (b) a cease trade order (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person is named in the order), or
- (c) an order similar to a cease trade order, or
- (d) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for a period of more than 30 consecutive days; nor has the Company been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; nor has the Company become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold its assets.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

SpinCo 3 is not aware of any material legal proceedings to which SpinCo 3 is a party, nor is SpinCo 3 aware that any such proceedings are contemplated.

### **Regulatory Actions**

There are currently no: (a) penalties or sanctions imposed against SpinCo 3 by a court relating to securities legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against SpinCo 3 that would likely be considered important to a reasonable investor in making an investment decision in SpinCo 3; and (c) settlement agreements SpinCo 3 entered into before a court relating to securities legislation or with a securities regulatory authority since SpinCo 3 was incorporated.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Since SpinCo 3's incorporation, no director, executive officer, or shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding SpinCo 3 Shares, or any known associates or affiliates of such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect SpinCo 3 other than the Company in connection with SpinCo 3's incorporation (see in this Appendix "F" "*Corporate Structure*" and "*Promoters*"), the entering into of the Arrangement Agreement (see in the Circular, "*The Meeting — The Arrangement*"), and the transfer of assets to SpinCo 3 in connection with the Arrangement (see in this Appendix "F", "*General Development of SpinCo 3's Business*"). See also in this Appendix "F", "*Material Contracts*" below.

Certain directors and officers of the Company are also the directors and officers of SpinCo 3. See in the Circular under the heading "*The Meeting — Background to the Arrangement*", "*The Meeting — Recommendation of the Board*", "*The Meeting — Reasons for the Arrangement*".

## **AUDITOR**

The auditor of SpinCo 3 is Davidson & Company LLP of Vancouver, British Columbia.

## **TRANSFER AGENT AND REGISTRAR**

The registrar and transfer agent of SpinCo 3 and for the SpinCo 3 Shares is Computershare Investor Services Inc. with offices at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3A8 Canada.

## **INTERESTS OF EXPERTS**

Davidson & Company LLP, the auditor of SpinCo 3, has confirmed that it is independent with respect to SpinCo 3 within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Certain legal matters relating to the Arrangement and SpinCo 3 will be passed upon by MLT Aikins LLP of Vancouver, British Columbia, legal counsel to SpinCo 3.

None of the aforementioned persons nor any directors, officers, employees or partners, as applicable, of each of the aforementioned companies and partnerships, has received or will receive as a result of the Arrangement a direct or indirect interest in a property of SpinCo 3 or any associate or affiliate of SpinCo 3, nor is currently expected to be elected, appointed or employed as a director, officer or employee of SpinCo 3 or any associate or affiliate of SpinCo 3.

#### **MATERIAL CONTRACTS**

Pursuant to the Arrangement, SpinCo 3 will acquire the Company's interest in the Royalties, which royalty agreements will be filed on SpinCo 3's SEDAR profile at [www.sedar.com](http://www.sedar.com) in due course.

#### **OTHER MATERIAL FACTS**

There are no other material facts other than as disclosed herein.

#### **FINANCIAL STATEMENTS**

See in this Circular "*Selected Financial Information — Financial Statements*" and Appendices "K".

## SCHEDULE 1

### Battery Metals Royalties Corp. (the "Company")

#### AUDIT COMMITTEE CHARTER

The Audit Committee will be governed by the following charter:

##### **1.0 Purpose of the Committee**

1.1 The purpose of the Audit Committee is to assist the Board of Directors in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

##### **2.0 Members of the Audit Committee**

2.1 At least one Member must be "financially literate" as defined under MI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

2.2 The Audit Committee shall consist of no less than three Directors. 2.3 At least one Member of the Audit Committee shall be "independent" as defined under MI 52-110, while the Company is in the developmental stage of its business.

##### **3.0 Relationship with External Auditors**

3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

3.4 The Audit Committee will have direct communications access at all times with the external auditors.

##### **4.0 Non-Audit Services**

4.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit Committee must consider that the benefits to the Company from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.

4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Company:

(i) acting as an agent of the Company for the sale of all or substantially all of the undertaking of the Company; and

(ii) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.

## **5.0 Appointment of Auditors**

5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

## **6.0 Evaluation of Auditors**

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

## **7.0 Remuneration of the Auditors**

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

## **8.0 Termination of the Auditors**

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

## **9.0 Funding of Auditing and Consulting Services**

9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

## **10.0 Role and Responsibilities of the Internal Auditor**

10.1 At this time, due to the Company's size and limited financial resources, the Chief Financial Officer of the Company shall be responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

## **11.0 Oversight of Internal Controls**

11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

## **12.0 Continuous Disclosure Requirements**

12.1 At this time, due to the Company's size and limited financial resources, the Chief Financial Officer of the Company is responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

## **13.0 Other Auditing Matters**

13.1 The Audit Committee may meet with the external auditors independently of the management of the Company at any time, acting reasonably.



13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

**14.0 Annual Review**

14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

**15.0 Independent Advisers**

15.1 The Audit Committee shall have the power to retain legal, accounting or other advisers.

**APPENDIX "G"**  
**FINANCIAL STATEMENTS OF SPINCO 1 PROPERTIES**

(see attached)

**THE CARVE OUT OF MINAGO OPERATIONS FROM  
VICTORY NICKEL INC.**

**CARVE-OUT FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2020, 2019 AND 2018**

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## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF SILVER ELEPHANT MINING CORP.**

### **Opinion**

We have audited the carve out financial statements of The Minago Operations from Victory Nickel Inc. (the "Reporting Entity"), which comprise the carve out statements of financial position as at December 31, 2020, December 31, 2019 and December 31, 2018 and the carve out statements of loss and comprehensive loss, the carve out statements of cash flows and the carve out statements of changes in owner's net investment for the years then ended, and notes to the carve out financial statements, including a summary of significant accounting policies (collectively referred to as the "carve out financial statements").

In our opinion, the accompanying carve out financial statements present fairly, in all material respects, the financial position of the Reporting Entity as at December 31, 2020, December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Carve Out Financial Statements* section of our report.

We are independent of the Reporting Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 3 in the carve out financial statements which indicates that the Reporting Entity's mineral property has not commenced commercial production and, accordingly, the Reporting Entity has no recurring source of revenue and is dependent upon debt or equity financing, or the optioning and/or sale of resource or resource-related assets for its funding. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that casts significant doubt about the Reporting Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### **Emphasis of Matter - Basis of Preparation**

We draw attention to the fact that as described in Note 2 in the carve out financial statements, the Reporting Entity did not operate as a separate legal entity during the years ended December 31, 2020, December 31, 2019 and December 31, 2018. The carve out financial statements for the above periods are, therefore, not necessarily indicative of the results that would have occurred if the Reporting Entity had been a separate stand-alone entity

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **Emphasis of Matter - Basis of Preparation (Continued)**

during the years presented or of future results of the Reporting Entity.

Our opinion is not modified in respect of this matter.

### **Other Information**

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Silver Elephant Mining Corp.'s Management Information Circular ("MIC").

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

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

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

### **Responsibilities of Management and Those Charged with Governance for the Carve Out Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Carve Out Financial Statements**

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

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



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Auditor's Responsibilities for the Audit of the Carve Out Financial Statements (Continued)

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

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

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

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



Chartered Professional Accountants, Licensed Public Accountants  
Toronto, Ontario  
November 8, 2021

## The Carve Out of Minago Operations from Victory Nickel Inc. Carve-out Statements of Financial Position

(Expressed in thousands of Canadian dollars)	<i>Notes</i>	December 31, 2020	December 31, 2019	December 31, 2018
<b>ASSETS</b>				
Mineral Property	6	\$ 14,605	\$ 17,462	\$ 17,462
<b>Total Assets</b>		<b>\$ 14,605</b>	<b>\$ 17,462</b>	<b>\$ 17,462</b>
<b>LIABILITIES AND OWNER'S NET INVESTMENT</b>				
<b>Current liabilities</b>				
Trade and other payables		\$ 23	\$ 23	\$ 21
<b>Total Liabilities</b>		23	23	21
<b>Owner's net investment</b>				
Owner's net investment	7	14,582	17,439	17,441
<b>Total Owner's net investment</b>		14,582	17,439	17,441
<b>Total Liabilities and Owner's Net Investment</b>		<b>\$ 14,605</b>	<b>\$ 17,462</b>	<b>\$ 17,462</b>

**GOING CONCERN (Note 3)**

**SUBSEQUENT EVENTS (Note 9)**

The accompanying notes are an integral part of these carve-out financial statements

ON BEHALF OF THE BOARD OF SILVER ELEPHANT MINING CORP:

**"John Lee"**

John Lee, Director

**"Greg Hall"**

Greg Hall, Director

**The Carve Out of Minago Operations from Victory Nickel Inc.  
Carve-out Statements of Loss and Comprehensive Loss**

(Expressed in thousands of Canadian dollars)	<i>Note</i>	For the Years Ended December 31,		
		2020	2019	2018
<b>Expenses</b>				
Write-down of mineral property interests	6	\$ (3,156) \$	(27) \$	(26,473)
<b>Net Loss and Comprehensive Loss for the year</b>		<b>\$ (3,156) \$</b>	<b>(27) \$</b>	<b>(26,473)</b>

The accompanying notes are an integral part of these carve-out financial statements

## The Carve Out of Minago Operations from Victory Nickel Inc. Carve-out Statements of Cash Flows

(Expressed in thousands of Canadian dollars)	Notes	For the Years Ended December 31,		
		2020	2019	2018
<b>Cash flows from operating activities</b>				
Net loss for the year		\$ (3,156)	\$ (27)	\$ (26,473)
Adjustments for:				
Write-down of mineral property interests	6	3,156	27	26,473
Net change in working capital:				
Change in trade and other payables		-	2	2
<b>Net cash provided by operating activities</b>		<b>-</b>	<b>2</b>	<b>2</b>
<b>Cash flows from investing activities</b>				
Expenditures on mineral property	6	(299)	(27)	(33)
<b>Net cash used by investing activities</b>		<b>(299)</b>	<b>(27)</b>	<b>(33)</b>
<b>Cash flows from financing activities</b>				
Funding provided by owner	7	299	25	31
<b>Net cash provided by financing activities</b>		<b>299</b>	<b>25</b>	<b>31</b>
<b>Net change in cash</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash balance at beginning of the year</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash balance at end of the year</b>		<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

The accompanying notes are an integral part of these carve-out financial statements

**The Carve Out of Minago Operations from Victory Nickel Inc.  
Carve-out Statements of Changes in Owner's Net Investment**

(Expressed in thousands of Canadian dollars)	<i>Note</i>	December 31, 2020	December 31, 2019	December 31, 2018
<b>Owner's net investment, beginning of the year</b>		\$ 17,439	\$ 17,441	\$ 43,883
Total comprehensive loss for the year		(3,156)	(27)	(26,473)
Net contributions from owner	7	299	25	31
<b>Owner's net investment, end of the year</b>		<b>\$ 14,582</b>	<b>\$ 17,439</b>	<b>\$ 17,441</b>

The accompanying notes are an integral part of these carve-out financial statements

The Carve Out of Minago Operations from Victory Nickel Inc.  
Notes to the Carve-out Financial Statements  
For the years ended December 31, 2020, 2019 and 2018  
*(Tabular amounts in thousands of Canadian dollars)*

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## 1. ACQUISITION AND ARRANGEMENT AGREEMENTS

On February 10, 2021, the Silver Elephant Mining Corp. (“Silver Elephant” or the “Company”) acquired the Minago Nickel Project located in Manitoba, Canada (the “Minago Project”) (the “Minago Acquisition”) by way of an Asset Purchase Agreement (the “APA”) with Victory Nickel Inc. (“Victory Nickel”) (see Note 9 for further information on the acquisition).

On August 26, 2021, Silver Elephant announced that it had executed a plan of arrangement, as amended November 8, 2021 under the *Business Corporations Act* (British Columbia) pursuant to which, it shall (the “Arrangement”): (i) as disclosed in a Company press release dated August 26, 2021, transfer certain royalties presently held by the Company in certain projects of the Company to Battery Metals Royalties Corp. (“Battery Metals Royalties”), a wholly owned subsidiary of the Company; and (ii) spin-out its Manitoba based Minago Nickel project (“Minago”), its Nevada based Gibellini Vanadium project (“Gibellini”), and Battery Metals Royalties each into its own entity (each a “SpinCo”). In connection with the Arrangement, the Company shall distribute shares of each SpinCo to the Company’s shareholders (“Shareholders”).

Pursuant to the Arrangement, it is currently expected that each Shareholder will receive one share of the Minago SpinCo, one share of the Gibellini SpinCo, and two Battery Metals Royalties SpinCo shares for every share of Silver Elephant held by such Shareholder on the record date for the Arrangement (the “Record Date”). Subject to receipt of required Shareholder, court, regulatory, Toronto Stock Exchange and other approvals and satisfaction of other closing conditions, the Arrangement is expected to close in December, 2021.

Upon closing of the transaction, Minago Spinco will be owned exclusively by existing Silver Elephant shareholders in identical proportion to their previous shareholdings of Silver Elephant. There will be no change to shareholders’ existing holdings in the Company.

Following completion of the Arrangement, each SpinCo is expected to aim to list on a Canadian securities exchange to enhance their respective share trading liquidity, price discovery and facilitate equity financings to support future business expansion.

The Minago Spinco will hold the Minago nickel project at the Thompson nickel belt in Manitoba.

The Minago Spinco was incorporated on December 21, 2020 its registered office is located at Suite 1610 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2. To date, Minago Spinco has not commenced operations. The Minago Spinco is expected to be named Flying Nickel Mining Corp. (“Flying Nickel”).

The operations of Minago (the “Reporting Entity”) were not a separate legal entity during the years ended December 31, 2020, 2019 and 2018. The Reporting Entity was part of Victory Nickel, whose registered office was located at 80 Richmond St West, Suite 1802, Toronto, Ontario, M5H 2A4 during the years ended December 31, 2018, 2019 and 2020.

These carve-out financial statements were authorized for issuance by the Board of Directors of the Company on November 8, 2021

## 2. BASIS OF PREPARATION

These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. Except for the accounting of certain financial instruments measured at fair value, these carve-out financial statements, including comparatives, are prepared on a historical cost basis, applying IFRS standards that are effective as at December 31, 2020.

These carve-out financial statements extract the historic information of the economic activities of the Reporting Entity



The Carve Out of Minago Operations from Victory Nickel Inc.  
Notes to the Carve-out Financial Statements  
For the years ended December 31, 2020, 2019 and 2018  
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for the years ended December 31, 2018, 2019 and 2020 from Victory Nickel. As the Reporting Entity has not historically prepared financial statements, the carve-out financial statements have been prepared from the financial records of Victory Nickel on a carve-out basis, as required by National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements.

The carve-out statements of financial position include all the net assets of the Reporting Entity. The Carve-out statement of loss and comprehensive loss for each of the year ended December 31, 2018, 2019 and 2020 reflect all expenditures and other income directly attributable to the Reporting Entity. During the years ended December 31, 2018, 2019 and 2020, spending on the project was minimal due to financial difficulties of its owner, Victory Nickel. Given the limited activity of the Reporting Entity during the years ended December 31, 2018, 2019 and 2020, it was determined that it would not be appropriate to allocate any general and administrative expenses or share based compensation from Victory Nickel to the Reporting Entity. Not only is there not a reasonable basis for such allocation, but there was no direct tie between the general and administrative expenses reported in Victory Nickel and the Minago Project. Only incremental costs of holding and operating the Reporting Entity were allocated in the carve-out financial statements. As described in Note 4, the Reporting Entity's accounting policy is to capitalize direct costs to the mineral property. This policy is consistent with Victory Nickel's policy. Thus, any costs directly attributable to the Minago Project were already capitalized to the mineral property during the period as additions to the mineral property.

These carve-out financial statements have been prepared based upon historical cost amounts, net of impairments, recorded by Victory Nickel. These carve-out financial statements may not be indicative of the Reporting Entity's financial performance and do not necessarily reflect what its financial position, results of operations and cash flows would have been had the Reporting Entity operated as an independent entity during the years presented.

#### **Functional and Presentation Currency**

The carve-out financial statements are presented in Canadian dollars ("CAD"). The functional currency of the Reporting Entity is the currency of the primary economic environment in which it operates.

The functional currency of the owner, Victory Nickel during the years ended December 31, 2018, 2019 and 2020 was United States dollars ("USD"). The opening figures for the Minago operations were translated from USD to CDN effective January 1, 2018 using the spot exchange rate on that date.

All financial information is expressed in Canadian dollars, except for United States dollars. Tabular amounts are stated in thousands of dollars.

#### **Significant Accounting Estimates and Judgements**

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results may differ from these estimates.

The estimates and judgements used in the carve-out financial statements are consistent with the previously issued financial statements of Victory Nickel. Key estimates and judgements were not revised using hindsight or information that was not available at the time the original Victory Nickel financial statements were approved and issued. As such, impairment of the mineral property has been updated only for changes in currency as described above.

The accompanying carve-out financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

#### **Significant estimates and assumptions**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information regarding significant areas of estimation uncertainty made in applying accounting policies that have the most significant effect on the amounts recognized in the carve-out financial statements is included in Note 6 –

The Carve Out of Minago Operations from Victory Nickel Inc.  
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measurement of the recoverable amount of mineral property.

**Significant judgements**

Judgements are reviewed on an ongoing basis. Changes resulting from the effects of amended judgements are recognized in the period in which the circumstance giving rise to the change occurs and in any future periods presented. Information regarding significant areas of critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the carve-out financial statements is included in Note 6 – classification of expenditures as mineral property expenses and impairment of mineral property.

**3. GOING CONCERN**

At December 31, 2020, the Reporting Entity had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Reporting Entity will rely on financing to fund its working capital requirements and future development. There are no assurances that the Reporting Entity will obtain financial resources and/or achieve positive cash flows or profitability. If the Reporting Entity is unable to obtain adequate financing, it may be required to discontinue operations and exploration activities.

The Reporting Entity's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Reporting Entity to carry out its exploration and mining activities, it is required to hold certain permits. There is no assurance that the Reporting Entity's existing permits will be renewed or that new permits that have been applied for will be granted. Major expenditures are required to locate and establish reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The Reporting Entity's continued existence is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. The Minago property may also be subject to increases in taxes and royalties, renegotiating contracts and political uncertainty.

There can be no assurance that financing activities will be successful. These financial statements are prepared on the basis that the Reporting Entity will continue as a going concern, which assumes that it will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions discussed above create a material uncertainty and significant doubt about the Reporting Entity's ability to continue as a going concern.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Reporting Entity are set out in detail below.

**(a) Foreign Currency**

***Foreign currency transactions***

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

**(b) Financial Instruments**

Financial instruments include trade payables and are classified at amortized cost, initially recognized at fair value, and subsequently carried at amortized cost less any impairment. Given the only financial instrument of the Reporting Entity is trade and other payables, the adoption of IFRS 9 Financial Instruments did not have any material impact on the Reporting Entity.

**(c) Mineral Properties**

Mineral property assets consist of exploration and evaluation costs. Costs directly related to the exploration and evaluation of resource properties are capitalized to mineral properties once the legal rights to explore the resource properties are acquired or obtained. These costs include acquisition of rights to explore, license and application fees, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

The Carve Out of Minago Operations from Victory Nickel Inc.  
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If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Mineral properties are reviewed at least annually for indicators of impairment and are tested for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

**(d) Impairment**

The carrying amounts of non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates, or has the potential to generate, cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Generally, a CGU is analogous to an individual project.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. Impairment losses are recognized through operations.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(e) Income Taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized through operations except to the extent that it relates to items recognized either in other comprehensive income ("OCI") or directly in equity, in which case it is recognized in OCI or in equity respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**5. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT**

The Board of Directors of Victory Nickel had historical responsibility for the establishment and oversight of the Reporting Entity's risk management framework. The Reporting Entity's risk management policies are established to identify and analyze the risks faced by the Reporting Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Reporting entity was not subject to any significant credit or interest rate risk during the years ended December 31, 2018, 2019 or 2020.

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**Liquidity Risk**

Liquidity risks associated with the inability to meet obligations as they become due. The Reporting Entity closely monitors and reviews its costs and actual cash flows to ensure funds are adequate to support its operations on an ongoing basis. As described in Note 3, the Reporting Entity has no recurring source of revenue or funding and as such, is reliant on contributions from its owner to fund operations.

**Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Reporting Entity's processes, technology and infrastructure, and from external factors other than credit and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Reporting Entity's operations.

The Reporting Entity's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Reporting Entity's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk was assigned to senior management of Victory Nickel during the years ended December 31, 2019, 2019 and 2020. Victory Nickel has an experienced executive team which facilitates communication across the Reporting Entity. This expertise is supplemented, when necessary, by the use of experienced consultants in legal, compliance and industry-related specialties. Victory nickel also has standards for the management of operational risk, which would have been the same for the Reporting Entity, in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements, including the Occupational Health and Safety Act and related regulations and codes;
- documentation of controls and procedures;
- development of contingency plans;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective and available.

**Capital Management**

The Reporting Entity's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to its owners by maintaining a sufficient level of funds to support continued project development. Capital is defined as the aggregate of its owner's net investment.

The Reporting Entity manages its capital structure and makes adjustments to it based on the level of funds available to manage its operations. In order to maintain or adjust the capital structure, the Reporting Entity obtains equity, working capital and/or project-based financing sufficient to maintain and expand its operations. There are no assurances that these initiatives will be successful. The Reporting Entity is not subject to externally-imposed capital requirements.

**6. MINERAL PROPERTY**

**Minago Nickel Property**

	December 31, 2020	December 31, 2019	December 31, 2018
<b>Balance at beginning of the year</b>	\$ 17,462	\$ 17,462	\$ 43,902
Current Expenditures	299	27	33
Writedowns	(3,156)	(27)	(26,473)
<b>Balance at end of the year</b>	<b>\$ 14,605</b>	<b>\$ 17,462</b>	<b>\$ 17,462</b>

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On February 9, 2021, Silver Elephant purchased the Minago nickel property in northern Manitoba from Victory Nickel, under the terms of the Asset Purchase Agreement (refer to Note 9)

The 100%-owned Minago project covers approximately 19,799 ha, through a combination of mining claims, mineral leases and a mineral exploration licence, on Manitoba's Thompson Nickel Belt. The property encompasses the Nose Deposit and the North Limb, a zone of nickel mineralization with a known strike length of 1.5 kilometres located to the north of the Nose Deposit.

From 2006 to date, considerable work has been performed, including diamond drilling, metallurgical testing, engineering studies, the Minago Feasibility Study ("FS") and all other studies required to complete the Environmental Impact Study that was filed in May 2010. The results of the FS were announced in December 2009 and improvements thereto announced in June 2010 and July 2011 by Victory Nickel. Silver Elephant now considers the FS to be historical in nature.

Five mineral claims totalling 691 ha located at the north end of the existing Minago property package are subject to a maximum 2% net smelter return royalty ("NSR") with a 50% back-in right; these claims represent approximately 2.4% of the total Minago project and are not contained in the FS pit footprint.

On April 8, 2020, two exploration diamond drill holes at Minago were completed. The two-hole program at the Minago project targeted geophysical responses underlying the northern part of the property and constitutes condemnation testing related to potential infrastructure development for future project purposes. The geophysical targets tested were identified during historic surveys conducted by previous workers as well as a VTEM survey conducted in 2007. Due to limitations on personnel movement resulting from restrictions stemming from the on-going COVID-19 pandemic, processing of core and receipt of assay results have been significantly delayed.

The Minago project is not in production. Accordingly, the Minago project is not being depreciated.

At December 31, 2018, 2019 and 2020, the carrying value of the Minago project was tested for impairment. The economic model in the FS is used as a base. The business model used in the FS includes the intention of management to develop and produce nickel and frac sand co-product simultaneously. Under IFRS, for the purposes of assessing the impairment of Minago, frac sand is treated as a raw material for sale into the market and is not processed to a finished product. This required elimination from the FS economic model of the following: processing plant capital, processing operating costs, transportation costs and the finished goods margin.

An initial indicator of impairment considers the market capitalization of a company compared with its net book value, although many resource companies continue to experience similar circumstances in present markets despite having good projects. An analysis was performed on the carrying value of the Minago project and management concluded that a write-down of \$26,473,000 was necessary at the end of 2018. A number of factors are considered, including the current financial position of Victory Nickel, the amount of capital required to develop the project, delays to development due to financing requirements and the probability of obtaining such financing. Additionally, current and forecast nickel prices are considered, as well as frac sand pricing and prices of other by-products, in addition to the current market conditions for nickel projects. The determination of the recoverable amount is sensitive to a number of these inputs and could vary by a material amount. The use of observable market data is maximized where possible, including consideration of market capitalization.

For the year ended 2019, the Minago project was reviewed for any indication of impairment and it was determined that there were no significant events, progress or adverse changes to materially impact the carrying value. Due to the significant write-down in 2018, management believed that the carrying amount of Minago was likely to be recovered in full, from successful development or by sale in the future.

At December 31, 2020, Management believed that impairment existed due to the valuation of Minago as part of the Asset Purchase Agreement with Silver Elephant completed on February 9, 2021 (refer to Note 9 for details), and concluded that a write-down of \$3,156,000 was necessary.



The Carve Out of Minago Operations from Victory Nickel Inc.  
Notes to the Carve-out Financial Statements  
For the years ended December 31, 2020, 2019 and 2018  
*(Tabular amounts in thousands of Canadian dollars)*

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## 7. OWNER'S NET INVESTMENT

Victory Nickel's investment in the operations of the Reporting Entity is presented as Owner's Net Investment in the carve-out financial statements. Owner's Net Investment represents the accumulated net contributions from the owner net of the accumulated losses of the operations. Net financing transactions presented in the carve-out statements of cash flows represent the net contributions related to the funding of operations from Victory Nickel.

## 8. INCOME TAXES

During 2018, 2019 and 2020, the Reporting Entity did not have legal form as the Minago property was part of Victory Nickel. The deferred income tax assets and liabilities of Victory Nickel cannot be reasonably allocated to the Minago property.

Deferred income tax assets and liabilities are calculated using the difference between the carrying amount of the mineral property and its corresponding tax value. Given the write-downs of the mineral property presented in the statement of loss and compressive loss, this would have created timing differences with respect to the mineral property. However, the entity does not meet the criteria to recognize any deferred tax assets. Therefore, no deferred tax assets have been recorded.

As described in Note 9, the Minago property was acquired by Silver Elephant in an asset purchase agreement. No historic tax attributes of the Minago property transferred as part of the asset purchase agreement. Therefore, any further carve-out disclosures of unrecognized deferred assets during the period owned by Victory Nickel would not provide relevant information.

Expenses presented on the statement of loss and comprehensive loss represent an allocation of Victory Nickel's expenses and do not represent tax deductible expenses to the Reporting Entity.

## 9. SUBSEQUENT EVENTS

On February 10, 2021, the Silver Elephant acquired the Minago Project by way of an Asset Purchase Agreement with Victory Nickel. Under the terms of the APA, the Silver Elephant acquired the Minago Project for aggregate consideration of USD\$11,675,000, which consisted of a USD\$6,675,000 ("Property Payment") credit against certain secured debt owed by Victory Nickel to Silver Elephant at closing and USD\$5,000,000 in Silver Elephant common shares ("Consideration Shares") to be issued over a one-year period.

In satisfaction of the Consideration Shares to be issued, an initial tranche of 5,363,630 Consideration Shares was issued on February 9, 2021, a further 10,081,502 Consideration Shares were issued on August 31, 2021 at a value of \$2,523,400 to Victory Nickel, and a further USD\$1,000,000 worth of Consideration Shares will be issued on or before December 31, 2021. All Consideration Shares are subject to 4-month plus 1-day statutory hold period. The Property Payment was a credit in favour of Victory Nickel against an aggregate of approximately USD\$12,056,307 owed by Victory Nickel pursuant a Secured Debt Facility (the "SDF").

Immediately prior to acquiring the Minago Project, Silver Elephant acquired the SDF for USD\$6,675,000 in cash and 3 million of Silver Elephant's common share purchase warrants (the "Warrants"), each exercisable until February 8, 2023 at an exercise price of \$0.4764 from an arms-length party pursuant to a Debt Purchase and Assignment Agreement (the "DPAA") executed on January 15, 2021. The SDF has been restructured to bear zero percent interest and to expire on February 8, 2026, which will automatically be extended in 5-year increments. Silver Elephant will credit the remaining balance under the SDF to Victory Nickel's benefit, upon completion of an independent economic study proving positive net present value in respect of the Minago Project during the term of the SDF. Silver Elephant also reimbursed \$200,000 of financial advisory services rendered by Red Cloud Securities Inc to Victory Nickel.

Silver Elephant subscribed to 40,000,000 common shares of Victory Nickel at a price per common share of \$0.025 for cash consideration of \$1,000,000. Additionally, Silver Elephant agreed to issue to Victory Nickel \$2,000,000 in



The Carve Out of Minago Operations from Victory Nickel Inc.  
Notes to the Carve-out Financial Statements  
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*(Tabular amounts in thousands of Canadian dollars)*

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common shares of Silver Elephant, upon the price of nickel exceeding US\$10 per pound for 30 consecutive business days, at any time before December 31, 2023. The Silver Elephant granted Victory Nickel the right of first refusal exercisable until December 31, 2023 with respect to the exploration of the sandstone (non-nickel bearing sulphides) resources for frac sand extraction at the Minago Project.

### New Mineral Resource Estimate

The Company announced the results of a new mineral resource estimate (“MRE”) by Mercator Geotechnical Services and AGP Mining Consultants in July 2021. The MRE includes a Measured and Indicated mineral resource of 722 million lbs of contained nickel and an Inferred mineral resource of 319 million lbs of contained nickel grading 0.74% nickel based on over 70,000 meters of drilling.

<b>Minago Project Mineral Resource Estimate July 2, 2021</b>				
<b>Type</b>	<b>Category</b>	<b>k Tonnes</b>	<b>Ni %</b>	<b>Ni M Lbs</b>
Open Pit	Measured Indicated	23,940	0.71	374.3
	Inferred	2,070	0.57	26.0
Underground	Measured Indicated	20,290	0.77	345.0
	Inferred	17,480	0.76	292.9
Combined	Measured Indicated	44,230	0.74	721.6
	Inferred	19,550	0.74	318.9

All resources occur within a mineral lease that is surrounded by 94 mineral claims plus a second mineral lease held by the Company, comprising a total area of 197 km.

In August 2011, the Minago project achieved a major milestone when the Environment Act License (“EAL”) was issued by the Province of Manitoba. Victory Nickel subsequently filed a Notice of Alteration (“NOA”) to the EAL in December 2013, related to relocation of the tailings management area to address First Nation concerns. Silver Elephant has re-engaged the Manitoba Government regarding the NOA status for the 10,000 tonne-per-day open-pit mining operation at Minago. The Agriculture and Resource Development Department (“ARDD”) has confirmed that the NOA can still be completed and the Company is currently working with ARDD to finalize the NOA approval, leading to issuance of an updated Environment Act License, which is expected by the end of 2021.

### Announcement of Private Placement for Flying Nickel

As part of the planned spin out of the Minago operations from Silver Elephant and the creation of Flying Nickel Mining Corp, the Company announced on October 26<sup>th</sup> that it into an agreement with Red Cloud Securities Inc. to act as lead agent in connection with a fully marketed private placement (the “Flying Nickel Offering”) for gross proceeds of up to \$7,000,000 from the sale of the following:

- up to 5,000,000 subscription receipts of Flying Nickel (each, a “Non-FT Subscription Receipt”) at a price of \$0.70 per Non-FT Subscription Receipt for gross proceeds of up to \$3,500,000 from the sale of Non-FT Subscription Receipts; and
- flow-through eligible subscription receipts of Flying Nickel (each, a “FT Subscription Receipt”, and collectively with the Non-FT Subscription Receipts, the “Offered Securities”) at a price of \$0.77 per FT Subscription Receipt.

The Agents will have the option, exercisable in full or in part up to 48 hours prior to the closing of the Flying Nickel Offering, to sell up to an additional \$1,000,000 in Offered Securities at their respective offering prices.

Upon the satisfaction of certain escrow release conditions (the “Escrow Release Conditions”), the Offered Securities shall be deemed to be exercised, without payment of any additional consideration and without further action on the part of the holder thereof, for the following:

- each Non-FT Subscription Receipt shall be automatically converted into one unit of Flying Nickel (each, a “Unit”); and

The Carve Out of Minago Operations from Victory Nickel Inc.  
Notes to the Carve-out Financial Statements  
For the years ended December 31, 2020, 2019 and 2018  
*(Tabular amounts in thousands of Canadian dollars)*

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- each FT Subscription Receipt shall be automatically converted into one common share of Flying Nickel to be issued as a “flow-through share” within the meaning of the Income Tax Act (Canada) (each, a “FT Share”).

Each Unit will consist of one common share of Flying Nickel (each a “Unit Share”) and one half of one common share purchase warrant (each whole warrant, a “Warrant”). Each whole Warrant shall entitle the holder to purchase one common share of Flying Nickel (each, a “Warrant Share”) at a price of \$1.00 at any time on or before that date which is 24 months after the date of issuance of the Units.

**THE CARVE-OUT OF THE MINAGO NICKEL  
PROJECT FROM SILVER ELEPHANT MINING CORP.**

**Carve-out Condensed Interim Financial Statements  
As at and for the Period from Acquisition on February 10,  
2021 to June 30, 2021**  
(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

## RESPONSIBILITY FOR CARVE-OUT CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying carve-out condensed interim financial statements of the Minago Nickel Project and all information in this financial report are the responsibility of the Board of Directors and Management. The carve-out condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including International Accounting Standard (“IAS”) 34 – Interim Financial Reporting and, where appropriate, include management’s best estimates and judgments. Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the condensed interim financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee. The Board of Directors appoints the Audit Committee, and all of its members are independent directors. The Audit Committee meets periodically with Management and the auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the condensed interim financial statements on recommendation from the Audit Committee.

**“John Lee”**

John Lee, Chief Executive Officer

**“Irina Plavutska”**

Irina Plavutska, Chief Financial Officer

November 8, 2021

**THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.**  
**Carve-out Condensed Interim Statement of Financial Position**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Notes	As At June 30, 2021
<b>Assets</b>		
<b>Non-current assets</b>		
Mineral properties	5	\$ 15,871,189
<b>Total assets</b>		<b>\$ 15,871,189</b>
<b>Liabilities and Equity</b>		
<b>Non-current liabilities</b>		
Accounts Payable	10	\$ 293,385
<b>Total liabilities</b>		<b>293,385</b>
<b>Equity</b>		
Shares issuable	5	3,818,003
Owner's net investment	6	11,759,801
<b>Total equity</b>		<b>15,577,804</b>
<b>Total liabilities and equity</b>		<b>\$ 15,871,189</b>

Approved on behalf of the Board:

*"John Lee"*

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John Lee, Director

Vancouver, British Columbia

November 8, 2021

*"Greg Hall"*

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Greg Hall, Director

Subsequent Events (Note 12)

The accompanying notes form an integral part of these carve-out condensed interim financial statements.

**THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.**  
**Carve-out Condensed Interim Statement of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>Three Months Ended</b>	<b>For the Period from Acquisition</b>
	<b>June 30, 2021</b>	<b>on February 10, 2021 to June 30, 2021</b>
<b>General and Administrative Expenses</b>		
Advertising and promotion	\$ 100,191	\$ 272,246
Consulting and management fees	359,201	402,434
Depreciation	6,585	14,531
Director fees	38,622	58,633
Insurance	17,331	37,232
Office and administration	13,448	47,348
Professional fees	59,812	150,083
Salaries and benefits	158,423	254,635
Share based compensation	125,969	201,211
Stock exchange and shareholder services	21,091	74,091
Travel and accommodation	1,073	4,779
	(901,747)	(1,517,222)
<b>Loss and Comprehensive Loss for Period</b>	<b>\$ (901,747)</b>	<b>\$ (1,517,222)</b>

The accompanying notes form an integral part of these carve-out condensed interim financial statements.



**THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.**  
**Carve-out Condensed Interim Statement of Equity**  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>As At June 30,</b>
	<b>2021</b>
<b>Total equity, beginning of period</b>	
Owner's net investment, beginning of period	\$ -
Comprehensive loss for the period	(1,517,222)
Owner's contribution for the period	13,277,023
Owner's net investment, for the period	\$ 11,759,801
Shares payable	3,818,003
<b>Total equity, end of period</b>	<b>15,577,804</b>

The accompanying notes form an integral part of these carve-out condensed interim financial statements.

**THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.**  
**Carve-out Condensed Interim Statement of Cash Flows**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Notes	For the Period from Acquisition on February 10, 2021 to June 30, 2021	
<b>Operating Activities</b>			
Net loss for period		\$	(1,517,222)
Adjustments to reconcile net loss to net cash flows:			
Depreciation			14,531
Share based payments			201,211
			<u>(1,301,480)</u>
Changes to working capital items			
Accounts payable			265,566
<b>Cash Used in Operating Activities</b>			<u>(1,035,914)</u>
<b>Investing Activities</b>			
Mineral property expenditures	5		(8,914,707)
<b>Cash Used in Investing Activities</b>			<u>(8,914,707)</u>
<b>Financing Activities</b>			
Investment from owner			9,950,621
<b>Cash Provided by Financing Activities</b>			<u>9,950,621</u>
Net change in cash			-
Cash - beginning of period			-
Cash - end of period		\$	-

Supplemental Cash Flow Information

	For the Period from Acquisition on February 10, 2021 to June 30, 2021	
Supplementary information		
Non-Cash Financing and Investing Activities		
ELEF shares issued on acquisition of mineral property	\$	2,386,815
ELEF warrants issued for mineral property	\$	723,845
Mineral property expenditures included in accounts payable	\$	27,818
ELEF shares issuable for acquisition of mineral property	\$	<u>3,818,003</u>

The accompanying notes form an integral part of these carve-out condensed interim financial statements.

## THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

The Minago Nickel Project (the “**Project**” or “**Minago**”) is a mineral exploration and evaluation project 100% owned by Silver Elephant Mining Corp. (“**ELEF**”). The common shares of ELEF are listed for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol “**ELEF**” and on the Frankfurt Stock Exchange under the symbol “**1P2N**” and are quoted on the OTCQX® Best Market under the symbol “**SILEF**”.

ELEF holds a 100% interest in the Minago nickel project, which is comprised of the Minago nickel deposits and associated claims located in the Thompson Nickel Belt in Manitoba, Canada. ELEF maintains its registered and records office at Suite 1610 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

Following the completion of the proposed transaction described in Note 3, the ELEF intends to reorganize its assets and operations into four separate companies: ELEF, 1324825 B.C. Ltd. (“**VanadiumCo**”), Flying Nickel Mining Corp. (“**NickelCo**”) and Battery Metals Royalties Corp. (“**RoyaltyCo**”). The Company intends to complete a share capital reorganization by way of statutory plan of arrangement (the “**Arrangement**”).

These carve-out condensed interim financial statements (“**Carve-out Interim Financial Statements**”) reflect the financial position, results of operations, and cash flows for the Minago and have been compiled for purposes of inclusion in an Information Circular for ELEF in connection with the Arrangement described in Note 3.

These Carve-out Interim Financial Statements have been prepared on a going concern basis, which assumes that Minago will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At June 30, 2021, Minago had \$nil cash on hand, is not generating any revenues and has incurred losses since inception. Whether and when Minago can obtain profitability and positive cash flows from operations is uncertain. These material uncertainties may cast significant doubt on the ability of Minago to continue as a going concern. The Company’s ability to continue its operations is dependent on its ability to obtain necessary financings. These Carve-out Interim Financial Statements do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should Minago be unable to continue as a going concern. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

### 2. BASIS OF PRESENTATION

These Carve-out Interim Financial Statements have been prepared on a carve-out basis from the books and records of ELEF and have been prepared in accordance with International Financial Reporting Standards, (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and interpretations issued by the International Financial Reporting Interpretations Committee (“**IFRIC**”).

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the Company’s management to exercise judgment in applying Minago’s accounting policies. The areas where significant judgments and estimates have been made in preparing these Carve-out Financial Statements and their effect are disclosed in Note 4.

These Carve-out Interim Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss (“**FVTPL**”), which are stated at their fair values.

These Carve-out Interim Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. These Carve-out Financial Statements are presented in Canadian Dollars, except where otherwise noted.

## THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### 2. BASIS OF PRESENTATION (cont'd...)

These Carve-out Interim Financial Statements have been extracted from the historical accounting records of ELEF with estimates used, when necessary, for certain allocations.

- The carve-out statement of financial position for the current period reflects the assets and liabilities recorded by ELEF which have been assigned to Minago on the basis that they are specifically identifiable and attributable to Minago.
- The carve-out statements of loss and comprehensive loss for the current period include a pro-rata allocation of ELEF's expenses incurred presented based on the percentage of exploration and evaluation activities on the carve-out exploration and evaluation assets, compared to the expenditures incurred on all of ELEF's exploration and evaluation assets, and based on specifically identifiable activities attributable to Minago.

Management cautions readers of these Carve-Out Interim Financial Statements that the Minago results do not necessarily reflect what the results of operations, financial positions, or cash flows would have been had Minago been a separate entity. Further, the allocation of expenses in these carve-out statements of loss and comprehensive loss do not necessarily reflect the nature and level of Minago's future operating expenses. ELEF's investment in Minago, presented as equity in these carve-out financial statements, includes the accumulated total comprehensive loss of Minago.

The Carve-out Interim Financial Statements follow the same accounting policies and methods of application as the annual financial statements of ELEF except as noted above.

### 3. ARRANGEMENT AND TRANSFER OF ASSETS

On August 26, 2021, ELEF announced that it has executed a plan of arrangement, as amended November 8, 2021 (the "**Arrangement**") under the Business Corporations Act (British Columbia) pursuant to which it shall:

- complete a consolidation of the outstanding share capital of ELEF whereby each 10 pre-consolidation ELEF share shall be exchanged for one post-consolidation ELEF share;
- transfer certain royalties presently held by ELEF in certain projects into its own entity, SpinCo 3 ("RoyaltyCo"), a wholly owned subsidiary of ELEF;
- spin-out its Manitoba based Minago Nickel project mineral property assets ("Minago") into its own entity, SpinCo 1 ("NickelCo"), a wholly owned subsidiary of ELEF;
- and spin-out its Nevada based Gibellini Vanadium project mineral property assets ("Gibellini") into its own entity, SpinCo 2 ("VanadiumCo"), a wholly owned subsidiary of ELEF.

ELEF will transfer assets, as described above, to each SpinCo in consideration for the following:

- NickelCo will purchase the Minago assets from ELEF in exchange for the issuance of NickelCo shares and the assumption of certain liabilities related to the underlying assets;
- RoyaltyCo will purchase the royalties from ELEF in exchange for the issuance of RoyaltyCo shares;
- Nevada Vanadium Mining Corp. ("NVMC") will purchase the Gibellini assets from ELEF in exchange for the issuance of NVMC shares and the assumption of certain liabilities related to the underlying assets;
- VanadiumCo will purchase the NVMC shares from ELEF in exchange for the issuance of VanadiumCo shares;
- and RoyaltyCo will purchase certain of the outstanding shares of both VanadiumCo and NickelCo in exchange for the issuance of RoyaltyCo shares.

## THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### 3. ARRANGEMENT AND TRANSFER OF ASSETS (cont'd...)

Upon completion of the Arrangement, it is currently expected that ELEF and each SpinCo will focus on its corresponding core business with:

- ELEF holding a 100% interest in its Pulacayo silver and El Triunfo gold-silver projects in Bolivia, and approximately 33% of the Royalties SpinCo shares as a long-term investment;
- VanadiumCo holding a 100% interest in the Gibellini Vanadium project in Nevada;
- NickelCo holding a 100% interest in the Minago nickel project at Thompson nickel belt in Manitoba;
- and RoyaltyCo holding certain royalties related to each of the transferred assets referenced above and approximately 54% of the NickelCo shares and approximately 54% of the VanadiumCo shares as a long-term investment.

Subject to applicable laws, the policies of and approval by the Toronto Stock Exchange (the "TSX"), the receipt of ELEF's shareholder approval and court approval, and satisfaction of other closing conditions, it is presently expected that, pursuant to the Arrangement:

- i. the authorized share capital of ELEF shall be reorganized and its articles amended by the creation of an unlimited number of Class A Shares;
- ii. and each ELEF shareholder ("Shareholder") will exchange each post-Consolidation ELEF share to receive: one share of each of NickelCo and VanadiumCo; two shares of RoyaltyCo; and one Class A share of ELEF

Holders of outstanding ELEF warrants (the "Warrants") after the Record Date will be entitled to receive, upon exercise of each such Warrant at the same original exercise price and in accordance with the terms of such Warrant, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

Holders of outstanding ELEF options (the "Options") after the Record Date will be entitled to receive, upon exercise of each such Option at the same original exercise price and in accordance with the terms of such Option, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

While the foregoing has been prepared on the basis that no additional securities of each SpinCo will be issued, it is presently expected that each SpinCo will complete a financing in connection with the Arrangement to provide for working capital and other corporate purposes (see Note 13).

There can be no assurance that the Arrangement will be completed on the terms described herein or that the proposed public listings of the SpinCos will be completed.

## THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### 4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Carve-out Interim Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

#### 4.1 Significant Judgments

The significant judgments that management has made in the process of preparing the carve-out financial statements, apart from those involving estimation uncertainties (Note 4.2), include, but are not limited to:

(a) Functional currency determination

The functional currency for Minago is the currency of the primary economic environment and Minago reconsiders its functional currency if there is a change in events and conditions which determined the primary economic environment. Management has determined the functional currency of Minago to be the Canadian dollar.

(b) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping, prefeasibility and feasibility studies, assessable facilities, existing permits and life of mine plans.

Management has determined that during the period ended June 30, 2021, the Minago nickel project has not reached technical feasibility and commercial viability and therefore remains within Mineral Properties on the Statement of Financial Position.

(c) Impairment (recovery) assessment of deferred exploration interests

Minago considers both external and internal sources of information in assessing whether there are any indications that mineral property interests are impaired. External sources of information that Minago considers include changes in the market, economic and legal environment in which Minago operates that are not within its control and affect the recoverable amount of mineral property interest. Internal sources of information that Minago considers include the manner in which mineral properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

(d) Deferred Tax Assets and Liabilities

The measurement of the deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of deferred taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. For deferred tax calculation purposes, Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of Minago's ability to utilize future tax deductions changes, Minago would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.



## THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### 4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd...)

#### 4.2 Estimates and Assumptions

Minago bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

##### (a) Mineral reserves

The recoverability of the carrying value of the mineral properties is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

##### (b) Impairment

The carrying value of long-lived assets are reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is recognized in the consolidated statement of operations. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) (“CGUs”) for purposes of testing impairment, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of long-lived assets could impact the impairment analysis.

##### (c) Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against Minago and that may result in regulatory or government actions that may negatively impact Minago’s business or operations, Minago and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the Minago’s assets. Contingent assets are not recognized in the Carve-out Financial Statements.

As at June 30, 2021, Minago does not have any contingent liabilities.

##### (d) Fair value measurement

Minago measures financial instruments at fair value at each reporting date. The fair values of financial instruments measured at amortized cost are disclosed in Note 9. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, completes an asset acquisition or where an entity measures the recoverable amount of an asset or cash-generating unit at fair value less costs of disposal. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Minago uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

## THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### 4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd...)

#### 4.2 Estimates and Assumptions (cont'd...)

##### COVID-19

An emerging risk is a risk not well understood at the current time and for which the impacts on strategy and financial results are difficult to assess or are in the process of being assessed. Since December 31, 2019, the outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank

interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

COVID-19 may impact Company operations, and consequently, the nature and amounts and disclosures in the financial statements. Some of the specific areas impacted by COVID-19 include, but are not limited to:

- Going concern assessments;
- Evaluation of subsequent events;
- Impairment and recovery of mineral properties;
- Fair value measurements;

As at June 30, 2021, the COVID-19 pandemic has not affected Minago's critical accounting policies.

### 5. MINERAL PROPERTIES

<b>Opening Balance</b>	<b>\$</b>	<b>-</b>
<i>Additions:</i>		
Acquisition cost	\$	15,821,632
Deferred exploration costs:		
Licenses, tax, and permits		4,587
Geological and consulting		36,799
Personnel, camp and general		8,172
		49,558
<b>Balance, June 30, 2021</b>	<b>\$</b>	<b>15,871,189</b>

On February 10, 2021, ELEF acquired the Minago Nickel Project located in Manitoba, Canada (the "Minago Project") (the "Minago Acquisition") by way of an Asset Purchase Agreement (the "APA") with Victory Nickel Inc. ("Victory Nickel"). Under the terms of the APA, ELEF acquired the Minago Project for aggregate consideration of US\$11,675,000, which consisted of a US\$6,675,000 ("Property Payment") credit against certain secured debt owed by Victory Nickel to ELEF at closing and US\$5,000,000 in ELEF common shares ("Consideration Shares") to be issued over a one-year period.

In satisfaction of the Consideration Shares to be issued, an initial tranche of 5,363,630 Consideration Shares was issued on February 9, 2021, a further US\$2,000,000 worth of Consideration Shares will be issued on or before August 31, 2021 (issued), and a further US\$1,000,000 worth of Consideration Shares on or before December 31, 2021. All Consideration Shares are subject to 4-month plus 1-day statutory hold period. The Property Payment was a credit in favour of Victory Nickel against an aggregate of approximately US\$12,056,307 owed by Victory Nickel pursuant a Secured Debt Facility (the "SDF").

## **THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.**

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### **5. MINERAL PROPERTIES (cont'd...)**

Immediately prior to acquiring the Minago Project, ELEF acquired the SDF for US\$6,675,000 in cash and 3 million of ELEF's common share purchase warrants (the "Warrants"), each exercisable until February 8, 2023 at an exercise price of \$0.4764 from an arms-length party pursuant to a Debt Purchase and Assignment Agreement (the "DPAA") executed on January 15, 2021. The SDF has been restructured to bear zero percent interest and to expire on February 8, 2026, which will automatically be extended in 5-year increments. ELEF will credit the remaining balance under the SDF to Victory Nickel's benefit, upon completion of an independent economic study proving positive net present value in respect of the Minago Project during the term of the SDF. ELEF agreed to reimburse up to \$200,000 of financial advisory services rendered by Red Cloud Securities Inc.

ELEF subscribed to 40,000,000 common shares of Victory Nickel ("VN share") at a price per VN share of \$0.025 for cash consideration of \$1,000,000, which resulted in ELEF owning approximately 29% of Victory Nickel post-investment on a non-diluted basis. Additionally, ELEF agreed to issue to Victory Nickel \$2,000,000 in Common Shares, upon the price of nickel exceeding US\$10 per pound for 30 consecutive business days, at any time before December 31, 2023. ELEF granted Victory Nickel the right of first refusal exercisable until December 31, 2023, with respect to the exploration of the sandstone (non-nickel bearing sulphides) resources for frac sand extraction at the Minago Project.

### **6. OWNER'S NET INVESTMENT**

ELEF's net investment in Minago is presented as Owner's Net Investment in the carve-out financial statements. Owner's Net Investment represents the accumulated net contributions from the Company net of the accumulated losses of the operations. Net financing transactions with ELEF as presented in the carve-out financial statements of cash flows represent the net contributions related to the funding of operations between Minago and ELEF.

### **7. CAPITAL RISK MANAGEMENT**

Management considers its capital structure to consist of working capital and shareholders' equity. Minago manages its capital structure and makes adjustments to it, based on the funds available to, and required in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative returns on capital criteria for management. In order to facilitate the management of its capital requirement, Minago prepares annual expenditure budgets that are updated as necessary depending on various factors. The annual and updated budgets are approved by the Board of Directors.

The properties, to which Minago currently has an interest in, are in the exploration stage; as such, Minago is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, Minago will raise additional amounts as needed. Minago is subject to externally imposed capital requirements.

## THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### 8. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

#### Fair Value Measurements

##### Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Minago utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Minago does not have financial assets measured at fair value by level within the fair value hierarchy.

#### Categories of financial instruments

Minago considers that the carrying amount of all its financial assets and financial liabilities measured at amortized cost approximates their fair value due to their short term nature. Minago does not offset financial assets with financial liabilities. There were no transfers between Level 1, 2 and 3 for the period ended June 30, 2021.

Minago's financial liabilities are categorized as follows:

	<b>June 30, 2021</b>
Amortized cost	
Accounts payable	\$ 293,385
	<b>\$ 293,385</b>

## THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### 9. FINANCIAL RISK MANAGEMENT DISCLOSURES

#### (a) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its financial obligations as they fall due. Minago manages liquidity risk by preparing cash flow forecasts of upcoming cash requirements. As at June 30, 201, Minago had a cash balance of \$nil and had accounts payable of \$293,385.

Minago has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. Minago coordinates this planning and budgeting process with its financing activities through the capital management process in normal circumstances. As described in Note 2, Minago has no recurring source of revenue or funding and is reliant on contributions from its owner to fund operations.

#### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Minago is not exposed to significant credit risk.

#### (c) Market risk

##### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that Minago will realize a loss as a result of a decline in interest rates is low as Minago has no investments or liabilities with variable interest rates.

##### (ii) Foreign currency risk

Minago has exploration and development projects in Manitoba, Canada and undertakes transactions denominated in Canadian dollars, its functional currency. Minago's exposed to foreign currency risk is thus minimal.

##### (iii) Commodity and equity price risk

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond Minago's control. The supply and demand for these commodities, the level of

#### (c) Market risk (cont'd...)

##### (iii) Commodity and equity price risk (cont'd...)

interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. Minago is also exposed to price risk with regards to equity prices. Equity

price risk is defined as the potential adverse impact on the Minago's earnings due to movements in individual equity prices or general movements in the level of the stock market.

Minago closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken. Fluctuations in value may be significant.

## THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### 10. RELATED PARTY DISCLOSURES

During the period from February 10, 2021 to June 30, 2021, Minago had related party transactions with the following companies, related by way of directors and key management personnel:

- Linx Partners Ltd., a private company controlled by John Lee, Director, CEO and Executive Chairman of ELEF, provides management and consulting services to Minago.
- MaKevCo Consulting Inc., a private company 50% owned by Greg Hall, Director of ELEF, provides consulting services to Minago.
- Sophir Asia Ltd., a private company controlled by Masa Igata, Director of ELEF, provides consulting services to Minago.

A summary of the transactions by nature among the related parties is as follows:

	For the Period From Acquisition on February 10, 2021 to June 30, 2021	
Related parties		2021
Consulting and management fees	\$	200,365
Directors' fees		58,633
Mineral properties		304,661
Salaries		158,421
	\$	722,080

As at June 30, 2021, amounts due to related parties were \$Nil.

### 11. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company.

	For the Period From Acquisition on February 10, 2021 to June 30, 2021	
Key Management Personnel		2021
Salaries and short term benefits	\$	158,421
Directors' fees		58,633
Share-based payments		123,570
	\$	340,624



## THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to June 30, 2021

(Expressed in Canadian Dollars)

### 12. SUBSEQUENT EVENTS

- On August 31, 2021, ELEF issued 10,081,502 Consideration Shares to Victory Nickel.
- On October 26, 2021, ELEF announced the terms of the NickelCo financing. The NickelCo will raise proceeds of up to \$7,000,000 through the issuance of:
  - (i) up to 5,000,000 subscription receipts of the Company (each, a “Non-FT Subscription Receipt”) at a price of \$0.70 per Non-FT Subscription Receipt for gross proceeds of up to \$3,500,000 from the sale of Non-FT Subscription Receipts; and
  - (ii) flow-through eligible subscription receipts of the Company (each, a “FT Subscription Receipt”, and collectively with the Non-FT Subscription Receipts, the “Offered Securities”) at a price of \$0.77 per FT Subscription Receipt;

Upon satisfaction of certain escrow release conditions, the subscription receipts will be deemed exercised without payment of additional consideration as follows:

- (i) each non-FT subscription receipt shall be automatically converted into one unit of the Company (a “Unit”). Each unit will consist of one common share of the Company and one half of one common share purchase warrant (a “Warrant”). Each whole Warrant shall entitle the holder to purchase one common share of the Company at a price of \$1.00 at any time on or before that date which is 24 months after the date of issuance of the Units.
- (ii) Each FT subscription receipt shall be automatically converted into one common share of the Company to be issued as a “flow-through share” within the meaning of the Income Tax Act (Canada).

**APPENDIX "H"**  
**FINANCIAL STATEMENTS OF SPINCO 2 PROPERTIES**

(see attached)

**NEVADA VANADIUM MINING CORP.**

**Carve-out Financial Statements**  
**For the years ended December 31, 2020, 2019 and 2018**  
(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Silver Elephant Mining Corp. ("ELEF")

### *Opinion*

We have audited the accompanying carve-out financial statements of Nevada Vanadium Mining Corp. (the "Company"), which comprise the carve-out statements of financial position as at December 31, 2020, 2019 and 2018 and the carve-out statements of loss and comprehensive loss, owner's net investment, and cash flows for the years then ended, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, these carve-out financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-out Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the carve-out financial statements, which indicates that at December 31, 2020, the Company had limited cash on hand, is not generating any revenues and has incurred losses since inception. Whether and when the Company can obtain profitability and positive cash flows from operations is uncertain. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes ELEF's Management Information Circular.

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

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



We obtained ELEF's Management Information Circular prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Carve-out Financial Statements***

Management is responsible for the preparation and fair presentation of the carve-out financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditor's Responsibilities for the Audit of the Carve-out Financial Statements***

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

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

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

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

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

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

*Davidson & Company LLP*

Vancouver, Canada

Chartered Professional Accountants

November 9, 2021



**NEVADA VANADIUM MINING CORP.**  
**Carve-out Statements of Financial Position**  
(Expressed in Canadian Dollars)

		As At December 31,		
	Notes	2020	2019	2018
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$	29,600	\$ 12,518	\$ 5,993
Prepaid expenses		2,172	18,304	20,901
		31,772	30,822	26,894
<b>Non-current assets</b>				
Equipment	6	80,401	89,826	22,713
Mineral properties	7	13,290,081	8,600,658	3,643,720
<b>Total assets</b>	<b>\$</b>	<b>13,402,254</b>	<b>\$ 8,721,306</b>	<b>\$ 3,693,327</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Accounts payable	13	\$ 230,330	\$ 905,399	\$ 508,527
<b>Total liabilities</b>		<b>230,330</b>	<b>905,399</b>	<b>508,527</b>
<b>Equity</b>				
Owner's net investment	8	13,171,924	7,815,907	3,184,800
Total equity		13,171,924	7,815,907	3,184,800
<b>Total liabilities and equity</b>	<b>\$</b>	<b>13,402,254</b>	<b>\$ 8,721,306</b>	<b>\$ 3,693,327</b>

*"John Lee"*

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John Lee, Director

Vancouver, British Columbia

November 8, 2021

*"Greg Hall"*

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Greg Hall, Director

Vancouver, British Columbia

The accompanying notes form an integral part of these carve-out financial statements.

**NEVADA VANADIUM MINING CORP.**  
**Carve-out Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)

	Years Ended December 31,		
	2020	2019	2018
<b>General and Administrative Expenses</b>			
Advertising and promotion	\$ 316,202	\$ 612,149	\$ 342,483
Consulting and management fees	333,342	193,894	185,774
Depreciation	24,030	50,223	20,367
Director fees	63,471	80,012	51,150
Insurance	58,999	72,193	40,370
Office and administration	59,481	72,802	98,146
Professional fees	187,815	176,199	311,707
Salaries and benefits	309,794	585,943	601,173
Share based compensation	450,384	545,568	402,225
Stock exchange and shareholder services	105,453	107,840	173,934
Travel and accommodation	54,542	182,535	168,254
	(1,963,513)	(2,679,358)	(2,395,582)
<b>Loss and Comprehensive Loss for Year</b>	<b>\$ (1,963,513)</b>	<b>\$ (2,679,358)</b>	<b>\$ (2,395,582)</b>
<b>Deficit, Beginning of Year</b>	(5,074,940)	(2,395,582)	-
<b>Deficit, End of Year</b>	<b>\$ (7,038,453)</b>	<b>\$ (5,074,940)</b>	<b>\$ (2,395,582)</b>

The accompanying notes form an integral part of these carve-out financial statements.

**NEVADA VANADIUM MINING CORP.**  
**Carve-out Statements of Owner's Net Investment**  
(Expressed in Canadian Dollars)

	<b>As At December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Owner's net investment, beginning of year</b>	\$ 7,815,907	\$ 3,184,800	\$ 360,428
Comprehensive loss for the year	(1,963,513)	(2,679,358)	(2,395,582)
Owner's contribution for the year	7,319,530	7,310,465	5,219,955
<b>Owner's net investment, end of year</b>	<b>\$ 13,171,924</b>	<b>\$ 7,815,907</b>	<b>\$ 3,184,800</b>

The accompanying notes form an integral part of these carve-out financial statements.

**NEVADA VANADIUM MINING CORP.**  
**Carve-out Statements of Cash Flows**  
(Expressed in Canadian Dollars)

	Notes	Years Ended December 31,		
		2020	2019	2018
<b>Operating Activities</b>				
Net loss for year		\$ (1,963,513)	\$ (2,679,358)	\$ (2,395,582)
Adjustments to reconcile net loss to net cash flows:				
Depreciation		24,030	50,223	20,367
Share based compensation		450,384	545,568	402,225
		(1,489,099)	(2,083,567)	(1,972,990)
Changes to working capital items				
Prepaid expenses		16,132	2,597	(11,517)
Accounts Payable		(136,399)	(52,564)	188,963
<b>Cash Used in Operating Activities</b>		<b>(1,609,366)</b>	<b>(2,133,534)</b>	<b>(1,795,544)</b>
<b>Investing Activities</b>				
Proceeds on sale of equipment	6	50,695	-	-
Purchase of equipment	6	(70,539)	(76,803)	(26,491)
Mineral property expenditures	7	(2,863,969)	(4,417,924)	(2,700,204)
<b>Cash Used in Investing Activities</b>		<b>(2,883,813)</b>	<b>(4,494,727)</b>	<b>(2,726,695)</b>
<b>Financing Activities</b>				
Advances from Silver Elephant		4,510,261	6,634,786	4,528,232
<b>Cash Provided by Financing Activities</b>		<b>4,510,261</b>	<b>6,634,786</b>	<b>4,528,232</b>
Net decrease in cash		17,082	6,525	5,993
Cash - beginning of year		12,518	5,993	-
Cash - end of year		\$ 29,600	\$ 12,518	\$ 5,993

Supplemental Cash Flow Information

	Year Ended December 31,		
	2020	2019	2018
Supplementary information			
Non-Cash Financing and Investing Activities			
Shares issued on acquisition of mineral property	\$ 2,210,000	\$ -	\$ -
Warrants issued for mineral property	\$ -	\$ -	\$ 181,944
Mineral property expenditures included in accounts payable	\$ 230,330	\$ 769,000	\$ 319,564
Share-based payments capitalized in mineral properties	\$ 124,855	\$ 79,888	\$ 87,186

The accompanying notes form an integral part of these carve-out financial statements.

## **NEVADA VANADIUM MINING CORP.**

Notes to Carve-out Financial Statements

For the years ended December 31, 2020, 2019 and 2018

(Expressed in Canadian Dollars)

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### **1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS**

Nevada Vanadium Mining Corp. (the “Company” or “NVMC”) is a mineral exploration and evaluation entity 100% owned by Silver Elephant Mining Corp. (“ELEF”). The common shares of ELEF are listed for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “ELEF” and on the Frankfurt Stock Exchange under the symbol “1P2N” and are quoted on the OTCQX® Best Market under the symbol “SILEF”.

ELEF holds a 100% interest in the Gibellini vanadium project, which is comprised of the Gibellini, Louie Hill and Bisoni vanadium deposits and associated claims located in the State of Nevada, USA. The Company maintains its registered and records office at Suite 1610 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

Following the completion of the proposed transaction described in Note 3, the ELEF intends to reorganize its assets and operations into four separate companies: ELEF, 1324825 B.C. Ltd. (“VanadiumCo”), Flying Nickel Mining Corp. (“NickelCo”) and Battery Metals Royalties Corp. (“RoyaltyCo”). The Company intends to complete a share capital reorganization by way of statutory plan of arrangement (the “Arrangement”).

These carve-out financial statements reflect the financial position, results of operations, and cash flows for the NVMC and have been compiled for purposes of inclusion in an Information Circular for ELEF in connection with the Arrangement described in Note 3.

These carve-out financial statements have been prepared on a going concern basis, which assumes that NVMC will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At December 31, 2020, NVMC had limited cash on hand, is not generating any revenues and has incurred losses since inception. Whether and when NVMC can obtain profitability and positive cash flows from operations is uncertain. These material uncertainties may cast significant doubt on the ability of NVMC to continue as a going concern. The Company’s ability to continue its operations is dependent on its ability to obtain necessary financings. These carve-out financial statements do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

### **2. BASIS OF PRESENTATION**

These Carve-out Financial Statements have been prepared on a carve-out basis from the books and records of ELEF and have been prepared in accordance with International Financial Reporting Standards, (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the Company’s management to exercise judgment in applying the Company’s accounting policies. The areas where significant judgments and estimates have been made in preparing these Carve-out Financial Statements and their effect are disclosed in Note 4.

These Carve-out Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair values.

## **2. BASIS OF PRESENTATION (cont'd...)**

These Carve-out Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. These Carve-out Financial Statements are presented in Canadian Dollars, except where otherwise noted.

These Carve-out Financial Statements have been extracted from the historical accounting records of ELEF with estimates used, when necessary, for certain allocations.

- The carve-out statements of financial positions reflect the assets and liabilities recorded by ELEF which have been assigned to NVMC on the basis that they are specifically identifiable and attributable to NVMC.
- The carve-out statements of loss and comprehensive loss include a pro-rata allocation of ELEF's expenses incurred in each of the years presented based on the percentage of exploration and evaluation activities on the carve-out exploration and evaluation assets, compared to the expenditures incurred on all of ELEF's exploration and evaluation assets, and based on specifically identifiable activities attributable to NVMC.
- Income taxes have been calculated as if NVMC had been a separate legal entity and filed separate tax returns for the years presented.

Management cautions readers of these Carve-Out Financial Statements that the NVMC results do not necessarily reflect what the results of operations, financial positions, or cash flows would have been had NVMC been a separate entity. Further, the allocation of expenses in these carve-out statements of loss and comprehensive loss do not necessarily reflect the nature and level of NVMC's future operating expenses. ELEF's investment in NVMC, presented as equity in these carve-out financial statements, includes the accumulated total comprehensive loss of NVMC.

The accounting policies set out in Note 5 have been applied consistently to all periods presented in these Carve-out Financial Statements.

## **3. ARRANGEMENT AND TRANSFER OF ASSETS**

On August 26, 2021, ELEF announced that it has executed a plan of arrangement, as amended November 8, 2021 (the "**Arrangement**") under the Business Corporations Act (British Columbia) pursuant to which it shall:

- i. complete a consolidation of the outstanding share capital of ELEF whereby each 10 pre-consolidation ELEF share shall be exchanged for one post-consolidation ELEF share;
- ii. transfer certain royalties presently held by ELEF in certain projects into its own entity, SpinCo 3 ("RoyaltyCo"), a wholly owned subsidiary of ELEF;
- iii. spin-out its Manitoba based Minago Nickel project mineral property assets ("Minago") into its own entity, SpinCo 1 ("NickelCo"), a wholly owned subsidiary of ELEF;
- iv. and spin-out its Nevada based Gibellini Vanadium project mineral property assets ("Gibellini") into its own entity, SpinCo 2 ("VanadiumCo"), a wholly owned subsidiary of ELEF.

ELEF will transfer assets, as described above, to each SpinCo in consideration for the following:

- NickelCo will purchase the Minago assets from ELEF in exchange for the issuance of NickelCo shares and the assumption of certain liabilities related to the underlying assets;
- RoyaltyCo will purchase the royalties from ELEF in exchange for the issuance of RoyaltyCo shares;
- NVMC will purchase the Gibellini assets from ELEF in exchange for the issuance of NVMC shares and the assumption of certain liabilities related to the underlying assets;
- VanadiumCo will purchase the NVMC shares from ELEF in exchange for the issuance of VanadiumCo shares;
- and RoyaltyCo will purchase certain of the outstanding shares of both VanadiumCo and NickelCo in exchange for the issuance of RoyaltyCo shares.



### **3. ARRANGEMENT AND TRANSFER OF ASSETS (cont'd...)**

Upon completion of the Arrangement, it is currently expected that ELEF and each SpinCo will focus on its corresponding core business with:

- ELEF holding a 100% interest in its Pulacayo silver and El Triunfo gold-silver projects in Bolivia, and approximately 33% of the Royalties SpinCo shares as a long-term investment;
- VanadiumCo holding a 100% interest in the Gibellini Vanadium project in Nevada;
- NickelCo holding a 100% interest in the Minago nickel project at Thompson nickel belt in Manitoba;
- and RoyaltyCo holding certain royalties related to each of the transferred assets referenced above and approximately 54% of the NickelCo shares and approximately 54% of the VanadiumCo shares as a long-term investment.

Subject to applicable laws, the policies of and approval by the Toronto Stock Exchange (the "TSX"), the receipt of ELEF's shareholder approval and court approval, and satisfaction of other closing conditions, it is presently expected that, pursuant to the Arrangement:

- i. the authorized share capital of ELEF shall be reorganized and its articles amended by the creation of an unlimited number of Class A Shares;
- ii. and each ELEF shareholder ("Shareholder") will exchange each post-Consolidation ELEF share to receive: one share of each of NickelCo and VanadiumCo; two shares of RoyaltyCo; and one Class A share of ELEF

Holders of outstanding ELEF warrants (the "Warrants") after the Record Date will be entitled to receive, upon exercise of each such Warrant at the same original exercise price and in accordance with the terms of such Warrant, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

Holders of outstanding ELEF options (the "Options") after the Record Date will be entitled to receive, upon exercise of each such Option at the same original exercise price and in accordance with the terms of such Option, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

While the foregoing has been prepared on the basis that no additional securities of each SpinCo will be issued, it is presently expected that each SpinCo will complete a financing in connection with the Arrangement to provide for working capital and other corporate purposes.

There can be no assurance that the Arrangement will be completed on the terms described herein or that the proposed public listings of the SpinCos will be completed.

### **4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the carve-out financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

#### **4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd...)**

##### **4.1 Significant Judgments**

The significant judgments that management has made in the process of preparing the carve-out financial statements, apart from those involving estimation uncertainties (carve-out financial statements 4.2), include, but are not limited to:

(a) Functional currency determination

The functional currency for NVMC is the currency of the primary economic environment and NVMC reconsiders its functional currency if there is a change in events and conditions which determined the primary economic environment. Management has determined the functional currency of NVMC to be the Canadian dollar.

(b) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping, prefeasibility and feasibility studies, assessable facilities, existing permits and life of mine plans.

Management has determined that during the year ended December 31, 2020, the NVMC vanadium project has not reached technical feasibility and commercial viability and therefore remains within Mineral Properties on the Statement of Financial Position.

(c) Impairment (recovery) assessment of deferred exploration interests

NVMC considers both external and internal sources of information in assessing whether there are any indications that mineral property interests are impaired. External sources of information that NVMC considers include changes in the market, economic and legal environment in which NVMC operates that are not within its control and affect the recoverable amount of mineral property interest. Internal sources of information that NVMC considers include the manner in which mineral properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

(d) Deferred Tax Assets and Liabilities

The measurement of the deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of deferred taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. For deferred tax calculation purposes, Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of NVMC's ability to utilize future tax deductions changes, NVMC would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

#### **4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd...)**

##### **4.2 Estimates and Assumptions**

NVMC bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

(a) Mineral reserves

The recoverability of the carrying value of the mineral properties is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(b) Depreciation

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(c) Impairment

The carrying value of long-lived assets are reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is recognized in the consolidated statement of operations. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) (“CGUs”) for purposes of testing impairment, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of long-lived assets could impact the impairment analysis.

(d) Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against NVMC and that may result in regulatory or government actions that may negatively impact NVMC’s business or operations, NVMC and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the NVMC’s assets. Contingent assets are not recognized in the Carve-out Financial Statements.

As at December 31, 2020, NVMC does not have any contingent liabilities (December 31, 2019 - \$Nil, December 31, 2018 - \$Nil).

(e) Fair value measurement

NVMC measures financial instruments at fair value at each reporting date. The fair values of financial instruments measured at amortized cost are disclosed in Note 12. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, completes an asset acquisition or where an entity measures the recoverable amount of an asset or cash-generating unit at fair value less costs of disposal. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### **4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd...)**

##### **4.2 Estimates and Assumptions (cont'd...)**

###### **(e) Fair value measurement (cont'd...)**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. NVMC uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

###### **Carve-out allocation**

Management has applied judgement in determining the amounts extracted from ELEF's historical financial information which make up NVMC. This includes the assets and liabilities recorded by ELEF which have been assigned to NVMC, as well as NVMC's share of income and expenses incurred by ELEF. The allocations are considered reasonable under the circumstances.

###### **COVID-19**

An emerging risk is a risk not well understood at the current time and for which the impacts on strategy and financial results are difficult to assess or are in the process of being assessed. Since December 31, 2019, the outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

COVID-19 may impact Company operations, and consequently, the nature and amounts and disclosures in the financial statements. Some of the specific areas impacted by COVID-19 include, but are not limited to:

- Going concern assessments;
- Evaluation of subsequent events;
- Impairment and recovery of mineral properties;
- Fair value measurements;
- Lease modifications;
- Employee termination benefits; and
- Financial statement and Management Discussion & Analysis disclosures.

As at December 31, 2020, the COVID-19 pandemic has not affected NVMC's critical accounting policies.

## **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### (a) Mineral properties

Mineral property assets consist of exploration and evaluation costs. Costs directly related to the exploration and evaluation of resource properties are capitalized to mineral properties once the legal rights to explore the resource properties are acquired or obtained. These costs include acquisition of rights to explore, license and application fees, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

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

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

#### (i) Title to mineral properties

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the NVMC's title, nor has the NVMC insured title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

#### (ii) Realization of mineral property assets

The investment in and expenditures on mineral property interests comprise a significant portion of NVMC's assets. Realization of NVMC's investment in these assets is dependent upon the establishment of legal ownership, and the attainment of successful production from properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into profitable producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

#### (iii) Environmental

NVMC is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. NVMC may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

NVMC conducts its mineral exploration activities in compliance with applicable environmental protection legislation. As at December 31, 2020, NVMC is not aware of any existing environmental issues related to any of its current or former properties that may result in material liability to NVMC. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on NVMC's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

### (b) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation of equipment is recorded on a declining-balance basis at the following annual rates:

Furniture and equipment	20%
Professional equipment	20%
Vehicles	30%

When parts of major components of equipment have different useful lives, they are accounted for as a separate item of equipment.

The cost of major overhauls of parts of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

### (c) Impairment of non-current assets and Cash Generating Units (“CGU”)

At the end of each reporting period, NVMC reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, NVMC estimates the recoverable amount of the CGU, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use to which the assets belong. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Each project or group of claims or licenses is treated as a CGU. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses, which can vary from actual. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

### (d) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the prevailing exchange rates on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates at the date of the consolidated statement of financial position. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses arising from this translation are included in the determination of net gain or loss for the year.

## **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

### (e) Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (f) Financial instruments

#### Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The classification depends on NVMC's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

#### Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the carve-out statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the carve-out statement of operations and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI. Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

#### Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Please refer to Note 11 for relevant fair value measurement disclosures.



**NEVADA VANADIUM MINING CORP.**  
Notes to Carve-out Financial Statements  
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**6. EQUIPMENT**

The following table summarizes information regarding NVMC's equipment as at December 31, 2020, 2019, and 2018:

	Furniture & Equipment	Vehicles	Professional Equipment	Total
<b>Cost</b>				
Balance, December 31, 2017	\$ -	\$ -	\$ -	\$ -
Additions/(Disposals)	2,015	-	24,476	26,491
Balance, December 31, 2018	\$ 2,015	-	24,476	26,491
<b>Accumulated depreciation</b>				
Balance, December 31, 2017	\$ -	\$ -	\$ -	\$ -
Depreciation for year	287	-	3,491	3,778
Balance, December 31, 2018	\$ 287	-	3,491	3,778
<b>Carrying amount at December 31, 2018</b>	\$ 1,728	\$ -	\$ 20,985	\$ 22,713
<b>Cost</b>				
Balance, December 31, 2018	\$ 2,015	\$ -	\$ 24,476	\$ 26,491
Additions	-	76,803	-	76,803
Balance, December 31, 2019	\$ 2,015	76,803	24,476	103,294
<b>Accumulated depreciation</b>				
Balance, December 31, 2018	\$ 287	\$ -	\$ 3,491	\$ 3,778
Depreciation for year	320	5,477	3,893	9,690
Balance, December 31, 2019	\$ 607	\$ 5,477	\$ 7,384	\$ 13,468
<b>Carrying amount at December 31, 2019</b>	\$ 1,408	\$ 71,326	\$ 17,092	\$ 89,826
<b>Cost</b>				
Balance, December 31, 2019	\$ 2,015	\$ 76,803	\$ 24,476	103,294
Additions	-	70,539	-	70,539
Disposals	-	(76,803)	-	(76,803)
Balance, December 31, 2020	\$ 2,015	70,539	24,476	97,030
<b>Accumulated depreciation</b>				
Balance, December 31, 2019	\$ 608	\$ 5,477	\$ 7,384	\$ 13,469
Disposals	-	(12,432)	-	(12,432)
Depreciation for year	261	12,160	3,171	15,592
Balance, December 31, 2020	\$ 869	5,205	10,555	16,629
<b>Carrying amount at December 31, 2020</b>	\$ 1,146	\$ 65,335	\$ 13,921	\$ 80,401

## 7. MINERAL PROPERTIES

<b>Gibellini Project</b>	
<b>Balance, December 31, 2017</b>	<b>\$ 490,356</b>
<i>Additions:</i>	
Acquisition cost	\$ 425,605
Deferred exploration costs:	
Licenses, tax, and permits	387,149
Geological and consulting	1,509,587
Overhead	831,023
	<u>3,153,364</u>
<b>Balance, December 31, 2018</b>	<b>\$ 3,643,720</b>
<i>Additions:</i>	
Acquisition cost	\$ -
Deferred exploration costs:	
Licenses, tax, and permits	286,810
Geological and consulting	3,200,121
Overhead	1,470,007
	<u>4,956,938</u>
<b>Balance, December 31, 2019</b>	<b>\$ 8,600,658</b>
<i>Additions:</i>	
Acquisition cost	\$ 2,253,566
Deferred exploration costs:	
Licenses, tax, and permits	348,165
Geological and consulting	897,085
Overhead	1,190,607
	<u>2,435,857</u>
<b>Balance, December 31, 2020</b>	<b>\$ 13,290,081</b>

The Gibellini Project consists of a total of 587 unpatented lode mining claims that includes: the Gibellini group of 40 claims, the VC Exploration group of 105 claims, the Bisoni group of 201 claims and the NVMC group of 241 claims. All the claims are located in Eureka County, Nevada, USA.

### *Gibellini Group*

The Gibellini group of claims were acquired on June 22, 2017, through leasehold assignments from the claimant and then-holder of the Gibellini mineral claims (the "**Gibellini Lessor**"). Under the Gibellini mineral lease agreement (the "**Gibellini MLA**"), ELEF leased this core group of claims, which originally constituted the entire Gibellini Project, by, among other things, agreeing to pay to the Gibellini Lessor annual advance royalty payments. These payments are tied, based on an agreed formula not to exceed US\$120,000 per year, to the average vanadium pentoxide price of the prior year (each an "**Advance Royalty Payment**"). Upon commencement of production, the obligation to make Advance Royalty Payments will cease and ELEF will instead maintain its acquisition through lease of the Gibellini group of claims by paying to the Gibellini Lessor, a 2.5% net smelter return royalty (the "**Gibellini NSR Payments**") until a total of US\$3 million is paid. Thereafter, the Gibellini NSR will be reduced to 2% over the remaining life of the mine (and referred to thereafter, as "**Production Royalty Payments**"). Upon commencement of production, any Advance Royalty Payments that have been made will be deducted as credits against the Gibellini NSR Payments or Production Royalty Payments, as applicable. The lease is for a term of 10 years, expiring on June 22, 2027, which can be extended for an additional 10 years, at the ELEF's option.

## NEVADA VANADIUM MINING CORP.

Notes to Carve-out Financial Statements

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### 7. MINERAL PROPERTIES (cont'd...)

On April 19, 2018, the Gibellini MLA was amended to grant ELEF the option, at any time during the term of the Gibellini MLA, which ends on June 22, 2027, to require the Gibellini Lessor to transfer their title over all of the leased mining claims (excluding four claims which will be retained by the Gibellini Lessor) (the "**Transferred Claims**") to ELEF in exchange for US\$1,000,000, which will be deemed an Advance Royalty Payment (the "**Transfer Payment**"). A credit of US\$99,027 in favour of ELEF towards the Transfer Payment was paid upon the execution of the amendment, with a remaining balance of US\$900,973 on the Transfer Payment due and payable by ELEF to the Gibellini Lessor upon completion of transfer of the Transferred Claims from the Gibellini Lessor to ELEF. The Advance Royalty Payment obligation and Production Royalty Payments will not be affected, reduced or relieved by the transfer of title.

On June 22, 2020, the Company paid US\$50,000 (2019 – US\$120,000, 2018 – US\$101,943) of the Advance Royalty Payment to the Gibellini Lessor.

During year 2020, the Company expanded the land position at the Gibellini Project, by staking a total of 46 new claims immediately adjacent to the Gibellini Project.

#### *The Bisoni Group*

On September 18, 2020, ELEF completed the acquisition of the Bisoni vanadium property situated immediately southwest of the Gibellini Project pursuant to an asset purchase agreement (the "**Bisoni APA**") dated August 18, 2020, with Cellcube Energy Storage Systems Inc. ("**Cellcube**"). The Bisoni property comprised of 201 lode mining claims. As consideration for the acquisition of the Bisoni property under the Bisoni APA, ELEF issued 4 million Common Shares (the "**Bisoni APA Shares**") and paid \$200,000 cash to Cellcube. Additionally, subject to TSX approval, if, on or before December 31, 2023, the price of European vanadium pentoxide on the Metal Bulletin (or an equivalent publication) exceeds US\$12 a pound for 30 consecutive days, ELEF will issue to Cellcube additional Common Shares with a value of \$500,000 calculated based upon the 5-day volume weighted average price of the Common Shares immediately following the satisfaction of the vanadium pentoxide pricing condition.

#### *VC Exploration Group*

ELEF entered into a lease agreement to acquire 10 unpatented lode claims totaling approximately 207 gross acres (the "**Former Louie Hill Claims**") from their holders (the "**Former Louie Hill Lessors**") on July 10, 2017 (the "**Louie Hill MLA**"). The Former Louie Hill Claims were located approximately 1600 feet south of the Gibellini group of claims. The Former Louie Hill Claims were subsequently abandoned by the Former Louie Hill Lessors, and on March 11 and 12, 2018, the Company staked the area within and under 17 new claims totaling approximately 340 gross acres, which now collectively comprise the expanded Louie Hill group of claims (the "**Current Louie Hill Claims**").

On October 22, 2018, ELEF entered into a royalty agreement (the "**Royalty Agreement**") with the Former Louie Hill Lessors that replaced, on substantially similar terms, the Louie Hill MLA. The Royalty Agreement provides for ELEF to pay the following royalties to the Former Louie Hill Lessors as an advance royalty: (i) US\$75,000 upon ELEF achieving Commercial Production (as defined in the Royalty Agreement) at the Gibellini Project; (ii) US\$50,000 upon ELEF selling, conveying, transferring or assigning all or any portion of certain claims defined in the Royalty Agreement to any third party and (iii) annually upon the anniversary date of July 10, 2018, and the anniversary date of each year thereafter during the term of the Royalty Agreement: (a) if the average vanadium pentoxide price per pound as quoted on [www.metalbulletin.com](http://www.metalbulletin.com) (the "**Metal Bulletin**") or another reliable and reputable industry source as agreed by the parties, remains below US\$7.00/lb during the preceding 12 months, US\$12,500; or (b) if the average vanadium pentoxide price per pound as quoted on Metal Bulletin or another reliable and reputable industry source as agreed by the parties, remains equal to or above US\$7.00/lb during the preceding 12 months, US\$2,000 x average vanadium pentoxide price per pound up to a maximum annual advance royalty payment of US\$28,000.

## **7. MINERAL PROPERTIES (cont'd...)**

Further, ELEF will pay to the Former Louie Hill Lessors a 2.5% net smelter return royalty (the “**Louie Hill NSR**”) payable on vanadium pentoxide produced from the area of the Former Louie Hill Claims contained within the Current Louie Hill Claims. ELEF may purchase three-fifths of the Louie Hill NSR at any time for US\$1,000,000, leaving the total Louie Hill NSR payable by ELEF at 1.0% for the remaining life of the mine. Any Louie Hill Advance Royalty Payments that have been made at the time of Commercial Production will be deducted as credits against future payments under the Louie Hill NSR. The payments under the Royalty Agreement will continue for an indefinite period and will be payable as long as ELEF, its subsidiaries, or any of their permitted successors or assignors holds a valid and enforceable mining concession over the area.

On July 7, 2020, the Company paid US\$12,500 (2019 – US\$28,000, 2018 - US\$21,491), comprising the Louie Hill Advance Royalty Payment to the Former Louie Hill Lessors.

On February 15, 2018, ELEF acquired an additional 105 unpatented lode mining claims located adjacent to its existing Gibellini Project in Nevada, USA through the acquisition of VC Exploration (US) Inc, (“**VC Exploration**”) by paying a total of \$335,661 in cash and issuing 500,000 Common Share purchase warrants (valued at \$89,944) to arm’s-length, private parties. Each warrant entitles the holder upon exercise, to acquire one Common Share at a price of \$0.50 per Common Share until February 15, 2021. The acquisition of the VC Exploration has been accounted for as an asset acquisition as their activities at the time of the acquisition consisted of mineral claims only.

### *The NVMC Group*

During 2017 and 2018, ELEF expanded the land position at the Gibellini Project, by staking a total of 209 new claims immediately adjacent to the Gibellini Project covering 4091 acres.

## **8. OWNER’S NET INVESTMENT**

ELEF’s investment in NVMC is presented as Owner’s Net Investment in the carve-out financial statements. Owner’s Net Investment represents the accumulated net contributions from the Company net of the accumulated losses of the operations. Net financing transactions with ELEF as presented in the carve-out financial statements of cash flows represent the net contributions related to the funding of operations between the NVMC and ELEF.

## **9. TAX PROVISION**

NVMC’s operations are subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question that may, upon resolution in the future, result in adjustments to the amount of deferred income tax assets and liabilities, and those adjustments may be material to NVMC’s financial position and results of operations.

**NEVADA VANADIUM MINING CORP.**  
Notes to Carve-out Financial Statements  
For the years ended December 31, 2020, 2019 and 2018  
(Expressed in Canadian Dollars)

**9. TAX PROVISION** (cont'd...)

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Income (loss) for the year	\$ (1,963,513)	\$ (2,679,358)	\$ (2,395,583)
Expected income tax (recovery)	\$ (530,000)	-\$ 723,000	647,000
Change in statutory, foreign tax, foreign exchange rates and other	127,000	500,000	147,000
Permanent differences	75,000	115,000	81,000
Share issue cost	-	-	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(139,000)	101,000	-
Change in unrecognized deductible temporary differences	467,000	7,000	419,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Deferred tax assets (liabilities)			
Non-capital losses	\$ 1,138,105	\$ 839,000	\$ 418,000
Expiry dates	2038-2040	2038-2039	2038
<b>Net deferred tax liability</b>	<b>\$ 1,138,105</b>	<b>\$ 839,000</b>	<b>\$ 418,000</b>

**10. CAPITAL RISK MANAGEMENT**

Management considers its capital structure to consist of working capital and shareholders' equity. NVMC manages its capital structure and makes adjustments to it, based on the funds available to, and required in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative returns on capital criteria for management. In order to facilitate the management of its capital requirement, NVMC prepares annual expenditure budgets that are updated as necessary depending on various factors. The annual and updated budgets are approved by the Board of Directors.

The properties, to which NVMC currently has an interest in, are in the exploration stage; as such, NVMC is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, NVMC will spend its existing working capital and raise additional amounts as needed. NVMC is not subject to externally imposed capital requirements.

## 11. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

### Fair Value Measurements

#### Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. NVMC utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The following table sets forth NVMC's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 1	Level 1	Total
Financial assets				
Cash, December 31, 2018	\$ 5,993	\$ -	\$ -	\$ 5,993
Cash, December 31, 2019	\$ 12,518	\$ -	\$ -	\$ 12,518
Cash, December 31, 2020	\$ 29,600	\$ -	\$ -	\$ 29,600

#### Categories of financial instruments

NVMC considers that the carrying amount of all its financial assets and financial liabilities measured at amortized cost approximates their fair value due to their short term nature. The Company does not offset financial assets with financial liabilities. There were no transfers between Level 1, 2 and 3 for the year ended December 31, 2020.

NVMC's financial assets and financial liabilities are categorized as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Fair value through profit or loss			
Cash	\$ 29,600	\$ 12,518	\$ 5,993
Amortized cost			
Accounts payable	\$ 230,330	\$ 905,399	\$ 508,527
	\$ 259,930	\$ 917,917	\$ 514,520

## **12. FINANCIAL RISK MANAGEMENT DISCLOSURES**

### (a) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its financial obligations as they fall due. NVMC manages liquidity risk by preparing cash flow forecasts of upcoming cash requirements. As at December 31, 2020, NVMC had a cash balance of \$29,600 (December 31, 2019 – \$12,518, December 31, 2018 – \$5,993). As at December 31, 2020, NVMC had accounts payable of \$230,330 (December 31, 2019 - \$905,399, December 31, 2018 - \$508,527), which have contractual maturities of 90 days or less.

NVMC has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. NVMC coordinates this planning and budgeting process with its financing activities through the capital management process in normal circumstances.

### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. NVMC is exposed to credit risk primarily associated with cash. NVMC is not exposed to significant credit risk.

### (c) Market risk

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that NVMC will realize a loss as a result of a decline in interest rates is low as NVMC has no investments or liabilities with variable interest rates.

#### (ii) Foreign currency risk

NVMC is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. NVMC has exploration and development projects in Nevada, USA and undertakes transactions in denominated in US dollars. NVMC is therefore exposed to foreign currency risk arising from transactions denominated in a foreign currency and the translation of financial instruments denominated in US dollars, into its functional and reporting currency, the Canadian dollar.

Based on the above, net exposures as at December 31, 2020, with other variables unchanged, a 10% strengthening (weakening) of the US dollar against the Canadian dollar would have an immaterial impact to net loss with other variables unchanged. NVMC currently does not use any foreign exchange contracts to hedge this currency risk.



### 13. RELATED PARTY DISCLOSURES

During the year ended December 31, 2020, NVMC had related party transactions with the following companies, related by way of directors and key management personnel:

- Linx Partners Ltd., a private company controlled by John Lee, Director, CEO and Executive Chairman of ELEF, provides management and consulting services to NVMC.
- MaKevCo Consulting Inc., a private company 50% owned by Greg Hall, Director of ELEF, provides consulting services to NVMC.
- Sophir Asia Ltd., a private company controlled by Masa Igata, Director of ELEF, provides consulting services to NVMC.

A summary of the transactions by nature among the related parties is as follows:

Related parties	Year Ended December 31,		
	2020	2019	2018
Consulting and management fees	\$ 70,350	\$ 155,540	\$ 175,702
Mineral property	900,818	1,189,883	529,862
Director fees	63,471	80,012	51,150
Salaries	309,794	585,943	601,173
	\$ 1,344,433	\$ 2,011,378	\$ 1,357,887

As at December 31, 2020, amounts due to related parties were \$846 (December 31, 2019 - \$23,510; December 31, 2018 - \$3,244).

### 14. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company.

Key Management Personnel	Year Ended December 31,		
	2020	2019	2018
Salaries and short term benefits	\$ 309,794	\$ 585,943	\$ 601,173
Director fees	63,471	80,012	51,150
Share based compensation	720,949	383,376	466,772
	\$ 1,094,214	\$ 1,049,331	\$ 1,119,095

**NEVADA VANADIUM MINING CORP.**

**Carve-out Condensed Interim Financial Statements  
As at and for the six months ended June 30, 2021**

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

## RESPONSIBILITY FOR CARVE-OUT CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying carve-out condensed interim financial statements of Nevada Vanadium Mining Corp. and all information in this financial report are the responsibility of the Board of Directors and Management. The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including International Accounting Standard (“IAS”) 34 – Interim Financial Reporting and, where appropriate, include management’s best estimates and judgments. Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the condensed interim financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee. The Board of Directors appoints the Audit Committee, and all of its members are independent directors. The Audit Committee meets periodically with Management and the auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the condensed interim financial statements on recommendation from the Audit Committee.

**“John Lee”**

John Lee, Chief Executive Officer

**“Irina Plavutska”**

Irina Plavutska, Chief Financial Officer

November 8, 2021

**NEVADA VANADIUM MINING CORP.**  
**Carve-out Condensed Interim Statements of Financial Position**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Notes	June 30, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 10,203	\$ 29,600
Prepaid expenses		2,172	2,172
		12,375	31,772
<b>Non-current assets</b>			
Equipment	6	72,566	80,401
Mineral properties	7	14,663,294	13,290,081
<b>Total assets</b>		<b>\$ 14,748,235</b>	<b>\$ 13,402,254</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts payable	12	\$ 751,048	\$ 230,330
<b>Total liabilities</b>		<b>751,048</b>	<b>230,330</b>
<b>Equity</b>			
Owner's net investment	8	13,997,187	13,171,924
<b>Total equity</b>		<b>13,997,187</b>	<b>13,171,924</b>
<b>Total liabilities and equity</b>		<b>\$ 14,748,235</b>	<b>\$ 13,402,254</b>

*"John Lee"*

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John Lee, Director

Vancouver, British Columbia

November 8, 2021

*"Greg Hall"*

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Greg Hall, Director

The accompanying notes form an integral part of these carve-out condensed interim financial statements.

**NEVADA VANADIUM MINING CORP.****Carve-out Condensed Interim Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>General and Administrative Expenses</b>				
Advertising and promotion	\$ 8,669	\$ 17,280	\$ 23,555	\$ 44,402
Consulting and management fees	31,079	28,127	34,820	235,733
Depreciation	570	5,595	1,257	11,260
Director fees	3,342	10,822	5,073	33,967
Insurance	1,500	13,324	3,221	26,475
Office and administration	1,164	32,487	4,097	29,662
Professional fees	5,175	81,838	12,986	130,187
Salaries and benefits	13,707	60,423	22,032	167,354
Share based payments	10,899	74,917	17,409	183,778
Stock exchange and shareholder services	1,825	21,222	6,410	54,892
Travel and accommodation	93	11,782	413	41,528
	(78,021)	(357,818)	(131,274)	(959,238)
<b>Loss and Comprehensive Loss for Period</b>	<b>\$ (78,021)</b>	<b>\$ (357,818)</b>	<b>\$ (131,274)</b>	<b>\$ (959,238)</b>

The accompanying notes form an integral part of these carve-out condensed interim financial statements.

**NEVADA VANADIUM MINING CORP.****Carve-out Condensed Interim Statements of Owner's Net Investment**

(Expressed in Canadian Dollars)

(Unaudited)

	<b>June 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
<b>Owner's net investment, beginning of year</b>	\$ 13,171,924	\$ 7,815,907
Comprehensive loss for the year/period	(131,274)	(1,963,513)
Owner's contribution for the year/period	956,537	7,319,530
<b>Owner's net investment, end of year/period</b>	<b>\$ 13,997,187</b>	<b>\$ 13,171,924</b>

The accompanying notes form an integral part of these carve-out condensed interim financial statements.

**NEVADA VANADIUM MINING CORP.**  
**Carve-out Condensed Interim Statements of Cash Flows**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Notes	Six Months Ended June 30,	
		2021	2020
<b>Operating Activities</b>			
Net loss for year		\$ (131,274)	\$ (959,238)
Adjustments to reconcile net loss to net cash flows:			
Depreciation		1,257	11,260
Share based payments		17,409	183,778
		(112,608)	(764,200)
Changes to working capital items			
Accounts payable		22,977	(58,783)
		22,977	(58,783)
<b>Cash Used in Operating Activities</b>		<b>(89,631)</b>	<b>(822,983)</b>
<b>Investing Activities</b>			
Mineral property expenditures	7	(773,558)	(1,646,031)
<b>Cash Used in Investing Activities</b>		<b>(773,558)</b>	<b>(1,646,031)</b>
<b>Financing Activities</b>			
Advances from Silver Elephant		843,792	2,465,003
<b>Cash Provided by Financing Activities</b>		<b>843,792</b>	<b>2,465,003</b>
Net decrease in cash		(19,397)	(4,011)
Cash - beginning of year		29,600	12,518
Cash - end of year		\$ 10,203	\$ 8,507

Supplemental Cash Flow Information

		Six Months Ended June 30,	
		2021	2020
Supplementary information			
Non-Cash Financing and Investing Activities			
Mineral property expenditures included in accounts payable		\$ 728,071	\$ 369,109
Share-based payments capitalized in mineral properties		\$ 94,078	\$ 5,947

The accompanying notes form an integral part of these carve-out condensed interim financial statements



## **NEVADA VANADIUM LLC.**

Notes to Carve-out Condensed Interim Financial Statements  
For the six months ended June 30, 2021  
(Expressed in Canadian Dollars)

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### **1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS**

Nevada Vanadium Mining Corp. (the “Company” or “NVMC”) is a mineral exploration and evaluation entity 100% owned by Silver Elephant Mining Corp. (“ELEF”). The common shares of ELEF are listed for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “ELEF” and on the Frankfurt Stock Exchange under the symbol “1P2N” and are quoted on the OTCQX® Best Market under the symbol “SILEF”.

ELEF holds a 100% interest in the Gibellini vanadium project, which is comprised of the Gibellini, Louie Hill and Bisoni vanadium deposits and associated claims located in the State of Nevada, USA. The Company maintains its registered and records office at Suite 1610 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

Following the completion of the proposed transaction described in Note 3, the ELEF intends to reorganize its assets and operations into four separate companies: ELEF, 1324825 B.C. Ltd. (“VanadiumCo”), Flying Nickel Mining Corp. (“NickelCo”) and Battery Metals Royalties Corp. (“RoyaltyCo”). The Company intends to complete a share capital reorganization by way of statutory plan of arrangement (the “Arrangement”).

These carve-out financial statements reflect the financial position, results of operations, and cash flows for the NVMC and have been compiled for purposes of inclusion in an Information Circular for ELEF in connection with the Arrangement described in Note 3.

These carve-out financial statements have been prepared on a going concern basis, which assumes that NVMC will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At June 30, 2021, NVMC had limited cash on hand, is not generating any revenues and has incurred losses since inception. Whether and when NVMC can obtain profitability and positive cash flows from operations is uncertain. These material uncertainties may cast significant doubt on the ability of NVMC to continue as a going concern. The Company’s ability to continue its operations is dependent on its ability to obtain necessary financings. These carve-out financial statements do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

## **NEVADA VANADIUM LLC.**

Notes to Carve-out Condensed Interim Financial Statements  
For the six months ended June 30, 2021  
(Expressed in Canadian Dollars)

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### **2. BASIS OF PRESENTATION**

These Carve-out Condensed Interim Financial Statements have been prepared on a carve-out basis from the books and records of ELEF and have been prepared in accordance with International Financial Reporting Standards, (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the Company’s management to exercise judgment in applying the Company’s accounting policies. The areas where significant judgments and estimates have been made in preparing these Carve-out Financial Statements and their effect are disclosed in Note 4.

These Carve-out Condensed Interim Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair values.

These Carve-out Condensed Interim Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. These Carve-out Condensed Interim Financial Statements are presented in Canadian Dollars, except where otherwise noted.

These Carve-out Condensed Interim Financial Statements have been extracted from the historical accounting records of ELEF with estimates used, when necessary, for certain allocations.

- The carve-out statements of financial positions reflect the assets and liabilities recorded by ELEF which have been assigned to NVMC on the basis that they are specifically identifiable and attributable to NVMC.
- The carve-out statements of loss and comprehensive loss include a pro-rata allocation of ELEF’s expenses incurred in each of the years presented based on the percentage of exploration and evaluation activities on the carve-out exploration and evaluation assets, compared to the expenditures incurred on all of ELEF’s exploration and evaluation assets, and based on specifically identifiable activities attributable to NVMC.
- Income taxes have been calculated as if NVMC had been a separate legal entity and filed separate tax returns for the years presented.

Management cautions readers of these Carve-Out Condensed Interim Financial Statements that the NVMC results do not necessarily reflect what the results of operations, financial positions, or cash flows would have been had NVMC been a separate entity. Further, the allocation of expenses in these carve-out statements of loss and comprehensive loss do not necessarily reflect the nature and level of NVMC’s future operating expenses. ELEF’s investment in NVMC, presented as equity in these carve-out financial statements, includes the accumulated total comprehensive loss of NVMC.

The accounting policies set out in Note 5 have been applied consistently to all periods presented in these Carve-out Condensed Interim Financial Statements.

## NEVADA VANADIUM LLC.

Notes to Carve-out Condensed Interim Financial Statements  
For the six months ended June 30, 2021  
(Expressed in Canadian Dollars)

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### 3. ARRANGEMENT AND TRANSFER OF ASSETS

On August 26, 2021, ELEF announced that it has executed a plan of arrangement, as amended November 8, 2021 (the “**Arrangement**”) under the Business Corporations Act (British Columbia) pursuant to which it shall:

- i. complete a consolidation of the outstanding share capital of ELEF whereby each 10 pre-consolidation ELEF share shall be exchanged for one post-consolidation ELEF share;
- ii. transfer certain royalties presently held by ELEF in certain projects into its own entity, SpinCo 3 (“**RoyaltyCo**”), a wholly owned subsidiary of ELEF;
- iii. spin-out its Manitoba based Minago Nickel project mineral property assets (“**Minago**”) into its own entity, SpinCo 1 (“**NickelCo**”), a wholly owned subsidiary of ELEF;
- iv. and spin-out its Nevada based Gibellini Vanadium project mineral property assets (“**Gibellini**”) into its own entity, SpinCo 2 (“**VanadiumCo**”), a wholly owned subsidiary of ELEF.

ELEF will transfer assets, as described above, to each SpinCo in consideration for the following:

- NickelCo will purchase the Minago assets from ELEF in exchange for the issuance of NickelCo shares and the assumption of certain liabilities related to the underlying assets;
- RoyaltyCo will purchase the royalties from ELEF in exchange for the issuance of RoyaltyCo shares;
- NVMC will purchase the Gibellini assets from ELEF in exchange for the issuance of NVMC shares and the assumption of certain liabilities related to the underlying assets;
- VanadiumCo will purchase the NVMC shares from ELEF in exchange for the issuance of VanadiumCo shares;
- and RoyaltyCo will purchase certain of the outstanding shares of both VanadiumCo and NickelCo in exchange for the issuance of RoyaltyCo shares.

Upon completion of the Arrangement, it is currently expected that ELEF and each SpinCo will focus on its corresponding core business with:

- ELEF holding a 100% interest in its Pulacayo silver and El Triunfo gold-silver projects in Bolivia, and approximately 33% of the Royalties SpinCo shares as a long-term investment;
- VanadiumCo holding a 100% interest in the Gibellini Vanadium project in Nevada;
- NickelCo holding a 100% interest in the Minago nickel project at Thompson nickel belt in Manitoba;
- and RoyaltyCo holding certain royalties related to each of the transferred assets referenced above and approximately 54% of the NickelCo shares and approximately 54% of the VanadiumCo shares as a long-term investment.

Subject to applicable laws, the policies of and approval by the Toronto Stock Exchange (the “**TSX**”), the receipt of ELEF’s shareholder approval and court approval, and satisfaction of other closing conditions, it is presently expected that, pursuant to the Arrangement:

- i. the authorized share capital of ELEF shall be reorganized and its articles amended by the creation of an unlimited number of Class A Shares;
- ii. and each ELEF shareholder (“**Shareholder**”) will exchange each post-Consolidation ELEF share to receive: one share of each of NickelCo and VanadiumCo; two shares of RoyaltyCo; and one Class A share of ELEF

Holders of outstanding ELEF warrants (the “**Warrants**”) after the Record Date will be entitled to receive, upon exercise of each such Warrant at the same original exercise price and in accordance with the terms of such Warrant, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

Holders of outstanding ELEF options (the “**Options**”) after the Record Date will be entitled to receive, upon exercise of each such Option at the same original exercise price and in accordance with the terms of such Option, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

## **NEVADA VANADIUM LLC.**

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### **3. ARRANGEMENT AND TRANSFER OF ASSETS (cont'd...)**

While the foregoing has been prepared on the basis that no additional securities of each SpinCo will be issued, it is presently expected that each SpinCo will complete a financing in connection with the Arrangement to provide for working capital and other corporate purposes.

There can be no assurance that the Arrangement will be completed on the terms described herein or that the proposed public listings of the SpinCos will be completed.

### **4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the carve-out financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

#### **4.1 Significant Judgments**

The significant judgments that management has made in the process of preparing the carve-out financial statements, apart from those involving estimation uncertainties (carve-out financial statements 4.2), include, but are not limited to:

(a) Functional currency determination

The functional currency for NVMC is the currency of the primary economic environment and NVMC reconsiders its functional currency if there is a change in events and conditions which determined the primary economic environment. Management has determined the functional currency of NVMC to be the Canadian dollar.

(b) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping, prefeasibility and feasibility studies, assessable facilities, existing permits and life of mine plans.

Management has determined that during the period ended June 30, 2021, the NVMC vanadium project has not reached technical feasibility and commercial viability and therefore remains within Mineral Properties on the Statement of Financial Position.

(c) Impairment (recovery) assessment of deferred exploration interests

NVMC considers both external and internal sources of information in assessing whether there are any indications that mineral property interests are impaired. External sources of information that NVMC considers include changes in the market, economic and legal environment in which NVMC operates that are not within its control and affect the recoverable amount of mineral property interest. Internal sources of information that NVMC considers include the manner in which mineral properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

## NEVADA VANADIUM LLC.

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### 4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd...)

#### (d) Deferred Tax Assets and Liabilities

The measurement of the deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of deferred taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. For deferred tax calculation purposes, Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of NVMC's ability to utilize future tax deductions changes, NVMC would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

#### 4.2 Estimates and Assumptions

NVMC bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

##### (a) Mineral reserves

The recoverability of the carrying value of the mineral properties is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

##### (b) Depreciation

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

##### (c) Impairment

The carrying value of long-lived assets are reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is recognized in the statement of operations. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) ("CGUs") for purposes of testing impairment, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of long-lived assets could impact the impairment analysis.

##### (d) Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against NVMC, and that may result in regulatory or government actions that may negatively impact NVMC's business or operations, NVMC and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the NVMC's assets. Contingent assets are not recognized in the Carve-out Condensed Interim Financial Statements.

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### 4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd...)

#### 4.2 Estimates and Assumptions (continued)

As at June 30, 2021, NVMC does not have any contingent liabilities (December 31, 2020 - \$Nil).

##### (e) Fair value measurement

NVMC measures financial instruments at fair value at each reporting date. The fair values of financial instruments measured at amortized cost are disclosed in Note 10. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, completes an asset acquisition or where an entity measures the recoverable amount of an asset or cash-generating unit at fair value less costs of disposal. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. NVMC uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

##### Carve-out allocation

Management has applied judgement in determining the amounts extracted from ELEF's historical financial information which make up the NVMC. This includes the assets and liabilities recorded by ELEF which have been assigned to the NVMC, as well as NVMC's share of income and expenses incurred by ELEF. The allocations are considered reasonable under the circumstances.

### COVID-19

An emerging risk is a risk not well understood at the current time and for which the impacts on strategy and financial results are difficult to assess or are in the process of being assessed. Since December 31, 2019, the outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

COVID-19 may impact Company operations, and consequently, the nature and amounts and disclosures in the financial statements. Some of the specific areas impacted by COVID-19 include, but are not limited to:

- Going concern assessments;
- Evaluation of subsequent events;
- Impairment and recovery of mineral properties;
- Fair value measurements;
- Lease modifications;
- Employee termination benefits; and
- Financial statement and Management Discussion & Analysis disclosures.

As at June 30, 2021, the COVID-19 pandemic has not affected NVMC's critical accounting policies.

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### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Mineral properties

Mineral property assets consist of exploration and evaluation costs. Costs directly related to the exploration and evaluation of resource properties are capitalized to mineral properties once the legal rights to explore the resource properties are acquired or obtained. These costs include acquisition of rights to explore, license and application fees, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

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

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

##### (i) Title to mineral properties

Although NVMC has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the NVMC's title, nor has the NVMC insured title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

##### (ii) Realization of mineral property assets

The investment in and expenditures on mineral property interests comprise a significant portion of NVMC's assets. Realization of NVMC's investment in these assets is dependent upon the establishment of legal ownership, and the attainment of successful production from properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into profitable producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

##### (iii) Environmental

NVMC is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. NVMC may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

NVMC conducts its mineral exploration activities in compliance with applicable environmental protection legislation. As at June 30, 2021, NVMC is not aware of any existing environmental issues related to any of its current or former properties that may result in material liability to NVMC. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on NVMC's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.



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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

(b) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation of equipment is recorded on a declining-balance basis at the following annual rates:

Furniture and equipment	20%
Professional equipment	20%
Vehicles	30%

When parts of major components of equipment have different useful lives, they are accounted for as a separate item of equipment.

The cost of major overhauls of parts of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

(c) Impairment of non-current assets and Cash Generating Units (“CGU”)

At the end of each reporting period, NVMC reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, NVMC estimates the recoverable amount of the CGU, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use to which the assets belong. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Each project or group of claims or licenses is treated as a CGU. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses, which can vary from actual. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

(d) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the prevailing exchange rates on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates at the date of the statement of financial position. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses arising from this translation are included in the determination of net gain or loss for the year.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

(e) Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(f) Financial instruments

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The classification depends on NVMC's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the carve-out statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the carve-out statement of operations and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI. Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

## (g) Financial instruments (cont'd...)

## Impairment

The Company assesses on a forward-looking basis the expected credit loss (“ECL”) associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Please refer to Note 10 for relevant fair value measurement disclosures.

**6. EQUIPMENT**

The following table summarized information regarding the Company's equipment as at June 30, 2021 and December 31, 2020:

	Furniture & Equipment	Vehicles	Professional Equipment	Total
<b>Cost</b>				
Balance, December 31, 2019	\$ 2,015	\$ 76,803	\$ 24,476	103,294
Additions	-	70,539	-	70,539
Disposals	-	(76,803)	-	(76,803)
Balance, December 31, 2020	\$ 2,015	70,539	24,476	97,030
<b>Accumulated depreciation</b>				
Balance, December 31, 2019	\$ 608	\$ 5,477	\$ 7,384	\$ 13,469
Disposals	-	(12,432)	-	(12,432)
Depreciation for year	261	12,161	3,171	15,593
Balance, December 31, 2020	\$ 869	5,206	10,555	16,630
<b>Carrying amount at December 31, 2020</b>	\$ 1,146	\$ 65,334	\$ 13,921	\$ 80,401
<b>Cost</b>				
Balance, December 31, 2020	\$ 2,015	\$ 70,540	\$ 24,476	\$ 97,030
Additions	-	-	-	-
Disposals	-	-	-	-
Balance, June 30, 2021	\$ 2,015	70,540	24,476	97,030
<b>Accumulated depreciation</b>				
Balance, December 31, 2020	\$ 869	\$ 5,206	\$ 10,555	\$ 16,630
Disposals	-	-	-	-
Depreciation for period	112	6,366	1,357	7,835
Balance, June 30, 2021	\$ 981	11,572	11,912	24,465
<b>Carrying amount at June 30, 2021</b>	\$ 1,034	\$ 58,969	\$ 12,564	\$ 72,566

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**7. MINERAL PROPERTIES**

<b>Gibellini Project</b>	
<b>Balance, December 31, 2019</b>	<b>\$ 8,600,658</b>
<i>Additions:</i>	
Acquisition cost	\$ 2,253,566
Deferred exploration costs:	
Licenses, tax, and permits	348,165
Geological and consulting	897,085
Overhead	1,190,607
	<u>2,435,857</u>
<b>Balance, December 31, 2020</b>	<b>\$ 13,290,081</b>
<i>Additions:</i>	
Deferred exploration costs:	
Licenses, tax, and permits	107,370
Geological and consulting	799,963
Overhead	465,880
	<u>1,373,213</u>
<b>Balance, June 30, 2021</b>	<b>\$ 14,663,294</b>

The Gibellini Project consists of a total of 587 unpatented lode mining claims that includes: the Gibellini group of 40 claims, the VC Exploration group of 105 claims, the Bisoni group of 201 claims and the NVMC group of 241 claims. All the claims are located in Eureka County, Nevada, USA.

*Gibellini Group*

The Gibellini group of claims were acquired on June 22, 2017, through leasehold assignments from the claimant and then-holder of the Gibellini mineral claims (the "**Gibellini Lessor**"). Under the Gibellini mineral lease agreement (the "**Gibellini MLA**"), ELEF leased this core group of claims, which originally constituted the entire Gibellini Project, by, among other things, agreeing to pay to the Gibellini Lessor annual advance royalty payments. These payments are tied, based on an agreed formula not to exceed US\$120,000 per year, to the average vanadium pentoxide price of the prior year (each an "**Advance Royalty Payment**"). Upon commencement of production, the obligation to make Advance Royalty Payments will cease and ELEF will instead maintain its acquisition through lease of the Gibellini group of claims by paying to the Gibellini Lessor, a 2.5% net smelter return royalty (the "**Gibellini NSR Payments**") until a total of US\$3 million is paid. Thereafter, the Gibellini NSR will be reduced to 2% over the remaining life of the mine (and referred to thereafter, as "**Production Royalty Payments**"). Upon commencement of production, any Advance Royalty Payments that have been made will be deducted as credits against the Gibellini NSR Payments or Production Royalty Payments, as applicable. The lease is for a term of 10 years, expiring on June 22, 2027, which can be extended for an additional 10 years, at the ELEF's option.

On April 19, 2018, the Gibellini MLA was amended to grant ELEF the option, at any time during the term of the Gibellini MLA, which ends on June 22, 2027, to require the Gibellini Lessor to transfer their title over all of the leased mining claims (excluding four claims which will be retained by the Gibellini Lessor) (the "**Transferred Claims**") to ELEF in exchange for US\$1,000,000, which will be deemed an Advance Royalty Payment (the "**Transfer Payment**"). A credit of US\$99,027 in favour of ELEF towards the Transfer Payment was paid upon the execution of the amendment, with a remaining balance of US\$900,973 on the Transfer Payment due and payable by ELEF to the Gibellini Lessor upon completion of transfer of the Transferred Claims from the Gibellini Lessor to ELEF. The Advance Royalty Payment obligation and Production Royalty Payments will not be affected, reduced or relieved by the transfer of title.

On June 22, 2021, the Company paid US\$50,000 (2020 – US\$50,000) of the Advance Royalty Payment to the Gibellini Lessor.

## NEVADA VANADIUM LLC.

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### 7. MINERAL PROPERTIES (cont'd...)

During year 2020, the Company expanded the land position at the Gibellini Project, by staking a total of 46 new claims immediately adjacent to the Gibellini Project.

#### *The Bisoni Group*

On September 18, 2020, ELEF completed the acquisition of the Bisoni vanadium property situated immediately southwest of the Gibellini Project pursuant to an asset purchase agreement (the "**Bisoni APA**") dated August 18, 2020, with Cellcube Energy Storage Systems Inc. ("**Cellcube**"). The Bisoni property comprised of 201 lode mining claims. As consideration for the acquisition of the Bisoni property under the Bisoni APA, ELEF issued 4 million Common Shares (the "**Bisoni APA Shares**") and paid \$200,000 cash to Cellcube. Additionally, subject to TSX approval, if, on or before December 31, 2023, the price of European vanadium pentoxide on the Metal Bulletin (or an equivalent publication) exceeds US\$12 a pound for 30 consecutive days, ELEF will issue to Cellcube additional Common Shares with a value of \$500,000 calculated based upon the 5-day volume weighted average price of the Common Shares immediately following the satisfaction of the vanadium pentoxide pricing condition.

#### *VC Exploration Group*

ELEF entered into a lease agreement to acquire 10 unpatented lode claims totaling approximately 207 gross acres (the "**Former Louie Hill Claims**") from their holders (the "**Former Louie Hill Lessors**") on July 10, 2017 (the "**Louie Hill MLA**"). The Former Louie Hill Claims were located approximately 1600 feet south of the Gibellini group of claims. The Former Louie Hill Claims were subsequently abandoned by the Former Louie Hill Lessors, and on March 11 and 12, 2018, the Company staked the area within and under 17 new claims totaling approximately 340 gross acres, which now collectively comprise the expanded Louie Hill group of claims (the "**Current Louie Hill Claims**").

On October 22, 2018, ELEF entered into a royalty agreement (the "**Royalty Agreement**") with the Former Louie Hill Lessors that replaced, on substantially similar terms, the Louie Hill MLA. The Royalty Agreement provides for ELEF to pay the following royalties to the Former Louie Hill Lessors as an advance royalty: (i) US\$75,000 upon ELEF achieving Commercial Production (as defined in the Royalty Agreement) at the Gibellini Project; (ii) US\$50,000 upon ELEF selling, conveying, transferring or assigning all or any portion of certain claims defined in the Royalty Agreement to any third party and (iii) annually upon the anniversary date of July 10, 2018, and the anniversary date of each year thereafter during the term of the Royalty Agreement: (a) if the average vanadium pentoxide price per pound as quoted on [www.metalbulletin.com](http://www.metalbulletin.com) (the "**Metal Bulletin**") or another reliable and reputable industry source as agreed by the parties, remains below US\$7.00/lb during the preceding 12 months, US\$12,500; or (b) if the average vanadium pentoxide price per pound as quoted on Metal Bulletin or another reliable and reputable industry source as agreed by the parties, remains equal to or above US\$7.00/lb during the preceding 12 months, US\$2,000 x average vanadium pentoxide price per pound up to a maximum annual advance royalty payment of US\$28,000.

Further, ELEF will pay to the Former Louie Hill Lessors a 2.5% net smelter return royalty (the "**Louie Hill NSR**") payable on vanadium pentoxide produced from the area of the Former Louie Hill Claims contained within the Current Louie Hill Claims. ELEF may purchase three-fifths of the Louie Hill NSR at any time for US\$1,000,000, leaving the total Louie Hill NSR payable by the Company at 1.0% for the remaining life of the mine. Any Louie Hill Advance Royalty Payments that have been made at the time of Commercial Production will be deducted as credits against future payments under the Louie Hill NSR. The payments under the Royalty Agreement will continue for an indefinite period and will be payable as long as ELEF, its subsidiaries, or any of their permitted successors or assigns holds a valid and enforceable mining concession over the area.

On July 7, 2021, the Company paid US\$12,500 (2020 – US\$12,500), comprising the Louie Hill Advance Royalty Payment to the Former Louie Hill Lessors.

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### **7. MINERAL PROPERTIES (cont'd...)**

On February 15, 2018, ELEF acquired an additional 105 unpatented lode mining claims located adjacent to its existing Gibellini Project in Nevada, USA through the acquisition of VC Exploration (US) Inc, ("**VC Exploration**") by paying a total of \$335,661 in cash and issuing 500,000 Common Share purchase warrants (valued at \$89,944) to arm's-length, private parties. Each warrant entitles the holder upon exercise, to acquire one Common Share at a price of \$0.50 per Common Share until February 15, 2021. The acquisition of the VC Exploration has been accounted for as an asset acquisition as their activities at the time of the acquisition consisted of mineral claims only.

#### *The NVMC Group*

During 2017 and 2018, ELEF expanded the land position at the Gibellini Project, by staking a total of 209 new claims immediately adjacent to the Gibellini Project covering 4091 acres.

### **8. OWNER'S NET INVESTMENT**

ELEF's investment in NVMC is presented as Owner's Net Investment in the carve-out financial statements. Owner's Net Investment represents the accumulated net contributions from the Company net of the accumulated losses of the operations. Net financing transactions with ELEF as presented in the carve-out financial statements of cash flows represent the net contributions related to the funding of operations between the NVMC and ELEF.

### **9. CAPITAL RISK MANAGEMENT**

Management considers its capital structure to consist of working capital and shareholders' equity. NVMC manages its capital structure and makes adjustments to it, based on the funds available to, and required in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative returns on capital criteria for management. In order to facilitate the management of its capital requirement, NVMC prepares annual expenditure budgets that are updated as necessary depending on various factors. The annual and updated budgets are approved by the Board of Directors.

The properties, to which NVMC currently has an interest in, are in the exploration stage; as such, NVMC is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, NVMC will spend its existing working capital and raise additional amounts as needed. NVMC is not subject to externally imposed capital requirements.

**NEVADA VANADIUM LLC.**

Notes to Carve-out Condensed Interim Financial Statements  
 For the six months ended June 30, 2021  
 (Expressed in Canadian Dollars)

**10. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS****Fair Value Measurements****Fair value hierarchy**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. NVMC utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The following table sets forth NVMC's financial assets measured at fair value by level within the fair value hierarchy

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash, June 30, 2021	\$ 10,203	\$ -	\$ -	\$ 10,203
Cash, December 31, 2020	\$ 29,600	\$ -	\$ -	\$ 29,600

**Categories of financial instruments**

The Company considers that the carrying amount of all its financial assets and financial liabilities measured at amortized cost approximates their fair value due to their short term nature. The Company does not offset financial assets with financial liabilities. There were no transfers between Level 1, 2 and 3 for the period ended June 30, 2021.

The Company's financial assets and financial liabilities are categorized as follows:

	June 30, 2021	December 31, 2020
Fair value through profit or loss		
Cash	\$ 10,203	\$ 29,600
Amortized cost		
Accounts payable	\$ 751,048	\$ 230,330
	\$ 761,251	\$ 259,930



## NEVADA VANADIUM LLC.

Notes to Carve-out Condensed Interim Financial Statements  
For the six months ended June 30, 2021  
(Expressed in Canadian Dollars)

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### 11. FINANCIAL RISK MANAGEMENT DISCLOSURES

#### (a) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its financial obligations as they fall due. NVMC manages liquidity risk by preparing cash flow forecasts of upcoming cash requirements. As at June 30, 2021, NVMC had a cash balance of \$10,203 (December 31, 2020 – \$29,600). As at June 30, 2021, NVMC had accounts payable of \$751,048 (December 31, 2020 - \$230,330), which have contractual maturities of 90 days or less.

NVMC has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. NVMC coordinates this planning and budgeting process with its financing activities through the capital management process in normal circumstances.

#### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. NVMC is exposed to credit risk primarily associated with cash. NVMC is not exposed to significant credit risk.

#### (c) Market risk

##### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that NVMC will realize a loss as a result of a decline in interest rates is low as NVMC has no investments or liabilities with variable interest rates.

##### (ii) Foreign currency risk

NVMC is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

NVMC has exploration and development projects in Nevada, USA and undertakes transactions in denominated in US dollars. NVMC is therefore exposed to foreign currency risk arising from transactions denominated in a foreign currency and the translation of financial instruments denominated in US dollars, into its functional and reporting currency, the Canadian dollar.

Based on the above, net exposures as at June 30, 2021, with other variables unchanged, a 10% strengthening (weakening) of the US dollar against the Canadian dollar would have an immaterial impact to net loss with other variables unchanged. NVMC currently does not use any foreign exchange contracts to hedge this currency risk.

### 12. RELATED PARTY DISCLOSURES

During the periods ended June 30, 2021 and 2020, NVMC had related party transactions with the following companies, related by way of directors and key management personnel:

- Linx Partners Ltd., a private company controlled by John Lee, Director, CEO and Executive Chairman of ELEF, provides management and consulting services to NVMC.
- MaKevCo Consulting Inc., a private company 50% owned by Greg Hall, Director of ELEF, provides consulting services to NVMC.
- Sophir Asia Ltd., a private company controlled by Masa Igata, Director of ELEF, provides consulting services to NVMC.

**NEVADA VANADIUM LLC.**

Notes to Carve-out Condensed Interim Financial Statements  
For the six months ended June 30, 2021  
(Expressed in Canadian Dollars)

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**12. RELATED PARTY DISCLOSURES (cont'd...)**

A summary of the transactions by nature among the related parties is as follows:

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Related parties	Six Months Ended June 30,	
	2021	2020
Consulting and management fees	\$ 27,604	\$ 34,125
Directors' fees	5,073	33,967
Mineral properties	219,858	692,765
Salaries	22,032	167,354
	\$ 274,567	\$ 928,211

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As at June 30, 2021, amounts due to related parties were \$90,275 (December 31, 2020 - \$846) and included in accounts payable and accrued liabilities.

**13. KEY MANAGEMENT PERSONNEL COMPENSATION**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company.

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Key Management Personnel	Six Months Ended June 30,	
	2021	2020
Salaries and short term benefits	\$ 22,032	\$ 167,354
Directors' fees	5,073	33,967
Share-based payments	58,738	203,252
	\$ 85,842	\$ 404,573

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**APPENDIX "I"**  
**AUDITED FINANCIAL STATEMENTS OF SPINCO 1**

(see attached)

**FLYING NICKEL MINING CORP.**

**Financial Statements**

**As at and for the Period from Incorporation on December 21,  
2020 to June 30, 2021**

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Flying Nickel Mining Corp.

### *Opinion*

We have audited the accompanying financial statements of Flying Nickel Mining Corp. (the "Company"), which comprise the statement of financial position as at June 30, 2021, and the statement of changes in equity for the period from incorporation on December 21, 2020 to June 30, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021, and its financial performance for the period then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that, as of that date, the Company has no operations and is reliant on Silver Elephant Mining Corp. ("ELEF") for all funding. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes ELEF's Management Information Circular.

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

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



We obtained ELEF's Management Information Circular prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

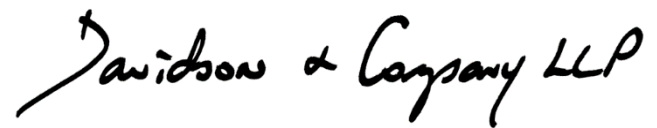
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

November 9, 2021



**FLYING NICKEL MINING CORP.**  
**Statement of Financial Position**  
(Expressed in Canadian Dollars)

	Notes	As At June 30, 2021
<b>Assets</b>		
Due from related party		\$ 1
<b>Total assets</b>		<b>\$ 1</b>
<b>Equity</b>		
Share capital	5	\$ 1
<b>Total equity</b>		<b>\$ 1</b>

Description of Business and Nature of Operations (Note 1)

Approved on behalf of the Board:

*“John Lee”*

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John Lee, Director and Chairman

Vancouver, British Columbia

*“Mark Scott”*

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Mark Scott, Director

November 8, 2021

The accompanying notes form an integral part of these financial statements.

**FLYING NICKEL MINING CORP.**  
**Statement of Changes in Equity**  
(Expressed in Canadian Dollars)

	Number of Shares Issued and Outstanding	Share Capital	Deficit	Total
<b>Balance, Incorporation on December 21, 2020</b>	-	\$ -	\$ -	\$ -
Shares issued on incorporation	1	1	-	1
<b>Balance, June 30, 2021</b>	<b>1</b>	<b>1</b>	-	<b>1</b>

The accompanying notes form an integral part of these financial statements.

## **FLYING NICKEL MINING CORP.**

Notes to the Financial Statements

For the period from Incorporation on December 21, 2020 to June 30, 2021

(Expressed in Canadian Dollars)

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### **1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS**

Flying Nickel Mining Corp. (the “Company” or “NickelCo”) was incorporated on December 21, 2020, under the laws of the province of British Columbia, Canada. The Company is part of a plan of arrangement (the “Arrangement”) to be the target company for certain mineral property assets that are to be spun out from Silver Elephant Mining Corp. (“ELEF”). The Company is a wholly owned subsidiary of ELEF. The Company maintains its registered and records office at Suite 1610 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

Following the completion of the proposed transaction described in Note 2, the Company will be an exploration stage enterprise in the mineral resource industry focused on the Minago Nickel Project.

To date, the Company has no operations and is reliant on ELEF for all funding. These conditions may cast significant doubt upon the Company’s ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

### **2. ARRANGEMENT AND TRANSFER OF ASSETS**

On August 26, 2021, ELEF announced that it has executed a plan of arrangement, as amended November 8, 2021, (the “Arrangement”) under the Business Corporations Act (British Columbia) pursuant to which it shall:

- i. complete a consolidation of the outstanding share capital of ELEF whereby each 10 pre-consolidation ELEF share shall be exchanged for one post-consolidation ELEF share;
- ii. transfer certain royalties presently held by ELEF in certain projects into its own entity, SpinCo 3 (“RoyaltyCo”), a wholly owned subsidiary of ELEF;
- iii. spin-out its Manitoba based Minago Nickel project mineral property assets (“Minago”) into its own entity, SpinCo 1 (“NickelCo”), a wholly owned subsidiary of ELEF;
- iv. and spin-out its Nevada based Gibellini Vanadium project mineral property assets (“Gibellini”) into its own entity, SpinCo 2 (“VanadiumCo”), a wholly owned subsidiary of ELEF.

ELEF will transfer assets, as described above, to each SpinCo in consideration for the following:

- NickelCo will purchase the Minago assets from ELEF in exchange for the issuance of NickelCo shares and the assumption of certain liabilities related to the underlying assets;
- RoyaltyCo will purchase the royalties from ELEF in exchange for the issuance of RoyaltyCo shares;
- Nevada Vanadium Mining Corp. (“NVMC”) will purchase the Gibellini assets from ELEF in exchange for the issuance of NVMC shares and the assumption of certain liabilities related to the underlying assets;
- VanadiumCo will purchase the NVMC shares from ELEF in exchange for the issuance of VanadiumCo shares;
- and RoyaltyCo will purchase certain of the outstanding shares of both VanadiumCo and NickelCo in exchange for the issuance of RoyaltyCo shares.

Upon completion of the Arrangement, it is currently expected that ELEF and each SpinCo will focus on its corresponding core business with:

- ELEF holding a 100% interest in its Pulacayo silver and El Triunfo gold-silver projects in Bolivia, and approximately 33% of the Royalties SpinCo shares as a long-term investment;
- VanadiumCo holding a 100% interest in the Gibellini Vanadium project in Nevada;
- NickelCo holding a 100% interest in the Minago nickel project at Thompson nickel belt in Manitoba;
- and RoyaltyCo holding certain royalties related to each of the transferred assets referenced above and approximately 54% of the NickelCo shares and approximately 54% of the VanadiumCo shares as a long-term investment.

**FLYING NICKEL MINING CORP.**

Notes to the Financial Statements

For the period from Incorporation on December 21, 2020 to June 30, 2021

(Expressed in Canadian Dollars)

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**2. ARRANGEMENT AND TRANSFER OF ASSETS (cont'd...)**

Subject to applicable laws, the policies of and approval by the Toronto Stock Exchange (the "TSX"), the receipt of ELEF's shareholder approval and court approval, and satisfaction of other closing conditions, it is presently expected that, pursuant to the Arrangement:

- i. the authorized share capital of ELEF shall be reorganized and its articles amended by the creation of an unlimited number of Class A Shares;
- ii. and each ELEF shareholder ("Shareholder") will exchange each post-Consolidation ELEF share to receive: one share of each of NickelCo and VanadiumCo; two shares of RoyaltyCo; and one Class A share of ELEF

Holders of outstanding ELEF warrants (the "Warrants") after the Record Date will be entitled to receive, upon exercise of each such Warrant at the same original exercise price and in accordance with the terms of such Warrant, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

Holders of outstanding ELEF options (the "Options") after the Record Date will be entitled to receive, upon exercise of each such Option at the same original exercise price and in accordance with the terms of such Option, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

While the foregoing has been prepared on the basis that no additional securities of each SpinCo will be issued, it is presently expected that each SpinCo will complete a financing in connection with the Arrangement to provide for working capital and other corporate purposes (see Note 6).

There can be no assurance that the Arrangement will be completed on the terms described herein or that the proposed public listings of the SpinCos will be completed.

**3. BASIS OF PRESENTATION**

**Statement of compliance and basis of preparation**

Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These audited financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these audited financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements of the Company, as at and for period ended June 30, 2021, are prior to the Company commencing any activities except the issuance of shares. Accordingly, separate statements of income/loss and statements of cash flows have not been presented as there have been no activities for the Company.

**FLYING NICKEL MINING CORP.**

Notes to the Financial Statements

For the period from Incorporation on December 21, 2020 to June 30, 2021

(Expressed in Canadian Dollars)

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**4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of a company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

**Going concern determination**

The evaluation of the Company's ability to continue as a going concern, to raise additional financing in order to cover its operating expenses and its obligations for the upcoming year requires significant judgment based on past experience and other assumptions including the probability that future events are considered reasonable according to the circumstances. Please refer to Note 1 for further information.

**5. SHARE CAPITAL****a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

As at June 30, 2021, the Company had 1 common share issued and outstanding.

**6. SUBSEQUENT EVENT**

On October 26, 2021, ELEF announced the terms of the NickelCo financing. The Company will raise proceeds of up to \$7,000,000 through the issuance of:

- (i) up to 5,000,000 subscription receipts of the Company (each, a "Non-FT Subscription Receipt") at a price of \$0.70 per Non-FT Subscription Receipt for gross proceeds of up to \$3,500,000 from the sale of Non-FT Subscription Receipts; and
- (ii) flow-through eligible subscription receipts of the Company (each, a "FT Subscription Receipt", and collectively with the Non-FT Subscription Receipts, the "Offered Securities") at a price of \$0.77 per FT Subscription Receipt;

Upon satisfaction of certain escrow release conditions, the subscription receipts will be deemed exercised without payment of additional consideration as follows:

- (i) each non-FT subscription receipt shall be automatically converted into one unit of the Company (a "Unit"). Each unit will consist of one common share of the Company and one half of one common share purchase warrant (a "Warrant"). Each whole Warrant shall entitle the holder to purchase one common share of the Company at a price of \$1.00 at any time on or before that date which is 24 months after the date of issuance of the Units.
- (ii) Each FT subscription receipt shall be automatically converted into one common share of the Company to be issued as a "flow-through share" within the meaning of the Income Tax Act (Canada).

**APPENDIX "J"**  
**AUDITED FINANCIAL STATEMENTS OF SPINCO 2**

(see attached)

**1324825 B.C. LTD.**

**Financial Statements**  
**As at and for the Period from Incorporation on**  
**September 17, 2021 to September 30, 2021**

(Expressed in Canadian Dollars)



## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
1324825 B.C. Ltd.

### *Opinion*

We have audited the accompanying financial statements of 1324825 B.C. Ltd. (the "Company"), which comprise the statement of financial position as at September 30, 2021, and the statement of changes in equity for the period from incorporation on September 17, 2021 to September 30, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021, and its financial performance for the period then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that, as of that date, the Company has no operations and is reliant on Silver Elephant Mining Corp. ("ELEF") for all funding. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes ELEF's Management Information Circular.

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

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



We obtained ELEF's Management Information Circular prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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


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

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

November 9, 2021

**1324825 B.C. LTD.**

Notes to the Financial Statements

For the period from Incorporation on September 17, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

**1324825 B.C. LTD.**

**Statement of Financial Position**

(Expressed in Canadian Dollars)

	Notes		As At September 30, 2021
<b>Assets</b>			
Due from related party		\$	10
<b>Total assets</b>		\$	10
<b>Equity</b>			
Share capital	5	\$	10
<b>Total equity</b>		\$	10

Description of Business and Nature of Operations (Note 1)

Approved on behalf of the Board of Directors:

*"John Lee"*

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John Lee, Director

*"Greg Hall"*

-----  
Greg Hall, Director

Vancouver, British Columbia

November 8, 2021

The accompanying notes form an integral part of these financial statements.

**1324825 B.C. LTD.**

Notes to the Financial Statements

For the period from Incorporation on September 17, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

**1324825 B.C. LTD.****Statement of Changes in Equity**

(Expressed in Canadian Dollars)

	Number of Shares Issued and Outstanding		Share Capital		Deficit		Total
<b>Balance, Incorporation on September 17, 2021</b>	-	\$	-	\$	-	\$	-
Shares issued on Incorporation	100		10		-		10
<b>Balance, September 30, 2021</b>	<b>100</b>		10		-		<b>10</b>

The accompanying notes form an integral part of these financial statements.

## 1324825 B.C. LTD.

Notes to the Financial Statements

For the period from Incorporation on September 17, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

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### 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

1324825 B.C. Ltd. (the "Company") was incorporated on September 17, 2021, under the laws of the province of British Columbia, Canada. The Company as part of a plan of arrangement (the "Arrangement") to be the target company for certain mineral property assets that are to be spun out from Silver Elephant Mining Corp. ("ELEF"). The Company is a wholly owned subsidiary of ELEF. The Company maintains its registered and records office at Suite 1610 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

Following the completion of the proposed transaction described in Note 2, the Company will be an exploration stage enterprise in the mineral resource industry focused on the Gibellini Vanadium project.

To date, the Company has no operations and is reliant on ELEF for all funding. These conditions may cast significant doubt upon the Company's ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

### 2. ARRANGEMENT AND TRANSFER OF ASSETS

On August 26, 2021, ELEF announced that it has executed a plan of arrangement, as amended November 8, 2021 (the "**Arrangement**") under the Business Corporations Act (British Columbia) pursuant to which it shall:

- i. complete a consolidation of the outstanding share capital of ELEF whereby each 10 pre-consolidation ELEF share shall be exchanged for one post-consolidation ELEF share;
- ii. transfer certain royalties presently held by ELEF in certain projects into its own entity, SpinCo 3 ("RoyaltyCo"), a wholly owned subsidiary of ELEF;
- iii. spin-out its Manitoba based Minago Nickel project mineral property assets ("Minago") into its own entity, SpinCo 1 ("NickelCo"), a wholly owned subsidiary of ELEF;
- iv. and spin-out its Nevada based Gibellini Vanadium project mineral property assets ("Gibellini") into its own entity, SpinCo 2 ("VanadiumCo"), a wholly owned subsidiary of ELEF.

ELEF will transfer assets, as described above, to each SpinCo in consideration for the following:

- NickelCo will purchase the Minago assets from ELEF in exchange for the issuance of NickelCo shares and the assumption of certain liabilities related to the underlying assets;
- RoyaltyCo will purchase the royalties from ELEF in exchange for the issuance of RoyaltyCo shares;
- Nevada Vanadium Mining Corp. ("NVMC") will purchase the Gibellini assets from ELEF in exchange for the issuance of NVMC shares and the assumption of certain liabilities related to the underlying assets;
- VanadiumCo will purchase the NVMC shares from ELEF in exchange for the issuance of VanadiumCo shares;
- and RoyaltyCo will purchase certain of the outstanding shares of both VanadiumCo and NickelCo in exchange for the issuance of RoyaltyCo shares.

Upon completion of the Arrangement, it is currently expected that ELEF and each SpinCo will focus on its corresponding core business with:

- ELEF holding a 100% interest in its Pulacayo silver and El Triunfo gold-silver projects in Bolivia, and approximately 33% of the Royalties SpinCo shares as a long-term investment;
- VanadiumCo holding a 100% interest in the Gibellini Vanadium project in Nevada;
- NickelCo holding a 100% interest in the Minago nickel project at Thompson nickel belt in Manitoba;
- and RoyaltyCo holding certain royalties related to each of the transferred assets referenced above and approximately 54% of the NickelCo shares and approximately 54% of the VanadiumCo shares as a long-term investment.

## **1324825 B.C. LTD.**

Notes to the Financial Statements

For the period from Incorporation on September 17, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

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### **2. ARRANGEMENT AND TRANSFER OF ASSETS (cont'd...)**

Subject to applicable laws, the policies of and approval by the Toronto Stock Exchange (the "TSX"), the receipt of ELEF's shareholder approval and court approval, and satisfaction of other closing conditions, it is presently expected that, pursuant to the Arrangement:

1. the authorized share capital of ELEF shall be reorganized and its articles amended by the creation of an unlimited number of Class A Shares;
2. and each ELEF shareholder ("Shareholder") will exchange each post-Consolidation ELEF share to receive: one share of each of NickelCo and VanadiumCo; two shares of RoyaltyCo; and one Class A share of ELEF

Holders of outstanding ELEF warrants (the "Warrants") after the Record Date will be entitled to receive, upon exercise of each such Warrant at the same original exercise price and in accordance with the terms of such Warrant, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

Holders of outstanding ELEF options (the "Options") after the Record Date will be entitled to receive, upon exercise of each such Option at the same original exercise price and in accordance with the terms of such Option, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

While the foregoing has been prepared on the basis that no additional securities of each SpinCo will be issued, it is presently expected that each SpinCo will complete a financing in connection with the Arrangement to provide for working capital and other corporate purposes.

There can be no assurance that the Arrangement will be completed on the terms described herein or that the proposed public listings of the SpinCos will be completed.

### **3. BASIS OF PRESENTATION**

#### **Statement of compliance and basis of preparation**

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

These audited financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these audited financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements of the Company, as at and for the period ended September 30, 2021, are prior to the Company commencing any activities except the issuance of shares. Accordingly, separate statements of income/loss and statements of cash flows have not been presented as there have been no activities for the Company.



#### **4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of a company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

##### **Going concern determination**

The evaluation of the Company's ability to continue as a going concern, to raise additional financing in order to cover its operating expenses and its obligations for the upcoming year requires significant judgment based on past experience and other assumptions including the probability that future events are considered reasonable according to the circumstances. Please refer to Note 1 for further information.

#### **5. SHARE CAPITAL**

##### **a) Authorized share capital**

Unlimited number of common shares without par value.

##### **b) Issued share capital**

As at September 30, 2021, the Company had 100 common shares issued and outstanding.

**APPENDIX "K"**  
**AUDITED FINANCIAL STATEMENTS OF SPINCO 3**

(see attached)

**Battery Metals Royalties Corp.**

**Financial Statements**

**As at and for the Period from Incorporation on July 9, 2021  
to September 30, 2021**

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Battery Metals Royalties Corp.

### *Opinion*

We have audited the accompanying financial statements of Battery Metals Royalties Corp. (the "Company"), which comprise the statement of financial position as at September 30, 2021, and the statement of changes in equity for the period from incorporation on July 9, 2021 to September 30, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021, and its financial performance for the period then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that, as of that date, the Company has no operations and is reliant on Silver Elephant Mining Corp. ("ELEF") for all funding. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes ELEF's Management Information Circular.

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

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



We obtained ELEF's Management Information Circular prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

November 9, 2021

**Battery Metals Royalties Corp.**  
**Statement of Financial Position**  
(Expressed in Canadian Dollars)

	Notes	As At September 30, 2021	
<b>Assets</b>			
Due from related party		\$	1
<b>Total assets</b>		\$	1
<b>Equity</b>			
Share capital	5	\$	1
<b>Total equity</b>		\$	1

Description of Business and Nature of Operations (Note 1)

Approved on behalf of the Board:

*"John Lee"*

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John Lee, Chief Executive Officer

*"Danniel Oosterman"*

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Danniel Oosterman, Director

Vancouver, British Columbia

November 8, 2021

The accompanying notes form an integral part of these financial statements.



**Battery Metals Royalties Corp.**  
**Statement of Changes in Equity**  
(Expressed in Canadian Dollars)

	Number of Shares Issued and Outstanding		Share Capital		Deficit		Total
<b>Balance, Incorporation on July 9, 2021</b>	-	\$	-	\$	-	\$	-
Shares issued on incorporation	1		1		-		1
<b>Balance, September 30, 2021</b>	<b>1</b>		<b>1</b>		<b>-</b>		<b>1</b>

The accompanying notes form an integral part of these financial statements.

## Battery Metals Royalties Corp.

Notes to the Financial Statements

For the period from Incorporation on July 9, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

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### 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Battery Metals Royalties Corp. (the “Company”) was incorporated on July 9, 2021, under the laws of the province of British Columbia, Canada. The Company is part of a plan of arrangement (the “Arrangement”) to be the target company for certain mineral property royalties that are to be spun out from Silver Elephant Mining Corp. (“ELEF”). The Company is a wholly owned subsidiary of ELEF. The Company maintains its registered and records office at Suite 1610 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

Following the completion of the proposed transaction described in Note 2, the Company will be a royalties enterprise in the mineral resource industry.

To date, the Company has no operations and is reliant on ELEF for all funding. These conditions may cast significant doubt upon the Company’s ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

### 2. ARRANGEMENT AND TRANSFER OF ASSETS

On August 26, 2021, ELEF announced that it has executed a plan of arrangement, as amended November 8, 2021, (the “**Arrangement**”) under the Business Corporations Act (British Columbia) pursuant to which it shall:

- i. complete a consolidation of the outstanding share capital of ELEF whereby each 10 pre-consolidation ELEF share shall be exchanged for one post-consolidation ELEF share;
- ii. transfer certain royalties presently held by ELEF in certain projects into its own entity, SpinCo 3 (“RoyaltyCo”), a wholly owned subsidiary of ELEF;
- iii. spin-out its Manitoba based Minago Nickel project mineral property assets (“Minago”) into its own entity, SpinCo 1 (“NickelCo”), a wholly owned subsidiary of ELEF;
- iv. and spin-out its Nevada based Gibellini Vanadium project mineral property assets (“Gibellini”) into its own entity, SpinCo 2 (“VanadiumCo”), a wholly owned subsidiary of ELEF.

ELEF will transfer assets, as described above, to each SpinCo in consideration for the following:

- NickelCo will purchase the Minago assets from ELEF in exchange for the issuance of NickelCo shares and the assumption of certain liabilities related to the underlying assets;
- RoyaltyCo will purchase the royalties from ELEF in exchange for the issuance of RoyaltyCo shares;
- Nevada Vanadium Mining Corp. (“NVMC”) will purchase the Gibellini assets from ELEF in exchange for the issuance of NVMC shares and the assumption of certain liabilities related to the underlying assets;
- VanadiumCo will purchase the NVMC shares from ELEF in exchange for the issuance of VanadiumCo shares;
- and RoyaltyCo will purchase certain of the outstanding shares of both VanadiumCo and NickelCo in exchange for the issuance of RoyaltyCo shares.

Upon completion of the Arrangement, it is currently expected that ELEF and each SpinCo will focus on its corresponding core business with:

- ELEF holding a 100% interest in its Pulacayo silver and El Triunfo gold-silver projects in Bolivia, and approximately 33.2% of the Royalties SpinCo shares as a long-term investment;
- VanadiumCo holding a 100% interest in the Gibellini Vanadium project in Nevada;
- NickelCo holding a 100% interest in the Minago nickel project at Thompson nickel belt in Manitoba;
- and RoyaltyCo holding certain royalties related to each of the transferred assets referenced above and approximately 54% of the NickelCo shares and approximately 54% of the VanadiumCo shares as a long-term investment.

**Battery Metals Royalties Corp.**

Notes to the Financial Statements

For the period from Incorporation on July 9, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

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**2. ARRANGEMENT AND TRANSFER OF ASSETS ((cont'd...))**

Subject to applicable laws, the policies of and approval by the Toronto Stock Exchange (the "TSX"), the receipt of ELEF's shareholder approval and court approval, and satisfaction of other closing conditions, it is presently expected that, pursuant to the Arrangement:

1. the authorized share capital of ELEF shall be reorganized and its articles amended by the creation of an unlimited number of Class A Shares;
2. and each ELEF shareholder ("Shareholder") will exchange each post-Consolidation ELEF share to receive: one share of each of NickelCo and VanadiumCo; two shares of RoyaltyCo; and one Class A share of ELEF

Holders of outstanding ELEF warrants (the "Warrants") after the Record Date will be entitled to receive, upon exercise of each such Warrant at the same original exercise price and in accordance with the terms of such Warrant, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

Holders of outstanding ELEF options (the "Options") after the Record Date will be entitled to receive, upon exercise of each such Option at the same original exercise price and in accordance with the terms of such Option, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

While the foregoing has been prepared on the basis that no additional securities of each SpinCo will be issued, it is presently expected that each SpinCo will complete a financing in connection with the Arrangement to provide for working capital and other corporate purposes.

There can be no assurance that the Arrangement will be completed on the terms described herein or that the proposed public listings of the SpinCos will be completed.

**3. BASIS OF PRESENTATION****Statement of compliance and basis of preparation**

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

These audited financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these audited financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements of the Company, as at and for the period ended September 30, 2021, are prior to the Company commencing any activities except the issuance of shares. Accordingly, separate statements of income (loss) and statements of cash flows have not been presented as there have been no activities for the Company.

**Battery Metals Royalties Corp.**

Notes to the Financial Statements

For the period from Incorporation on July 9, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

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**4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of a company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

**Going concern determination**

The evaluation of the Company's ability to continue as a going concern, to raise additional financing in order to cover its operating expenses and its obligations for the upcoming year requires significant judgment based on past experience and other assumptions including the probability that future events are considered reasonable according to the circumstances. Please refer to Note 1 for further information.

**5. SHARE CAPITAL**

**a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

As at September 30, 2021, the Company had 1 common share issued and outstanding.

**APPENDIX "L"**  
***PRO FORMA* COMBINED FINANCIAL STATEMENTS OF THE COMPANY**



# **SILVER ELEPHANT MINING CORP.**

## **Pro Forma Consolidated Financial Statements**

**June 30, 2021**

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

**SILVER ELEPHANT MINING CORP.**  
**Pro Forma Consolidated Statement of Financial Position**  
At June 30, 2021  
(Expressed in Canadian Dollars) (Unaudited)

As at	Consolidated ELEF June 30, 2021	Pro Forma Adjustments	Consolidated ELEF Pro Forma
<b>Assets</b>			
<b>Current assets</b>			
Cash	\$ 176,022	\$ (10,203)	\$ 165,819
Receivables	814,509	-	814,509
Prepaid expenses	215,452	(2,172)	213,280
Marketable securities	2,000,000	-	2,000,000
Investment in associate	-	700,000	700,000
	3,205,983	687,625	3,893,608
<b>Non-current assets</b>			
Restricted cash equivalents	34,500	-	34,500
Reclamation deposits	21,055	-	21,055
Right-of-use asset	2,633	-	2,633
Equipment	125,469	(72,566)	52,903
Mineral properties	51,079,789	(30,534,483)	20,545,306
	\$ 54,469,429	\$ (29,919,424)	\$ 24,550,005
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 2,712,570	\$ (594,433)	\$ 2,118,137
Lease liability	3,007	-	3,007
	2,715,577	(594,433)	2,121,144
<b>Non-current liabilities</b>			
Provision for closure and reclamation	695,257	-	695,257
	3,410,834	(594,433)	2,816,401
<b>Equity</b>			
Share capital	207,221,780	(25,756,988)	181,464,792
Shares issuable	3,818,003	(3,818,003)	-
Reserves	25,798,586	-	25,798,586
Deficit	(185,779,774)	250,000	(185,529,774)
	51,058,595	(29,324,991)	21,733,604
	\$ 54,469,429	\$ (29,919,424)	\$ 24,550,005

Approved on behalf of the Board:

**"John Lee"**  
John Lee, Director

**"Greg Hall"**  
Greg Hall, Director

The accompanying notes form an integral part of these unaudited pro forma consolidated financial statements.



**SILVER ELEPHANT MINING CORP.**  
**Pro Forma Consolidated Statement of Loss**  
(Expressed in Canadian Dollars) (Unaudited)

	Consolidated ELEF for six months ended June 30,	Pro Forma Adjustments	Consolidated ELEF Pro forma
<b>General and Administrative Expenses</b>			
Advertising and promotion	\$ 330,602	\$ (295,801)	\$ 34,801
Consulting and management fees	488,696	(437,253)	51,443
Depreciation and accretion	17,646	(15,788)	1,858
Director fees	71,201	(63,706)	7,495
Insurance	45,213	(40,454)	4,759
Office and administration	46,335	(51,445)	(5,110)
Professional fees	182,253	236,932	419,185
Salaries and benefits	309,216	(276,666)	32,550
Share-based payments	244,341	(218,620)	25,721
Stock exchange and shareholder services	89,972	(30,501)	59,471
Travel and accommodation	5,803	(5,192)	611
	(1,831,278)	1,198,496	(632,782)
<b>Other Items</b>			
Costs in excess of recovered coal	(106,947)	-	(106,947)
Foreign exchange gain	264,598	-	264,598
Gain on allocation of royalties	-	700,000	700,000
Fair value gain/(loss) on marketable securities	1,000,000	-	1,000,000.00
	1,157,651	700,000	1,857,651
<b>Net Income (Loss) for Period</b>	(673,627)	1,898,496	1,224,869
<b>Comprehensive Income (Loss) for Period</b>	\$ (673,627)	\$ 1,898,496	\$ 1,224,869
<b>Earnings (Loss) Per Common Share, basic and diluted</b>	\$ (0.00)	\$ -	\$ 0.06
<b>Weighted Average Number of Common Shares Outstanding</b>	197,119,304	(177,407,374)	19,711,930

The accompanying notes form an integral part of these unaudited pro forma consolidated financial statements.

## SILVER ELEPHANT MINING CORP.

Notes to the Pro Forma Financial Statements  
For the six month period ended June 30, 2021  
(Expressed in Canadian Dollars) (Unaudited)

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### 1. DESCRIPTION OF THE TRANSACTION AND BASIS OF PRESENTATION

The unaudited pro forma consolidated financial statements (the “**pro forma financial statements**”) of Silver Elephant Mining Corp. (the “**Company**” or “**ELEF**”) have been prepared by its management based on the condensed interim consolidated financial statements for the six months ended June 30, 2021 prepared in accordance with International Financial Reporting Standards (“**IFRS**”) to give effect to the proposed spin-out of certain assets from the Company pursuant to the terms of an Arrangement Agreement further described below. The accompanying unaudited pro forma financial statements have been prepared by management of Silver Elephant Mining Corp. for inclusion in the Management Information Circular (“**Circular**”) of the Company.

The accounting policies applied are the same accounting policies as described in the annual audited financial statements of the Company for the year ended December 31, 2020.

#### **Plan of Arrangement:**

On August 26, 2021, ELEF announced that it has executed a plan of arrangement, as amended November 8, 2021 (the “**Arrangement**”) under the Business Corporations Act (British Columbia) pursuant to which it shall:

- i. complete a consolidation of the outstanding share capital of ELEF whereby each 10 pre-consolidation ELEF share shall be exchanged for one post-consolidation ELEF share;
- ii. transfer certain royalties presently held by ELEF in certain projects into its own entity, SpinCo 3 (“**RoyaltyCo**”), a wholly owned subsidiary of ELEF;
- iii. spin-out its Manitoba based Minago Nickel project mineral property assets (“**Minago**”) into its own entity, SpinCo 1 (“**NickelCo**”), a wholly owned subsidiary of ELEF;
- iv. and spin-out its Nevada based Gibellini Vanadium project mineral property assets (“**Gibellini**”) into its own entity, SpinCo 2 (“**VanadiumCo**”), a wholly owned subsidiary of ELEF.

ELEF will transfer assets, as described above, to each SpinCo in consideration for the following:

- NickelCo will purchase the Minago assets from ELEF in exchange for the issuance of NickelCo shares and the assumption of certain liabilities related to the underlying assets;
- RoyaltyCo will purchase the royalties from ELEF in exchange for the issuance of RoyaltyCo shares;
- Nevada Vanadium Mining Corp. (“**NVMC**”) will purchase the Gibellini assets from ELEF in exchange for the issuance of NVMC shares and the assumption of certain liabilities related to the underlying assets;
- VanadiumCo will purchase the NVMC shares from ELEF in exchange for the issuance of VanadiumCo shares;
- and RoyaltyCo will purchase certain of the outstanding shares of both VanadiumCo and NickelCo in exchange for the issuance of RoyaltyCo shares.

Upon completion of the Arrangement, it is currently expected that ELEF and each SpinCo will focus on its corresponding core business with:

- ELEF holding a 100% interest in its Pulacayo silver and El Triunfo gold-silver projects in Bolivia, and approximately 33% of the Royalties SpinCo shares as a long-term investment;
- VanadiumCo holding a 100% interest in the Gibellini Vanadium project in Nevada;
- NickelCo holding a 100% interest in the Minago nickel project at Thompson nickel belt in Manitoba;
- and RoyaltyCo holding certain royalties related to each of the transferred assets referenced above and approximately 54% of the NickelCo shares and approximately 54% of the VanadiumCo shares as a long-term investment.

**SILVER ELEPHANT MINING CORP.**

Notes to the Pro Forma Financial Statements  
For the six month period ended June 30, 2021  
(Expressed in Canadian Dollars) (Unaudited)

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**1. DESCRIPTION OF THE TRANSACTION AND BASIS OF PRESENTATION (cont'd)**

Subject to applicable laws, the policies of and approval by the Toronto Stock Exchange (the "TSX"), the receipt of ELEF's shareholder approval and court approval, and satisfaction of other closing conditions, it is presently expected that, pursuant to the Arrangement:

- i. the authorized share capital of ELEF shall be reorganized and its articles amended by the creation of an unlimited number of Class A Shares;
- ii. and each ELEF shareholder ("Shareholder") will exchange each post-Consolidation ELEF share to receive: one share of each of NickelCo and VanadiumCo; two shares of RoyaltyCo; and one Class A share of ELEF

Holders of outstanding ELEF warrants (the "Warrants") after the Record Date will be entitled to receive, upon exercise of each such Warrant at the same original exercise price and in accordance with the terms of such Warrant, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

Holders of outstanding ELEF options (the "Options") after the Record Date will be entitled to receive, upon exercise of each such Option at the same original exercise price and in accordance with the terms of such Option, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

While the foregoing has been prepared on the basis that no additional securities of each SpinCo will be issued, it is presently expected that each SpinCo will complete a financing in connection with the Arrangement to provide for working capital and other corporate purposes.

There can be no assurance that the Arrangement will be completed on the terms described herein or that the proposed public listings of the SpinCos will be completed.

**Basis of Presentation:**

These unaudited pro-forma financial statements and related adjustments have been compiled from and include:

- a) the unaudited condensed interim consolidated financial statements of the Company as at and for the six months ended June 30, 2021;
- b) the unaudited carve-out condensed interim financial statements as at and for the period from acquisition on February 10, 2021 to June 30, 2021 of the Minago Nickel Project; and
- c) the unaudited carve-out condensed interim financial statements as at and for the six months ended June 30, 2021 of Nevada Vanadium Mining Corp.

The unaudited pro forma financial statements have been prepared for illustrative purposes only and may not be indicative of the financial position or operating results of the Company that would have occurred if the Arrangement had been in effect at the dates indicated. Actual amounts recorded upon consummation of the Arrangement will likely differ from those recorded in the unaudited pro forma statement of financial position and statement of loss and the differences may be material.

Further, these pro forma financial statements are not necessarily indicative of the future financial position or results of operations of the Company as a result of the Arrangement and spin-outs. The unaudited pro forma financial statements should be read in conjunction with the consolidated financial statements and notes included therein, as referred to above.

The unaudited pro forma consolidated balance sheet gives effect to the Arrangement as though it had occurred on June 30, 2021, and the unaudited pro forma consolidated statement of loss gives effect to the Arrangement as though it had occurred on January 1, 2021 described above and the pro forma assumptions and adjustments described in Note 2.

**SILVER ELEPHANT MINING CORP.**

Notes to the Pro Forma Financial Statements  
 For the six month period ended June 30, 2021  
 (Expressed in Canadian Dollars) (Unaudited)

**1. DESCRIPTION OF THE TRANSACTION AND BASIS OF PRESENTATION (cont'd)**

It is management's opinion that these unaudited pro forma financial statements include all adjustments necessary for the fair presentation of the transactions described here and are in accordance with International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a basis consistent with the Company's accounting policies.

**2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS**

The following tables set forth the pro forma impacts of the arrangement as at and for the period ended June 30, 2021. The final amounts of assets and liabilities transferred to and the composition of equity items in the arrangement may materially differ from those presented in this pro forma financial information as such asset and liability balances and the equity structure will be determined as at the Effective Date.

**Pro Forma Consolidated Statement of Financial Position Adjustments**

	Allocation of royalties	Transaction costs	Allocation to NickelCo	Allocation to VanadiumCo	Pro Forma Adjustments
	Note 2a	Note 2b	Note 2c	Note 2d	
<b>Assets</b>					
<b>Current assets</b>					
Cash	\$ -	\$ -	\$ -	\$ (10,203)	\$ (10,203)
Receivables	-	-	-	-	-
Prepaid expenses	-	-	-	(2,172)	(2,172)
Marketable securities	-	-	-	-	-
Investment in associate	700,000	-	-	-	700,000
	700,000	-	-	(12,375)	687,625
<b>Non-current assets</b>					
Restricted cash equivalents	-	-	-	-	-
Reclamation deposits	-	-	-	-	-
Right-of-use asset	-	-	-	-	-
Equipment	-	-	-	(72,566)	(72,566)
Mineral properties	-	-	(15,871,189)	(14,663,294)	(30,534,483)
	\$ 700,000	\$ -	\$ (15,871,189)	\$ (14,748,235)	\$ (29,919,424)
<b>Liabilities and Equity</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	\$ -	\$ 450,000	\$ (293,385)	\$ (751,048)	\$ (594,433)
Lease liability	-	-	-	-	-
	-	450,000	(293,385)	(751,048)	(594,433)
<b>Non-current liabilities</b>					
Provision for closure and reclamation	-	-	-	-	-
	-	450,000	(293,385)	(751,048)	(594,433)
<b>Equity</b>					
Share capital	-	-	(11,759,801)	(13,997,187)	(25,756,988)
Shares issuable	-	-	(3,818,003)	-	(3,818,003)
Owner's net investment	-	-	-	-	-
Reserves	-	-	-	-	-
Deficit	700,000	(450,000)	-	-	250,000
	700,000	(450,000)	(15,577,804)	(13,997,187)	(29,324,991)
	\$ 700,000	\$ -	\$ (15,871,189)	\$ (14,748,235)	\$ (29,919,424)

**SILVER ELEPHANT MINING CORP.**

Notes to the Pro Forma Financial Statements  
For the six month period ended June 30, 2021  
(Expressed in Canadian Dollars) (Unaudited)

**2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (cont'd)****Pro Forma Consolidated Statement of Loss Adjustments**

	Allocation of royalties	Transaction costs	Allocation to NickelCo	Allocation to VanadiumCo	Pro Forma Adjustments
	Note 2a	Note 2b	Note 2c	Note 2d	
<b>General and Administrative Expenses</b>					
Advertising and promotion	\$ -	\$ -	\$ (272,246)	\$ (23,555)	\$ (295,801)
Consulting and management fees	-	-	(402,434)	(34,820)	(437,253)
Depreciation and accretion	-	-	(14,531)	(1,257)	(15,788)
Director fees	-	-	(58,633)	(5,073)	(63,706)
Insurance	-	-	(37,232)	(3,221)	(40,454)
Office and administration	-	-	(47,348)	(4,097)	(51,445)
Professional fees	-	400,000	(150,083)	(12,986)	236,932
Salaries and benefits	-	-	(254,635)	(22,032)	(276,666)
Share-based payments	-	-	(201,211)	(17,409)	(218,620)
Stock exchange and shareholder services	-	50,000	(74,091)	(6,410)	(30,501)
Travel and accommodation	-	-	(4,779)	(413)	(5,192)
	-	450,000	1,517,222	131,274	1,198,496
<b>Other Items</b>					
Costs in excess of recovered coal	-	-	-	-	-
Foreign exchange gain	-	-	-	-	-
Gain on sale of royalties	700,000	-	-	-	700,000
Fair value gain/(loss) on marketable securities	-	-	-	-	-
	700,000	-	-	-	700,000
<b>Net Income (Loss) for Period</b>	700,000	450,000	1,517,222	131,274	1,898,496
<b>Comprehensive Income (Loss) for Period</b>	\$ 700,000	\$ 450,000	1,517,222	\$ 131,274	\$ 1,898,496

*Note 2a – Allocation of royalties*

The Company will spinout royalties related to its mineral properties. The fair value of the subsidiary shares to be distributed, as described in note 1, has not been determined at this time. Accordingly, the transaction has been reflected using the carrying value of the assets to be transferred.

*Note 2b – Transaction costs*

The Company estimates that it will incur transaction costs of approximately \$450,000 associated with the reorganization, consisting primarily of legal, accounting, regulatory and other related charges. These costs will be borne by the Company.

*Note 2c – Allocation to NickelCo*

The Company will spinout the Minago nickel project and related assets and liabilities. The fair value of the subsidiary shares to be distributed, as described in note 1, has not been determined at this time. Accordingly, the transaction has been reflected using the carrying value of the assets to be transferred. The income statement allocation of costs was determined based on the unaudited carve-out condensed interim financial statements as at and for the period from acquisition on February 10, 2021 to June 30, 2021 of the Minago Nickel Project.

**SILVER ELEPHANT MINING CORP.**

Notes to the Pro Forma Financial Statements  
For the six month period ended June 30, 2021  
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**2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (cont'd)**

*Note 2d – Allocation to VanadiumCo*

The Company will spinout the Gibellini vanadium project and related assets and liabilities. The fair value of the subsidiary shares to be distributed, as described in note 1, has not been determined at this time. Accordingly, the transaction has been reflected using the carrying value of the assets to be transferred. The income statement allocation of costs was determined based on the unaudited carve-out condensed interim financial statements as at and for the six months ended June 30, 2021 of Nevada Vanadium Mining Corp.