

SILVER BULL RESOURCES, INC.
Form 10-Q
September 14, 2018

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED July 31, 2018.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number: 001-33125

SILVER BULL RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Nevada 91-1766677
State or other jurisdiction of (I.R.S. Employer
incorporation or organization Identification No.)

777 Dunsmuir Street, Suite 1610
Vancouver, B.C. V7Y 1K4
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 604-687-5800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Accelerated filer
Smaller reporting company R
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No R

As of September 13, 2018, there were 234,868,214 shares of the registrant's \$0.01 par value common stock outstanding, the registrant's only outstanding class of voting securities.

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| PART I – FINANCIAL INFORMATION | 2 |
| ITEM 1. FINANCIAL STATEMENTS. | 2 |
| ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. | 20 |
| ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. | 29 |
| ITEM 4. CONTROLS AND PROCEDURES. | 29 |
| PART II – OTHER INFORMATION | 29 |
| ITEM 1. LEGAL PROCEEDINGS. | 29 |
| ITEM 1A. RISK FACTORS. | 29 |
| ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS. | 30 |
| ITEM 3. DEFAULTS UPON SENIOR SECURITIES. | 30 |
| ITEM 4. MINE SAFETY DISCLOSURES. | 30 |
| ITEM 5. OTHER INFORMATION. | 30 |
| ITEM 6. EXHIBITS. | 31 |
| SIGNATURES | 32 |

[The balance of this page has been intentionally left blank.]

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.
SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS

| | July 31, 2018 (Unaudited) | October 31, 2017 |
|---|---------------------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents (Notes 4 and 13) | \$3,329,133 | \$681,776 |
| Value-added tax receivable, net of allowance for uncollectible taxes of \$99,631 and \$67,729 respectively (Note 6) | 175,002 | 156,997 |
| Other receivables | 17,088 | 5,245 |
| Prepaid expenses and deposits | 428,687 | 116,836 |
| Total Current Assets | 3,949,910 | 960,854 |
| Office and mining equipment, net (Note 7) | 188,254 | 208,755 |
| Property concessions (Note 8) | 5,019,927 | 5,004,386 |
| Goodwill (Note 9) | 2,058,031 | 2,058,031 |
| TOTAL ASSETS | \$11,216,122 | \$8,232,026 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$513,634 | \$138,130 |
| Accrued liabilities and expenses | 342,908 | 313,058 |
| Income tax payable | 3,000 | 4,780 |
| Stock option liability (Note 11) | 15,495 | 5,194 |
| Warrant derivative liability (Note 12) | 534,728 | 341,717 |
| Total Current Liabilities | 1,409,765 | 802,879 |
| COMMITMENTS AND CONTINGENCIES (Notes 1 and 14) | | |
| STOCKHOLDERS' EQUITY (Notes 4, 10, 11 and 12) | | |
| Common stock, \$0.01 par value; 300,000,000 shares authorized, 227,502,659, and 199,259,967 shares issued and outstanding, respectively | 2,275,026 | 1,992,599 |
| Additional paid-in capital | 132,009,924 | 127,679,664 |
| Common stock subscription | 20,222 | — |
| Accumulated deficit | (124,591,063) | (122,335,364) |
| Other comprehensive income | 92,248 | 92,248 |
| Total Stockholders' Equity | 9,806,357 | 7,429,147 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$11,216,122 | \$8,232,026 |

Subsequent event (Note 16)

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

2

SILVER BULL RESOURCES, INC.

(AN EXPLORATION STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------|-------------------|-------------|
| | July 31, | | July 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| REVENUES | \$— | \$— | \$— | \$— |
| EXPLORATION AND PROPERTY HOLDING COSTS | | | | |
| Exploration and property holding costs | 204,474 | 117,231 | 481,114 | 674,006 |
| Depreciation | 6,621 | 7,384 | 20,501 | 28,047 |
| TOTAL EXPLORATION AND PROPERTY HOLDING COSTS | 211,095 | 124,615 | 501,615 | 702,053 |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | | |
| Personnel | 112,814 | 119,165 | 358,156 | 390,899 |
| Office and administrative | 206,744 | 109,051 | 444,833 | 278,228 |
| Professional services | 34,346 | 23,257 | 174,545 | 144,462 |
| Directors' fees | 33,941 | 41,044 | 114,395 | 135,021 |
| Provision for (recovery of) uncollectible value-added taxes (Note 6) | 4,222 | (32,857) | 29,424 | (82,823) |
| TOTAL GENERAL AND ADMINISTRATIVE EXPENSES | 392,067 | 259,660 | 1,121,353 | 865,787 |
| LOSS FROM OPERATIONS | (603,162) | (384,275) | (1,622,968) | (1,567,840) |
| OTHER INCOME (EXPENSES) | | | | |
| Interest income | 1,299 | 870 | 2,068 | 2,774 |
| Interest and finance costs | (690) | (664) | (2,329) | (2,252) |
| Foreign currency transaction (loss) gain | (3,166) | 12,697 | (567) | 8,087 |
| Change in fair value of stock option liability (Note 11) | 16,422 | 9,322 | 10,630 | 9,322 |
| Change in fair value of warrant derivative liability (Note 12) | 664,923 | 65,587 | (640,196) | 65,587 |
| Gain on liquidation of subsidiary (Note 1) | — | 129,781 | — | 129,781 |
| Warrant issuance costs (Note 9) | — | (24,054) | — | (24,054) |
| Miscellaneous income | — | — | 225 | 5,417 |
| TOTAL OTHER INCOME (EXPENSES) | 678,788 | 193,539 | (630,169) | 194,662 |
| INCOME (LOSS) BEFORE INCOME TAXES | 75,626 | (190,736) | (2,253,137) | (1,373,178) |
| INCOME TAX EXPENSE | 1,000 | 1,509 | 2,562 | 1,628 |
| NET INCOME (LOSS) | 74,626 | (192,245) | (2,255,699) | (1,374,806) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Foreign currency translation adjustments | — | (354) | — | 2,367 |
| | — | (129,427) | — | (129,427) |

Edgar Filing: SILVER BULL RESOURCES, INC. - Form 10-Q

| | | | | |
|--|-------------|-------------|----------------|--------------|
| Realized foreign currency translation gain on liquidation of subsidiary | | | | |
| COMPREHENSIVE INCOME (LOSS) | \$74,626 | (322,026) | \$(2,255,699) | (1,501,866) |
| BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE | \$— | \$— | \$(0.01) | \$(0.01) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES | | | | |
| -Basic | 206,990,463 | 182,058,445 | 202,981,818 | 179,298,044 |
| -Diluted | 211,706,716 | 182,058,445 | 202,981,818 | 179,298,044 |

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

3

SILVER BULL RESOURCES, INC.

(AN EXPLORATION STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

| | Common Stock | | Additional | Common | Accumulated | Other | |
|---|--------------|--------------|----------------|--------------|-----------------|---------------|--------------|
| | Number of | Amount | Paid-in | Stock | Deficit | Comprehensive | Total |
| | Shares | | Capital | Subscription | | Income | |
| Balance, October 31, 2017 | 199,259,967 | \$ 1,992,599 | \$ 127,679,664 | \$ — | \$(122,335,364) | \$ 92,248 | \$ 7,429,147 |
| Issuance of common stock as follows: | | | | | | | |
| - for cash at a price of \$0.13 per unit with attached warrants less offering costs of \$302,167 (Note 10) | 21,776,317 | 217,763 | 2,310,991 | — | — | — | 2,528,754 |
| - exercise of warrants at a price of Canadian dollar ("\$CDN") 0.13 per share less costs of \$795 (Note 10) | 5,565,000 | 55,650 | 508,689 | — | — | — | 564,339 |
| - exercise of agent warrants at a price of \$CDN 0.10 per share less costs of \$333 (Note 10) | 901,375 | 9,014 | 60,556 | — | — | — | 69,570 |
| Common stock subscription (Note 10) | — | — | — | 20,222 | — | — | 20,222 |
| Earn-In option agreement (Note 4) | — | — | 922,783 | — | — | — | 922,783 |
| Reclassification to additional paid-in capital upon exercise of warrants at price of \$CDN 0.13 (Note 12) | — | — | 385,738 | — | — | — | 385,738 |
| Reclassification to additional paid-up capital upon exercise of warrants at price | — | — | 61,447 | — | — | — | 61,447 |

of \$CDN 0.10
(Note 12)

Stock option and
warrants activity
as follows:

| | | | | | | | |
|--|-------------|--------------|----------------|-----------|-----------------|-----------|--------------|
| - Stock-based compensation for options issued to officers, employees and consultants | — | — | 58,083 | — | — | — | 58,083 |
| - fair value of warrants issued to agents in connection with the \$0.13 per share private placement (Notes 10 and 12) | — | — | 21,973 | — | — | — | 21,973 |
| Net loss for the nine month period ended July 31, 2018 | — | — | — | — | (2,255,699) | — | (2,255,699) |
| Balance, July 31, 2018 | 227,502,659 | \$ 2,275,026 | \$ 132,009,924 | \$ 20,022 | \$(124,591,063) | \$ 92,248 | \$ 9,806,357 |

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

| | Nine Months Ended July 31, | |
|--|-------------------------------|---------------|
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$(2,255,699) | \$(1,374,806) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation | 20,501 | 28,047 |
| Provision for (recovery of) uncollectible value-added taxes | 29,424 | (82,823) |
| Foreign currency transaction loss (gain) | 17,652 | (29,567) |
| Change in fair value of warrant derivative liability (Note 12) | 640,196 | (65,587) |
| Change in fair value of stock option liability (Note 11) | (10,630) | (9,322) |
| Stock options issued for compensation (Note 11) | 79,014 | 117,953 |
| Warrant issuance costs (Note 10) | — | 24,054 |
| Gain on liquidation of subsidiary (Note 1) | — | (129,781) |
| Changes in operating assets and liabilities: | | |
| Value-added tax receivable | (42,173) | (12,268) |
| Other receivables | (11,795) | (1,133) |
| Prepaid expenses and deposits | (329,140) | 76,181 |
| Accounts payable | 352,414 | 17,882 |
| Accrued liabilities and expenses | (52,293) | (118,009) |
| Income tax payable | (1,780) | (7,240) |
| Net cash used in operating activities | (1,564,309) | (1,566,419) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property concessions | (15,541) | — |
| Net cash used in investing activities | (15,541) | — |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Property concessions funding (Note 4) | 922,783 | — |
| Common stock subscription (Note 10) | 20,222 | — |
| Proceeds from exercise of warrants, net of costs (Note 10) | 633,908 | — |
| Proceeds from issuance of common stock and warrants, net of offering costs (Note 10) | 2,651,555 | 1,057,907 |
| Net cash provided by financing activities | 4,228,468 | 1,057,907 |
| Effect of exchange rates on cash and cash equivalents | (1,261) | 43,134 |
| Net increase (decrease) in cash and cash equivalents | 2,647,357 | (465,378) |
| Cash and cash equivalents beginning of period | 681,776 | 1,467,328 |
| Cash and cash equivalents end of period | \$3,329,133 | \$1,001,950 |

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

SILVER BULL RESOURCES, INC.

(AN EXPLORATION STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (CONTINUED)

| Nine Months Ended July 31, | |
|----------------------------------|------|
| 2018 | 2017 |

SUPPLEMENTAL CASH FLOW DISCLOSURES:

| | | |
|-------------------|---------|---------|
| Income taxes paid | \$4,599 | \$8,642 |
| Interest paid | 2,329 | 2,252 |

NON-CASH INVESTING AND FINANCING ACTIVITIES:

| | | |
|---|----------|----------|
| Warrants issued for financing fees (Note 10) | \$21,973 | \$15,592 |
| Offering costs included in accounts payable and accrued liabilities | 100,827 | 70,460 |

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

6

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Silver Bull Resources, Inc. (the "Company") was incorporated in the State of Nevada on November 8, 1993 as the Cadgie Company for the purpose of acquiring and developing mineral properties. The Cadgie Company was a spin-off from its predecessor, Precious Metal Mines, Inc. On June 28, 1996, the Company's name was changed to Metalline Mining Company. On April 21, 2011, the Company's name was changed to Silver Bull Resources, Inc. The Company's fiscal year-end is October 31. The Company has not realized any revenues from its planned operations and is considered an exploration stage company. The Company has not established any reserves with respect to its exploration projects and may never enter into the development stage with respect to any of its projects.

The Company engages in the business of mineral exploration. The Company currently owns a number of property concessions in Mexico (collectively known as the "Sierra Mojada Property"). The Company conducts its operations in Mexico through its wholly-owned subsidiary corporations, Minera Metalin S.A. de C.V. ("Minera Metalin") and Contratistas de Sierra Mojada S.A. de C.V. ("Contratistas") and through Minera Metalin's wholly-owned subsidiary Minas de Coahuila SBR S.A. de C.V. ("Minas").

On April 16, 2010, Metalline Mining Delaware, Inc., a wholly-owned subsidiary of the Company, was merged with and into Dome Ventures Corporation ("Dome"). As a result, Dome became a wholly-owned subsidiary of the Company. Dome has a wholly-owned subsidiary Dome Asia Inc. ("Dome Asia"), which is incorporated in the British Virgin Islands. Dome Asia has a wholly-owned subsidiary, Dome Minerals Nigeria Limited, incorporated in Nigeria. On May 15, 2017, the Company liquidated the Company's Gabonese subsidiary, African Resources SARL Gabon ("African Resources"). As a result of this liquidation, the Company recognized a gain on liquidation of subsidiary of \$129,781 in the condensed consolidated statements of operations and comprehensive loss for the nine months ended July 31, 2017.

The Company's efforts and expenditures have been concentrated on the exploration of properties, principally the Sierra Mojada Property located in Coahuila, Mexico. The Company has not determined whether its exploration properties contain ore reserves that are economically recoverable. The ultimate realization of the Company's investment in exploration properties is dependent upon the success of future property sales, the existence of economically recoverable reserves, and the ability of the Company to obtain financing or make other arrangements for exploration, development, and future profitable production activities. The ultimate realization of the Company's investment in exploration properties cannot be determined at this time.

NOTE 2 – BASIS OF PRESENTATION

The Company's interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and applicable rules of the U.S. Securities and Exchange Commission ("SEC") regarding interim reporting. All intercompany transactions and balances have been eliminated during consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The interim condensed consolidated balance sheet at October 31, 2017 was derived from the audited consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2017.

All figures are in United States dollars unless otherwise noted.

The interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, except as disclosed in Note 3. In the opinion of management, the interim condensed consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented. Uncertainties with respect to estimates and assumptions are inherent in the preparation of the Company's interim condensed consolidated financial statements. Accordingly, operating results for the nine months ended July 31, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 2018.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are defined in the Company's Annual Report on Form 10-K for the year ended October 31, 2017 filed on January 17, 2018, except as follows.

Income Taxes

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017. The law includes significant changes to the U.S. corporate income tax system, including a Federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. The law did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures.

Recent Accounting Pronouncements Adopted in the Nine-Month Period Ended July 31, 2018

Effective November 1, 2017 the Company adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-09, "Improvements to Employee Share-Based Payment Accounting," which amends several aspects of the accounting for share-based payment transactions, including income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The adoption of this update did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures.

Effective November 1, 2017, the Company adopted the FASB's ASU 2015-17, "Balance Sheet Classification of Deferred Income Taxes (Topic 740)," which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent. The adoption of this update did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In June 2018, the FASB issued ASU 2018-07, "Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting" to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 simplifies the accounting for nonemployee share-based payments, aligning it more closely with the accounting for employee awards. These changes become effective for the Company's fiscal year beginning November 1, 2019. Early application is permitted. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In February 2017, the FASB issued ASU 2017-05, "Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" which addresses the transfer to noncustomers of nonfinancial assets or ownership interests in consolidated subsidiaries that do not constitute a business and the contribution of nonfinancial assets that are not a business to a joint venture or other noncontrolled investee. These changes become effective for the Company's fiscal year beginning November 1, 2018. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," which clarifies the definition of a business to assist entities in the evaluation of acquisitions and disposals of assets or businesses. These changes become effective for the Company's fiscal year beginning November 1, 2018. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," which will require entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. These changes become effective for the Company's fiscal year beginning November 1, 2018. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides guidance on the presentation and classification of certain cash receipts and payments in the statement of cash flows. These changes become effective for the Company's fiscal year beginning November 1, 2018. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In February 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize assets and liabilities for the rights and obligations created by most leases on the balance sheet. These changes become effective for the Company's fiscal year beginning November 1, 2019. Modified retrospective adoption for all leases existing at, or entered into after, the date of initial application, is required with an option to use certain transition relief. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which (i) requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, (ii) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (iii) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and (iv) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. These changes become effective for the Company's fiscal year beginning November 1, 2018. Early application is permitted. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)", which has subsequently been amended to update revenue guidance under the newly-created ASC 606. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" to become effective for the Company's fiscal year beginning November 1, 2018. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

NOTE 4 – EARN-IN OPTION AGREEMENT

On June 1, 2018, the Company and its subsidiaries Minera Metalin and Contratistas entered into an Earn-In Option Agreement (the "Option Agreement") with South32 International Investment Holdings Pty Ltd ("South32"), a wholly-owned subsidiary of South32 Limited (ASX/JSE/LSE: S32), whereby South32 is able to obtain an option to purchase 70% of the shares of Minera Metalin and Contratistas (the "Option") which holds and operate the Sierra Mojada Property located in Coahuila, Mexico (the "Project") and supply labour for the Project. Under the Option Agreement, South32 earns into the option by funding a collaborative exploration program on the Project. Upon the terms and subject to the conditions set forth in the Option Agreement, in order for South32 to earn and maintain its Option, South32 must contribute to Minera Metalin minimum aggregate amount of \$3 million, \$6 million, \$8 million and \$10 million by the end of years one, two, three, and four of the four-year Option period for exploration of the Project (the "Initial Funding"). Funding is made on a quarterly basis based on the following quarter's exploration budget. South32 may exercise the Option by contributing \$100 million to Minera Metalin (the "Subscription Payment"), less the amount of Initial Funding previously contributed by South32. Issuance of shares upon notice of exercise by South32 is subject to antitrust approval by the Mexican government. If the full amount of the Subscription Payment is advanced by South32 and the Option becomes exercisable and is exercised, the Company and South32 will be obligated to contribute funding to Minera Metalin on a 30/70 pro rata basis. If South32 elects not to continue

with the Option during the four-year option period, the Project will remain 100% owned by the Company. The exploration program will be initially managed by the Company with South32 being able to approve the exploration program funded by it. During June 2018, the Company received initial funding from South32 of \$922,783, of which \$627,812 remains unspent as of July 31, 2018. South32 is able to terminate the Option Agreement at any time without penalty other than forfeiture of the Option. In the event of cancellation or if South32 is unable to obtain antitrust authorization from the Mexican government, the Company is under no obligation to reimburse South32 for amounts contributed under the Option Agreement.

In the event of exercise of the Option, Minera Metalin and Contratistas are required to issue common shares to South32. Pursuant to a Shareholders Agreement that would be executed by the parties upon exercise, until a decision has been made by the board to develop and construct a mine on the Project, each shareholder holding greater than or equal to 10% of the shares may withdraw as an owner in exchange for a 2% net smelter royalty on products produced and sold from the Project. Any shareholder whose holdings are reduced to less than 10% must surrender its interest in exchange for a 2% net smelter royalty.

The foregoing description of the Option Agreement is qualified in its entirety by Exhibit 10.1 to that certain Form 8-K filed by the Company with the Securities and Exchange Commission on June 7, 2018, which is incorporated herein by reference as Exhibit 10.1.

The Company has determined Minera Metalin and Contratistas are variable interest entities and that the Option Agreement has not resulted in the transfer of control of the Project to South32. The Company has also determined the Option Arrangement represents non-employee share-based compensation associated with the collaborative exploration program undertaken by the parties. The compensation cost is expensed when the associated exploration activity occurs. The share-based payments have been classified as equity instruments and valued based on the fair value of consideration received, as it is more reliably measurable than the fair value of the equity interest. In the event the option is exercised and shares are issued prior to a decision to develop a mine, such shares would be classified as temporary equity as they would be contingently redeemable in exchange for a net smelter royalty under circumstances not wholly in control of the Company or South32 and which are not currently probable.

The Company has adopted a policy of classifying cumulative compensation cost associated with options on subsidiary equity as additional paid-in capital until exercise. No portion of the equity value has been classified as temporary equity as the option has no intrinsic value.

NOTE 5 – NET INCOME (LOSS) PER SHARE

The Company had stock options and warrants outstanding at July 31, 2018 and 2017 that upon exercise were issuable into 43,522,453 and 38,353,986 shares of the Company's common stock, respectively. Basic net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share reflects the potential dilution that would occur if securities or other contracts to issue common shares were exercised.

NOTE 6 – VALUE-ADDED TAX RECEIVABLE

Value-added tax ("VAT") receivable relates to VAT paid in Mexico. The Company estimates net VAT of \$175,002 will be received within 12 months of the balance sheet date. The allowance for uncollectible VAT was estimated by management based upon a number of factors, including the length of time the returns have been outstanding, responses received from tax authorities, general economic conditions in Mexico and estimated net recovery after commissions.

A summary of the changes in the allowance for uncollectible VAT for the nine months ended July 31, 2018 is as follows:

| | |
|--|----------|
| Allowance for uncollectible VAT – October 31, 2017 | \$67,729 |
| Provision for VAT receivable allowance | 29,424 |
| Foreign currency translation adjustment | 2,247 |
| Recovery of VAT receivable | 231 |
| Allowance for uncollectible VAT – July 31, 2018 | \$99,631 |

NOTE 7 – OFFICE AND MINING EQUIPMENT

The following is a summary of the Company's office and mining equipment at July 31, 2018 and October 31, 2017, respectively:

| | July 31, 2018 | October 31, 2017 |
|----------------------------------|------------------|------------------------|
| Mining equipment | \$358,513 | \$358,513 |
| Vehicles | 53,451 | 53,451 |
| Buildings and structures | 185,724 | 185,724 |
| Computer equipment and software | 74,236 | 74,236 |
| Well equipment | 39,637 | 39,637 |
| Office equipment | 47,597 | 47,597 |
| | 759,158 | 759,158 |
| Less: Accumulated depreciation | (570,904) | (550,403) |
| Office and mining equipment, net | \$188,254 | \$208,755 |

NOTE 8 – PROPERTY CONCESSIONS

The following is a summary of the Company's property concessions for the Sierra Mojada Property as at July 31, 2018 and October 31, 2017:

| | |
|---|-------------|
| Property concessions – October 31, 2017 | \$5,004,386 |
| Acquisitions | 15,541 |
| Property concessions – July 31, 2018 | \$5,019,927 |

NOTE 9 – GOODWILL

Goodwill represents the excess, at the date of acquisition, of the purchase price of the business acquired over the fair value of the net tangible and intangible assets acquired. On April 30, 2018, the Company elected to perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. Based on this assessment, management determined it is not more likely than not that the fair value of the reporting unit is less than its carrying amount. The Company performs its annual goodwill impairment tests as of April 30th of each fiscal year.

The following is a summary of the Company's goodwill balance as at July 31, 2018 and October 31, 2017:

| | |
|---|-------------|
| Goodwill – July 31, 2018 and October 31, 2017 | \$2,058,031 |
|---|-------------|

NOTE 10 – COMMON STOCK

On July 27, 2018, the Company received \$20,222 for 155,555 units at a purchase price of \$0.13 per unit (the "\$0.13 Unit") for the second tranche of the private placement (Note 16). On July 25, 2018, the Company completed the initial tranche of a two tranche private placement for 21,776,317 units at a purchase price of \$0.13 per unit for gross proceeds of \$2,830,921. Each \$0.13 Unit consists of one share of the Company's common stock and one half of one common stock purchase warrant (the "\$0.13 Warrant"). Each full \$0.13 Warrant entitles the holder thereof to acquire one share of common stock at a price of \$0.16 for a period of 24 months from the closing of the private placement. The Company paid a 7% finder's fee totaling \$184,070 to agents with respect to certain purchasers who were introduced by these agents. In addition, the agents received 1,011,374 non-transferable warrants (the "2018 Agent's Warrants"). Each 2018 Agent's Warrant entitles the agents to acquire one share of common stock at a price of \$0.14 for a period of 24 months from the closing of the private placement. The fair value of the 2018 Agent's Warrants was determined to be \$21,973 (Note 12), and the Company incurred other offering costs of \$96,124.

On June 6, 2018, 43,750 warrants to acquire 43,750 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$3,388 (\$CDN 4,375).

On May 28, 2018, 292,250 warrants to acquire 292,250 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$22,479 (\$CDN 29,225).

On May 7, 2018, 125,000 warrants to acquire 125,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$12,632 (\$CDN 16,250).

On May 7, 2018, 526,000 warrants to acquire 526,000 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$40,889 (\$CDN 52,600).

On April 4, 2018, 625,000 warrants to acquire 625,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$63,432 (\$CDN 81,250).

On March 29, 2018, 1,000,000 warrants to acquire 1,000,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$100,822 (\$CDN 130,000).

On March 28, 2018, 8,750 warrants to acquire 8,750 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$678 (\$CDN 875).

On March 15, 2018, 1,025,000 warrants to acquire 1,025,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$102,248 (\$CDN 133,250).

On March 14, 2018, 250,000 warrants to acquire 250,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$25,108 (\$CDN 32,500).

On March 8, 2018, 974,500 warrants to acquire 974,500 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$98,000 (\$CDN 126,685).

On February 20, 2018, 8,750 warrants to acquire 8,750 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$693 (\$CDN 875).

On February 20, 2018, 250,000 warrants to acquire 250,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$25,749 (\$CDN 32,500).

On February 16, 2018, 250,000 warrants to acquire 250,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$25,917 (\$CDN 32,500).

On February 13, 2018, 178,000 warrants to acquire 178,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$18,365 (\$CDN 23,140).

On January 29, 2018, 21,875 warrants to acquire 21,875 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$1,773 (\$CDN 2,188).

On January 22, 2018, 62,500 warrants to acquire 62,500 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$6,522 (\$CDN 8,125).

On January 15, 2018, 625,000 warrants to acquire 625,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$65,408 (\$CDN 81,250).

On January 8, 2018, 200,000 warrants to acquire 200,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$20,931 (\$CDN 26,000).

The Company incurred costs of \$1,128 related to the warrant exercises in the nine months ended July 31, 2018.

On July 10, 2017, the Company completed the initial tranche of a two tranche private placement for 18,240,000 units at a purchase price of \$CDN 0.08 per unit (the "\$CDN 0.08 Unit") for gross proceeds of \$1,132,216 (\$CDN 1,459,200). Each \$CDN 0.08 Unit consists of one share of the Company's common stock and one warrant (the "\$CDN 0.08 Warrant"). Each full \$CDN 0.08 Warrant entitles the holder thereof to acquire one share of common stock at a price of \$CDN 0.13 for a period of 24 months from the closing of the private placement. The Company paid a 7% finder's fee totaling \$78,169 to agents with respect to certain purchasers who were introduced by these agents. In addition, the agents received 1,259,300 non-transferable warrants (the "2017 Agent's Warrants"). Each 2017 Agent's Warrant entitles the agents to acquire one share of common stock at a price of \$CDN 0.10 for a period of 24 months from the closing of the private placement. The fair value of the 2017 Agent's Warrants was determined to be \$15,592, and the Company incurred other offering costs of \$66,600. Of these costs \$24,054 is included in warrant issuance costs in the condensed consolidated statements of operations and comprehensive loss.

NOTE 11 – STOCK OPTIONS

The Company has one stock option plan, the 2010 Stock Option and Stock Bonus Plan, as amended (the "2010 Plan"). Under the 2010 Plan, the lesser of (i) 30,000,000 shares or (ii) 10% of the total shares outstanding are reserved for issuance upon the exercise of options or the grant of stock bonuses.

Options are typically granted with an exercise price equal to the closing market price of the Company's stock at the date of grant, have a graded vesting schedule over approximately one to two years and have a contractual term of five years.

A summary of the range of assumptions used to value stock options granted for the nine months ended July 31, 2018 and 2017 are as follows:

| Options | Nine Months Ended | |
|--------------------------|-------------------|---------------|
| | July 31, 2018 | 2017 |
| Expected volatility | 40% | 78% – 87% |
| Risk-free interest rate | 1.94% | 1.35% – 1.56% |
| Dividend yield | — | — |
| Expected term (in years) | 5.0 | 2.50 – 3.50 |

During the nine months ended July 31, 2018, the Company granted options that vested immediately to acquire 350,000 shares of common stock to a consultant with a weighted-average grant-date fair value of \$0.06 per share and an exercise price of \$CDN 0.215 per share. No options were exercised during the nine months ended July 31, 2018.

During the nine months ended July 31, 2017, the Company granted options to acquire 4,075,000 shares of common stock with a weighted-average grant-date fair value of \$0.05 per share and an exercise price of \$CDN 0.125 per share. No options were exercised during the nine months ended July 31, 2017.

The following is a summary of stock option activity for the nine months ended July 31, 2018:

| Options | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|---------------------------------|--------------|--|---|---------------------------------|
| Outstanding at October 31, 2017 | 12,794,286 | \$ 0.16 | 2.98 | \$ 110,622 |
| Granted | 350,000 | 0.17 | | |
| Expired | (2,019,286) | 0.40 | | |
| Outstanding at July 31, 2018 | 11,125,000 | \$ 0.12 | 2.74 | \$ 313,052 |
| Exercisable at July 31, 2018 | 9,666,666 | \$ 0.12 | 2.61 | \$ 286,964 |

The Company recognized stock-based compensation costs for stock options of \$79,014 and \$117,953 for the nine months ended July 31, 2018 and 2017, respectively. As of July 31, 2018, there was \$23,148 of total unrecognized compensation expense, which is expected to be recognized over a weighted average period of 0.38 years.

Summarized information about stock options outstanding and exercisable at July 31, 2018 is as follows:

| Options Outstanding | | | Options Exercisable | | |
|---------------------|--------------------|--|---------------------|--------------------|------------------------|
| Exercise Price | Number Outstanding | Weighted | Exercise Price | Number Exercisable | Weighted |
| | | Average Remaining Contractual Life (Years) | | | Average Exercise Price |
| \$0.06 | 4,075,000 | 2.57 | \$ 0.06 | 4,075,000 | \$ 0.06 |
| 0.10 – 0.17 | 4,425,000 | 3.75 | 0.10 | 3,066,666 | 0.10 |
| 0.20 – 0.26 | 2,625,000 | 1.31 | 0.25 | 2,525,000 | 0.26 |
| \$0.06 – 0.37 | 11,125,000 | 2.74 | \$ 0.12 | 9,666,666 | \$ 0.12 |

Stock options granted to consultants with a \$CDN exercise price are classified as stock option liability on the Company's interim condensed consolidated balance sheets upon vesting. The following is a summary of the Company's stock option liability at July 31, 2018 and October 31, 2017:

| | |
|--|----------|
| Stock option liability at October 31, 2017: | \$5,194 |
| Grant of vested \$CDN stock option to consultant | 20,931 |
| Change in fair value of stock option liability | (10,630) |
| Stock option liability at July 31, 2018 | \$15,495 |

NOTE 12 – WARRANTS

A summary of warrant activity for the nine months ended July 31, 2018 is as follows:

| Warrants | Shares | Weighted Average Exercise Price | Weighted | Aggregate |
|---|--------------|---------------------------------|--|-----------|
| | | | Average Remaining Contractual Life (Years) | |
| Outstanding and exercisable at October 31, 2017 | 27,164,700 | \$ 0.10 | 1.70 | \$9,769 |
| Issued in the \$0.13 Unit private placement (Note 10) | 10,888,154 | \$ 0.16 | | |
| Agent's Warrants (Note 10) | 1,011,374 | \$ 0.14 | | |
| Expired | (200,400) | \$ 0.15 | | |
| Exercised | (6,466,375) | \$ 0.10 | | |
| Outstanding and exercisable at July 31, 2018 | 32,397,453 | \$ 0.12 | 1.33 | \$256,508 |

During the nine months ended July 31, 2018, the Company issued 10,888,154 warrants with an exercise price of \$0.16 in connection with the \$0.13 Unit private placement and issued 1,011,374 compensation warrants to agents with an exercise price of \$0.14 (Note 10). The fair value of the 2018 Agent's Warrants was determined to be \$21,973 based on the Black-Scholes pricing model using a risk-free interest rate of 2.9%, expected volatility of 39%, dividend yield of 0%, and a contractual term of two years.

Warrants exercised during the nine months ended July 31, 2018 are discussed in Note 10.

The warrants exercised during the nine months ended July 31, 2018 had an intrinsic value of \$447,185.

No warrants were issued or exercised during the nine months ended July 31, 2017.

Summarized information about warrants outstanding and exercisable at July 31, 2018 is as follows:

| Warrants Outstanding and Exercisable | | | |
|--------------------------------------|--------------------|--|------------------------|
| Exercise Price | Number Outstanding | Weighted | Weighted |
| | | Average Remaining Contractual Life (Years) | Average Exercise Price |
| \$0.08 | 357,925 | 0.94 | \$ 0.08 |
| 0.10 | 15,800,000 | 0.95 | 0.10 |
| 0.12 | 4,340,000 | 0.97 | 0.12 |
| 0.14 | 1,011,374 | 1.98 | 0.14 |
| 0.16 | 10,888,154 | 1.98 | 0.16 |
| \$0.08 – 0.16 | 32,397,453 | 1.33 | \$ 0.12 |

If the closing price of the common stock on the TSX is higher than \$CDN 0.30 for 20 consecutive trading days, then on the 20th consecutive trading day (the "Acceleration Trigger Date") the expiry date of the above \$0.12 warrants may be accelerated to the 20th trading day after the Acceleration Trigger Date by the issuance, within three trading days of the Acceleration Trigger Date, of a news release announcing such acceleration.

The Company's warrants with a \$CDN exercise price have been recognized as a derivative liability. The following is a summary of the Company's warrant derivative liability at July 31, 2018 and October 31, 2017:

| | |
|--|-----------|
| Warrant derivative liability at October 31, 2017: | \$341,717 |
| Change in fair value of warrant derivative liability | 640,196 |
| Reclassification to additional paid-in capital upon exercise of warrants | (447,185) |
| Warrant derivative liability at July 31, 2018 | \$534,728 |

NOTE 13 – FINANCIAL INSTRUMENTS

Fair Value Measurements

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of financial assets or the assumption of liabilities carried at amortized cost, in which case the transaction costs adjust the carrying amount.

The three levels of the fair value hierarchy are as follows:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's financial instruments consist of cash and cash equivalents, accounts payable, stock option liability and warrant derivative liability.

The carrying amounts of cash and cash equivalents and accounts payable approximate fair value at July 31, 2018 and October 31, 2017 due to the short maturities of these financial instruments.

Derivative liability

The Company classifies warrants with a \$CDN exercise price on its interim condensed consolidated balance sheets as a derivative liability which is fair valued at each reporting period subsequent to the initial issuance as the functional currency of Silver Bull is the U.S. Dollar. The Company has used the Black-Scholes pricing model to determine the fair value of the warrants that do not have an acceleration feature and has used the Monte Carlo valuation model to determine the fair value of the warrants that do have an acceleration feature (Note 12). Determining the appropriate fair-value model and calculating the fair value of warrants requires considerable judgment. Any change in the estimates used may cause the value to be higher or lower than that reported. The estimated volatility of the Company's common stock at the date of issuance, and at each subsequent reporting period, is based on the historical volatility adjusted to reflect the implicit discount to historical volatilities observed in the prices of traded warrants. The risk-free interest rate is based on rates published by the government for bonds with a maturity similar to the expected remaining life of the warrants at the valuation date. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend yield is expected to be none as the Company has not paid dividends nor does the Company anticipate paying a dividend in the foreseeable future.

The Company reclassifies stock options granted to consultants with a \$CDN exercise price on its interim condensed consolidated balance sheets upon vesting as a stock option liability which is fair valued at each reporting period subsequent to reclassification as the functional currency of Silver Bull is the U.S. Dollar. The Company has used the Black-Scholes pricing model to fair value these stock options. Determining the appropriate fair-value model and calculating the fair value of these stock options requires considerable judgment. Any change in the estimates used may cause the value to be higher or lower than that reported. The estimated volatility of the Company's common stock at the date of reclassification, and at each subsequent reporting period, is based on the historical volatility of the Company's common stock and adjusted if future volatility is expected to vary from historical experience. The risk-free interest rate is based on rates published by the government for bonds with a maturity similar to the expected remaining life of the options at the valuation date. The expected life of the options is based upon historical and expected future exercise behavior. The dividend yield is expected to be none as the Company has not paid dividends nor does the Company anticipate paying any dividend in the foreseeable future.

The derivatives are not traded in an active market and the fair value is determined using valuation techniques. The estimates may be significantly different from those recorded in the interim condensed consolidated financial statements because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. All changes in the fair value are recorded in the interim condensed consolidated statement of operations and comprehensive loss each reporting period. These are considered to be a Level 3 financial instrument.

The Company has the following liabilities under the fair value hierarchy:

| Liability | July 31, 2018 | | |
|------------------------------|---------------|---------|-----------|
| | Level 1 | Level 2 | Level 3 |
| Stock option liability | \$— | \$— | \$15,495 |
| Warrant derivative liability | \$— | \$— | \$534,728 |

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. To mitigate exposure to credit risk on financial assets, the Company has established policies to ensure liquidity of funds and ensure that counterparties demonstrate acceptable levels of creditworthiness.

The Company maintains its U.S. dollar and Canadian dollar cash and cash equivalents in bank and demand deposit accounts with major financial institutions with high credit standings. Cash deposits held in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000, and Canadian dollar cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation ("CDIC") for up to \$CDN 100,000. Certain United States and Canadian bank accounts held by the Company exceed these federally insured limits or are uninsured as they relate to U.S. dollar deposits held in Canadian financial institutions. As of July 31, 2018, and October 31, 2017, the Company's cash and cash equivalent balances held in United States and Canadian financial institutions included \$3,230,582 and \$578,773, respectively, which was not insured by the FDIC or CDIC, respectively. The Company has not experienced any losses on such accounts, and management believes that using major financial institutions with high credit ratings mitigates the credit risk to cash and cash equivalents.

The Company also maintains cash in bank accounts in Mexico. These accounts are denominated in the local currency and are considered uninsured. As of July 31, 2018, and October 31, 2017, the U.S. dollar equivalent balance for these accounts was \$21,645 and \$25,408, respectively.

Interest Rate Risk

The Company holds substantially all of its cash and cash equivalents in bank and demand deposit accounts with major financial institutions. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash and cash equivalent balances during the nine months ended July 31, 2018, a 1% decrease in interest rates would have resulted in a reduction of approximately \$2,068 in interest income for the period.

Foreign Currency Exchange Risk

The Company is not subject to any significant market risk related to foreign currency exchange rate fluctuations.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Compliance with Environmental Regulations

The Company's exploration activities are subject to laws and regulations controlling not only the exploration and mining of mineral properties, but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays or affect the economics of a project, and cause changes or delays in the Company's activities.

Property Concessions in Mexico

To properly maintain property concessions in Mexico, the Company is required to pay a semi-annual fee to the Mexican government and complete annual assessment work.

Royalty

The Company has agreed to pay a 2% net smelter return royalty on certain property concessions within the Sierra Mojada Property based on the revenue generated from production. Total payments under this royalty are limited to \$6.875 million (the "Royalty").

Litigation and Claims

On May 20, 2014, a cooperative named Sociedad Cooperativa de Exploración Minera Mineros Norteños, S.C.L. ("Mineros Norteños") filed an action in the Local First Civil Court in the District of Morelos, State of Chihuahua, Mexico, against the Company's subsidiary, Minera Metalin, claiming that Minera Metalin breached an agreement regarding the development of the Sierra Mojada Property. Mineros Norteños sought payment of the Royalty, including interest at a rate of 6% per annum since August 30, 2004, even though no revenue has been produced from the applicable mining concessions. It also sought payment of wages to the cooperative's members since August 30, 2004, even though none of the individuals were hired or performed work for Minera Metalin under this agreement and Minera Metalin did not commit to hiring them. On January 19, 2015, the case was moved to the Third District Court (of Federal jurisdiction). On October 4, 2017, the court ruled that Mineros Norteños was time barred from bringing the case. On October 19, 2017, Mineros Norteños appealed this ruling. The Company and the Company's Mexican legal counsel believe that it is unlikely that the court's ruling will be overturned. The Company has not accrued any amounts in its interim condensed consolidated financial statements with respect to this claim.

On February 15, 2016, Messrs. Jaime Valdez Farias and Maria Asuncion Perez Alonso (collectively, "Valdez") filed an action before the Local First Civil Court of Torreon, State of Coahuila, Mexico, against the Company's subsidiary, Minera Metalin, claiming that Minera Metalin had breached an agreement regarding the development of the Sierra Mojada Property. Valdez sought payment in the amount of \$5.9 million for the alleged breach of the agreement. On April 28, 2016, Minera Metalin filed its response to the complaint, asserting various defenses, including that Minera Metalin terminated the agreement before the payment obligations arose and that certain conditions precedent to such payment obligations were never satisfied by Valdez. The Company and the Company's Mexican legal counsel asserted all applicable defenses. In May 2017, a final judgment was entered finding for the Company, the defendant, acquitting the Company of all of the plaintiff's claims and demands. The Company did not accrue any amounts in its interim condensed consolidated financial statements with respect to this claim.

From time to time, the Company is involved in other disputes, claims, proceedings and legal actions arising in the ordinary course of business. The Company intends to vigorously defend all claims against the Company, and pursue its full legal rights in cases where the Company has been harmed. Although the ultimate outcome of these proceedings cannot be accurately predicted due to the inherent uncertainty of litigation, in the opinion of management, based upon current information, no other currently pending or overtly threatened proceeding is expected to have a material adverse effect on the Company's business, financial condition or results of operations.

NOTE 15 – SEGMENT INFORMATION

The Company operates in a single reportable segment: the exploration of mineral property interests. The Company has mineral property interests in Sierra Mojada, Mexico.

Geographic information is approximately as follows:

| | For the Three Months Ended July 31, | | For the Nine Months Ended July 31, | |
|----------|---|-------------|--|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Mexico | \$(218,000) | \$(86,000) | \$(536,000) | \$(693,000) |
| Canada | 293,000 | (233,000) | (1,720,000) | (895,000) |
| Gabon | - | 127,000 | - | 213,000 |
| Net Loss | \$75,000 | \$(192,000) | \$(2,256,000) | \$(1,375,000) |

The following table details the allocation of assets included in the accompanying balance sheet at July 31, 2018:

| | Canada | Mexico | Total |
|----------------------------------|-------------|-------------|--------------|
| Cash and cash equivalents | \$3,307,000 | \$22,000 | \$3,329,000 |
| Value-added tax receivable, net | - | 175,000 | 175,000 |
| Other receivables | 16,000 | 1,000 | 17,000 |
| Prepaid expenses and deposits | 217,000 | 212,000 | 429,000 |
| Office and mining equipment, net | - | 188,000 | 188,000 |
| Property concessions | - | 5,020,000 | 5,020,000 |
| Goodwill | - | 2,058,000 | 2,058,000 |
| | \$3,540,000 | \$7,676,000 | \$11,216,000 |

The following table details the allocation of assets included in the accompanying balance sheet at October 31, 2017:

| | Canada | Mexico | Total |
|----------------------------------|-----------|-------------|-------------|
| Cash and cash equivalents | \$657,000 | \$25,000 | \$682,000 |
| Value-added tax receivable, net | - | 157,000 | 157,000 |
| Other receivables | 4,000 | 1,000 | 5,000 |
| Prepaid expenses and deposits | 102,000 | 15,000 | 117,000 |
| Office and mining equipment, net | - | 209,000 | 209,000 |
| Property concessions | - | 5,004,000 | 5,004,000 |
| Goodwill | - | 2,058,000 | 2,058,000 |
| | \$763,000 | \$7,469,000 | \$8,232,000 |

The Company has significant assets in Coahuila, Mexico. Although Mexico is generally considered economically stable, it is always possible that unanticipated events in Mexico could disrupt the Company's operations. The Mexican government does not require foreign entities to maintain cash reserves in Mexico.

The following table details the allocation of exploration and property holding costs for the exploration properties:

| | For the Three Months Ended July 31, | | For the Nine Months Ended July 31, | |
|---|---|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Exploration and property holding costs for the period | | | | |
| Mexico Sierra Mojada | \$(211,000) | \$(123,000) | \$(502,000) | \$(733,000) |
| Gabon Mitzic | - | (2,000) | - | 31,000 |
| | \$(211,000) | \$(125,000) | \$(502,000) | \$(702,000) |

NOTE 16 – SUBSEQUENT EVENT

On August 20, 2018, the Company completed the second and final tranche of the \$0.13 Unit private placement for 7,365,555 units for gross proceeds of \$957,522.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

When we use the terms "Silver Bull," "we," "us," or "our," we are referring to Silver Bull Resources, Inc. and its subsidiaries, unless the context otherwise requires. We have included technical terms important to an understanding of our business under "Glossary of Common Terms" in our Annual Report on Form 10-K for the fiscal year ended October 31, 2017.

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes certain statements that may be deemed to be "forward-looking statements" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the U.S. Private Securities Litigation Reform Act of 1995, and "forward-looking information" within the meaning of applicable Canadian securities legislation. We use words such as "anticipate," "continue," "likely," "estimate," "expect," "may," "will," "projection," "should," "believe," "potential," "could," or similar words suggesting future outcomes (including negative and grammatical variations) to identify forward-looking statements. Forward-looking statements include statements we make regarding:

- Future payments that may be made by South32 under the terms of the Earn-In Option Agreement;
- Prospects of entering the development or production stage with respect to any of our projects;
- Whether any part of the Sierra Mojada project will ever be confirmed or converted into SEC Industry Guide 7-compliant "reserves";
- The impact of the fine bubble flotation test work on the recovery of minerals and initial rough concentrate grade;
- The possible advantages of zinc mineralization at the Sierra Mojada Property;
- The impact of recent accounting pronouncements on our financial position, results of operations or cash flows and disclosures;
- The impact of changes to current state or federal laws and regulations on estimated capital expenditures, the economics of a particular project and/or our activities;
- Our ability to raise additional capital and/or pursue additional strategic options, and the potential impact on our business, financial condition and results of operations of doing so or not;
- The impact of changing foreign currency exchange rates on our financial condition;
- Our expectations regarding future recovery of value-added taxes ("VAT") paid in Mexico; and
- The merits of any claims in connection with, and the expected timing of any, ongoing legal proceedings.

These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, and our actual results could differ from those expressed or implied in these forward-looking statements as a result of the factors described under "Risk Factors" in our Form 10-Q for the three-months ended April 30, 2018, and in our Annual Report on Form 10-K for the fiscal year ended October 31, 2017, including without limitation, risks associated with the following:

- The continued funding by South32 of amounts required under the Option Agreement;
- Our ability to obtain additional financial resources on acceptable terms to (i) conduct our exploration activities and (ii) maintain our general and administrative expenditures at acceptable levels;
- Results of future exploration at our Sierra Mojada project;
- Worldwide economic and political events affecting (i) the market prices for silver, zinc, lead, copper and other minerals that may be found on our exploration properties (ii) interest rates and (iii) foreign currency exchange rates;
- The amount and nature of future capital and exploration expenditures;
- Volatility in our stock price;
- Our inability to obtain required permits;
- Competitive factors, including exploration-related competition;
- Timing of receipt and maintenance of government approvals;
- Unanticipated title issues;
- Changes in tax laws;
- Changes in regulatory frameworks or regulations affecting our activities;
- Our ability to retain key management and consultants and experts necessary to successfully operate and grow our business; and
- Political and economic instability in Mexico and other countries in which we conduct our business, and future potential actions of the governments in such countries with respect to nationalization of natural resources or other changes in mining or taxation policies.

These factors are not intended to represent a complete list of the general or specific factors that could affect us. All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. You should not place undue reliance on these forward-looking statements.

Cautionary Note Regarding Exploration Stage Companies

We are an exploration stage company and do not currently have any known reserves and cannot be expected to have reserves unless and until a feasibility study is completed for the Sierra Mojada concessions that shows proven and probable reserves. There can be no assurance that our concessions contain proven and probable reserves, and investors may lose their entire investment. See the sections titled "Risk Factors" in this Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended October 31, 2017.

Business Overview

Silver Bull, incorporated in Nevada, is an exploration stage company, engaged in the business of mineral exploration. Our primary objective is to define sufficient mineral reserves on the Sierra Mojada Property to justify the development of a mechanized mining operation. We conduct our operations in Mexico through our wholly-owned Mexican subsidiaries, Minera Metalin S.A. de C.V. ("Minera Metalin") and Contratistas de Sierra Mojada S.A. de C.V. ("Contratistas"), and through Minera Metalin's wholly-owned subsidiary, Minas de Coahuila SBR S.A. de C.V. ("Minas"). However, as noted above, we have not established any reserves at the Sierra Mojada Property, we are in the exploration stage, and we may never enter the development or production stage.

Our principal office is located at 777 Dunsmuir Street, Suite 1610, Vancouver, BC, Canada V7Y 1K4, and our telephone number is 604-687-5800.

Current Developments

2018 Private Placement

In July and August 2018, we raised gross proceeds of \$3,788,000 in a private placement of units consisting of one share of common stock and one half of one common stock purchase warrant as described in the "Material Changes in Financial Condition; Liquidity and Capital Resources" section of this Form 10-Q.

South32 Earn-In Option Agreement

On June 1, 2018, we and our subsidiaries Minera Metalin and Contratistas entered into an Option Agreement (the "Option Agreement") with South32 International Investment Holdings Pty Ltd ("South32"), a wholly owned subsidiary of South32 Limited (ASX/JSE/LSE: S32), whereby South32 is able to obtain an option to purchase 70% of the shares of Minera Metalin and Contratistas (the "Option") which holds and operate the Sierra Mojada Property located in Coahuila, Mexico (the "Project") and supply labour for the Project. Under the Option Agreement, South32 earns into the option by funding a collaborative exploration program on the Project. Upon the terms and subject to the conditions set forth in the Option Agreement, in order for South32 to earn and maintain its Option, South32 must contribute to Minera Metalin minimum aggregate amount of \$3 million, \$6 million, \$8 million and \$10 million by the end of years one, two, three, and four of the four-year Option period for exploration of the Project (the "Initial Funding"). Funding is made on a quarterly basis based on the following quarter's exploration budget. South32 may exercise the Option by contributing \$100 million to Minera Metalin (the "Subscription Payment"), less the amount of Initial Funding previously contributed by South32. Issuance of shares upon notice of exercise by South32 is subject to antitrust approval by the Mexican government. If the full amount of the Subscription Payment is advanced by South32 and the Option becomes exercisable and is exercised, we and South32 will be obligated to contribute funding to Minera Metalin on a 30/70 pro rata basis. If South32 elects not to continue with the Option during the four-year option period, the Project will remain 100% owned by us. The exploration program will be initially managed by us with South32 being able to approve the exploration programs funded by it. During June 2018, we received Initial Funding in an amount equal to \$923,000, of which \$627,812 remains unspent as of July 31, 2018, to fund exploration activities, such as a regional airborne electromagnetic survey. South32 is able to terminate the Option Agreement at any time without penalty other than forfeiture of the Option. In the event of cancellation or if South32 is unable to obtain antitrust authorization from the Mexican government, we are under no obligation to reimburse South32 for amounts contributed under the Option Agreement.

In the event of exercise of the Option, Minera Metalin and Contratistas are required to issue common shares to South32. Pursuant to a Shareholders Agreement that would be executed by the parties upon exercise, until a decision has been made by the board to develop and construct a mine on the Project, each shareholder holding greater than or equal to 10% of the shares may withdraw as an owner in exchange for a 2% net smelter royalty on products produced and sold from the Project. Any shareholder whose holdings are reduced to less than 10% must surrender its interest in exchange for a 2% net smelter royalty.

The foregoing description of the Option Agreement is qualified in its entirety by Exhibit 10.1 to that certain Form 8-K filed by us with the Securities and Exchange Commission on June 7, 2018, which is incorporated herein by reference as Exhibit 10.1.

We have determined Minera Metalin and Contratistas are variable interest entities and that the Option Agreement has not resulted in the transfer of control of the Project to South32. We have also determined the Option Arrangement represents non-employee share-based compensation associated with the collaborative exploration program undertaken by the parties. The compensation cost is expensed when the associated exploration activity occurs. The share-based payments have been classified as equity instruments and valued based on the fair value of consideration received, as it is more reliably measurable than the fair value of the equity interest. In the event the option is exercised and shares are issued prior to a decision to develop a mine, such shares would be classified as temporary equity as they would be contingently redeemable in exchange for a net smelter royalty under circumstances not wholly in control of the Company or South32 and which are not currently probable.

We have adopted a policy of classifying cumulative compensation cost associated with options on subsidiary equity as additional paid-in capital until exercise. No portion of the equity value has been classified as temporary equity as the option has no intrinsic value.

2018 Warrants Exercised

During the nine months ended July 31, 2018, we raised net proceeds of approximately \$635,000 from the exercise of share purchase warrants as described in the "Material Changes in Financial Condition; Liquidity and Capital Resources" section.

Property Concessions and Outlook

Sierra Mojada Property

In January 2018, our board of directors approved a calendar-year 2018 budget of \$655,000 for the Sierra Mojada Property. As a result of the Option Agreement, our board approved an updated budget for the Sierra Mojada Property in June 2018 for expenditures that are not expected to be covered by the Option Agreement of \$28,000 for the period from June 2018 to December 2018.

Drilling

During the nine months period ended July 31, 2018, we completed 440 meters of underground drilling to test the continuity along strike and down dip of sulphide zones we have identified.

Mineralized Material Estimate

On June 30, 2015, Tuun Consulting Inc. and AKF Mining Services Inc. delivered an amended technical report (the "Report") on the silver and zinc mineralization at the Sierra Mojada project in accordance with Canadian National Instrument 43-101. The Report includes an update on the silver and zinc mineralization, which was estimated from 1,363 diamond drill holes, 24 reverse circulation drill holes, 9,027 channel samples and 2,346 underground long holes. Using a net smelter return economic cut-off, the Report indicates mineralized material in the Lerchs-Grossman optimized pit of 56.8 million tonnes at an average silver grade of 50 grams/tonne silver, an average zinc percentage of 3.4%, an average copper percentage of 0.04% and an average lead percentage of 0.3%. In addition, using the net smelter return economic cut-off, the Report indicates underground mineralized material outside the Lerchs-Grossman optimized pit of 1.9 million tonnes at an average zinc percentage of 9.4%, an average copper percentage of 0.02% and an average lead percentage of 0.4%. Mineralized material estimates do not include any amounts categorized as inferred resources.

"Mineralized material" as used in this Quarterly Report on Form 10-Q, although permissible under the Securities and Exchange Commission's ("SEC's") Industry Guide 7, does not indicate "reserves" by SEC standards. We cannot be certain that any part of the Sierra Mojada project will ever be confirmed or converted into SEC Industry Guide 7-compliant "reserves." Investors are cautioned not to assume that all or any part of the mineralized material will ever be confirmed or converted into reserves or that mineralized material can be economically or legally extracted.

Metallurgical Studies

During May 2015, we selected and shipped samples of high grade zinc material to a lab in Denver, Colorado for "fine bubble" flotation test work and to a group in Australia to assess its proprietary hydrometallurgy process. Previous test work completed by Silver Bull using mechanical flotation has shown an 87% recovery of zinc from the white zinc zone to produce a rough concentrate of 43% zinc, and a 72.5% recovery of zinc from the red zinc zone to produce a rough concentrate of 30% zinc. The "fine bubble" flotation test work that was performed did not improve recovery, but based on analysis of the results, it was determined that the "fine bubble" flotation test process may be able to be adjusted to improve recovery. Further testing is not planned at this time.

In addition, we previously conducted a metallurgical program to test the recovery of the silver mineralization using the agitation cyanide leach method and of the zinc mineralization using the SART process (sulfidization, acidification, recycling, and thickening). The test work on the silver zone focused on cyanide leach recovery of the silver using "Bottle Roll" tests to simulate an agitation leach system and to determine the recovery of low-grade zinc that occurs in the silver zone and high-grade zinc from the zinc zone that had been blended with mineralization from the silver zone to the leach solution. The silver was recovered from the cyanide leach solution using the Merrill Crowe technique, and the zinc was recovered from the leach solution using the SART process. The SART process is a metallurgical process that regenerates and recycles the cyanide used in the leaching process of the silver and zinc and allows for the recovery of zinc that has been leached by the cyanide solution. The results showed an overall average silver recovery of 73.2% with peak values of 89.0% and an overall average zinc recovery of 44% in the silver zone.

Airborne Geophysics

During September 2018 we commenced a regional airborne electromagnetic survey. The results of this survey will be used to develop a targeted drilling program on the Sierra Mojada Property.

Results of Operations

Three Months Ended July 31, 2018 and July 31, 2017

For the three months ended July 31, 2018, we had net income of \$75,000, or approximately \$nil per share, compared to a net loss of \$192,000, or approximately \$nil per share, during the comparable period last year. The \$267,000 decrease in net loss was primarily due to a \$485,000 increase in other income which was partially offset by a \$86,000 increase in exploration and property holding costs and a \$132,000 increase in general and administrative expenses compared to the comparable period last year as described below.

Exploration and Property Holding Expenses

Exploration and property holding expenses increased \$86,000 to \$211,000 for the three months ended July 31, 2018, compared to \$125,000 for the comparable period last year. This increase was the result of increased exploration work as a result of the Option Agreement.

General and Administrative Expenses

We recorded a general and administrative expense of \$392,000 for the three months ended July 31, 2018 as compared to \$260,000 for the comparable period last year. The \$132,000 increase was mainly the result of a \$98,000 increase in office and administrative cost, a \$11,000 increase in professional services and a \$4,000 provision for uncollectible VAT compared to a \$33,000 recovery of uncollectible VAT in the comparable period last year, which was partially offset by a \$6,000 decrease in personnel costs and a \$7,000 decrease in directors' fees as described below.

Personnel costs decreased \$6,000 to \$113,000 for the three months ended July 31, 2018 as compared to \$119,000 for the comparable period last year. This decrease was mainly due to the decrease in stock-based compensation expense to \$5,000 in the three months ended July 31, 2018 from \$18,000 in the comparable period last year as a result of stock options vesting in the three months ended July 31, 2018 having a lower fair value than stock options vesting in the comparable period last year.

Office and administrative costs increased \$98,000 to \$207,000 for the three months ended July 31, 2018 as compared to \$109,000 for the same period last year. This increase was mainly due to an increase in investor relations activities as a result of the Option Agreement and private placement.

Professional fees increased \$11,000 to \$34,000 for the three months ended July 31, 2018 compared to \$23,000 for the comparable period last year. This increase is mainly due to an increase in legal fees.

Directors' fees decreased \$7,000 to \$34,000 for the three months ended July 31, 2018 as compared to \$41,000 for the comparable period last year. This decrease was primarily due to the decrease in stock-based compensation expense to \$3,000 in the three months ended July 31, 2018 from \$11,000 in the comparable period last year as a result of stock options vesting in the three months ended July 31, 2018 having a lower fair value than stock options vesting in the comparable period last year.

We recorded a \$4,000 provision of uncollectible VAT for the three months ended July 31, 2018 as compared to a \$33,000 recovery of uncollectible VAT in the comparable period last year. The allowance for uncollectible taxes was estimated by management based upon a number of factors, including the length of time the returns have been outstanding, responses received from tax authorities, general economic conditions in Mexico and estimated net recovery after commissions.

Other Income (Expenses)

We recorded other income of \$679,000 for the three months ended July 31, 2018 as compared to other income of \$194,000 for the comparable period last year. The significant factor contributing to other income in the three months ended July 31, 2018 was a \$665,000 income from change in fair value of warrant derivative liability due to a decrease in fair value of warrants with a \$CDN exercise price for the three months ended July 31, 2018. The significant factors contributing to other income in the three months ended July 31, 2017 was a \$130,000 gain on liquidation of subsidiary and a \$66,000 gain from change in fair value of warrant derivative liability. The \$130,000 gain on liquidation of subsidiary was due to a realized foreign currency translation gain as a result of our liquidation of our Gabonese subsidiary, African Resources SARL Gabon on May 5, 2017. The \$66,000 income from change in fair value of warrant derivative liability was due to a reduction in the value of warrants with \$CDN exercise prices issued to subscribers and agents in our private placements.

Nine Months Ended July 31, 2018 and July 31, 2017

For the nine months ended July 31, 2018, we had a net loss of \$2,256,000, or approximately \$0.01 per share, compared to a net loss of \$1,375,000, or approximately \$0.01 per share, during the comparable period last year. The \$881,000 increase in net loss was primarily due to \$630,000 in other expenses compared to \$195,000 in other income for the comparable period last year, and a \$255,000 increase in general and administrative expenses, which was partially offset by a \$200,000 decrease in exploration and property holding costs compared to the comparable period last year as described below.

Exploration and Property Holding Expenses

Exploration and property holding expenses decreased \$200,000 to \$502,000 for the nine months ended July 31, 2018, compared to \$702,000 for the comparable period last year. This decrease was the result of reduced drilling and underground drilling using our termite drill in the nine months ended July 31, 2018 compared to drilling from surface in the comparable period last year.

General and Administrative Expenses

We recorded a general and administrative expense of \$1,121,000 for the nine months ended July 31, 2018 as compared to \$866,000 for the comparable period last year. The \$255,000 increase was mainly the result of a \$167,000 increase in office and administrative cost, a \$31,000 increase in professional services, a \$29,000 provision for uncollectible VAT compared to a \$83,000 recovery of uncollectible VAT in the comparable period last year, which was partially offset by a \$33,000 decrease in personnel costs and a \$21,000 decrease in directors' fees as described below.

Personnel costs decreased \$33,000 to \$358,000 for the nine months ended July 31, 2018 as compared to \$391,000 for the same period last year. This decrease was mainly due to the decrease in stock-based compensation expense to \$35,000 in the nine months ended July 31, 2018 from \$72,000 in the comparable period last year as a result of stock options vesting in the nine months ended July 31, 2018 having a lower fair value than stock options vesting in the comparable period last year.

Office and administrative expenses increased \$167,000 to \$445,000 for the nine months ended July 31, 2018 as compared to \$278,000 for the comparable period last year. This increase was mainly due to an increase in investor relations activities as a result the Option Agreement and private placement.

Professional fees increased \$31,000 to \$175,000 for the nine months ended July 31, 2018 compared to \$144,000 for the comparable period last year. This increase is mainly due to an increase in accounting fees.

Directors' fees decreased \$21,000 to \$114,000 for the nine months ended July 31, 2018 as compared to \$135,000 for the comparable period last year. This decrease was primarily due to a decrease in stock-based compensation expense to \$22,000 in the nine months ended July 31, 2018 from \$45,000 in the comparable period last year as a result of stock options vesting in the nine months ended July 31, 2018 having a lower fair value than stock options vesting in the comparable period last year.

We recorded a \$29,000 provision for uncollectible VAT for the nine months ended July 31, 2018 as compared to a \$83,000 recovery of uncollectible VAT in the comparable period last year. The allowance for uncollectible taxes was estimated by management based upon a number of factors, including the length of time the returns have been outstanding, responses received from tax authorities, general economic conditions in Mexico and estimated net recovery after commissions.

Other Income (Expenses)

We recorded other expense of \$630,000 for the nine months ended July 31, 2018 as compared to other income of \$195,000 for the comparable period last year. The significant factor contributing to other expense in the nine months ended July 31, 2018 was a \$640,000 expense from change in fair value of warrant derivative liability due to an increase in fair value of warrants with a \$CDN exercise price from October 31, 2017 to July 31, 2018. The significant factors contribute to other income in the nine months ended July 31, 2017 was a \$130,000 gain on liquidation of subsidiary and a \$66,000 income from change in fair value of warrant derivative liability.

Material Changes in Financial Condition; Liquidity and Capital Resources

2018 Private Placement

On July 25, 2018, we completed the initial tranche of a two tranche private placement for 21,776,317 units at a purchase price of \$0.13 per unit (the "\$0.13 Unit") for gross proceeds of \$2,830,921. Each \$0.13 Unit consists of one share of our common stock and one half of one common stock purchase warrant (the "\$0.13 Warrant"). Each full \$0.13 Warrant entitles the holder thereof to acquire one share of common stock at a price of \$0.16 for a period of 24 months from the closing of the private placement. We paid a 7% finder's fee totaling \$184,070 to agents with respect to certain purchasers who were introduced by these agents. In addition, the agents received 1,011,374 non-transferable warrants (the "2018 Agent's Warrants"). Each 2018 Agent's Warrant entitles the agents to acquire one share of common stock at a price of \$0.14 for a period of 24 months from the closing of the private placement. The fair value of the 2018 Agent's Warrants was determined to be \$21,973, and the Company incurred other offering costs of \$96,124.

On August 20, 2018, we completed the second and final tranche of the \$0.13 Unit private placement for 7,365,555 units for gross proceeds of \$957,522.

2018 Warrants Exercised

During the nine months ended July 31, 2018, 5,565,000 warrants to acquire 5,565,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$565,134 (\$CDN 723,450). In addition, 901,375 warrants to acquire 901,375 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$69,901 (\$CDN 90,138). We incurred costs of \$1,128 related to these warrant exercises.

Cash Flows

During the nine months ended July 31, 2018, we primarily utilized cash and cash equivalents to fund exploration activities at the Sierra Mojada Property and for general and administrative expenses. Additionally, during the nine months ended July 31, 2018, we received net cash proceeds of \$2,652,000 from the \$0.13 Unit private placement, \$634,000 from warrants exercised and \$923,000 from South32. As a result of net cash proceeds received from the \$0.13 Unit private placement, warrants exercised and funding from South32, which was partially offset by exploration activities and general and administrative expenses, cash and cash equivalents increased from \$682,000 at October 31, 2017 to \$3,329,000 at July 31, 2018.

Cash flows used in operating activities of \$1,564,000 for the nine months ended July 31, 2018 was similar to the \$1,566,000 for the comparable period in 2017.

Cash flows used in investing activities for the nine months ended July 31, 2018 was \$16,000 for the acquisition of property concessions. Cash flows used by investing activities in the comparable period last year was \$nil.

Cash flows provided by financing activities for the nine months ended July 31, 2018 was \$4,228,000 as compared to \$1,058,000 for the comparable period last year. The cash flow provided by financing activities was due to the \$0.13 Unit private placement, warrants exercised and funding from South32 in the nine months ended July 31, 2018. The cash flow provided by financing activities for the comparable period last year was due to the private placements we completed in 2017.

Capital Resources

As of July 31, 2018, we had cash and cash equivalents of \$3,329,000 as compared to cash and cash equivalents of \$682,000 as of October 31, 2017. The increase in our liquidity was primarily the result of the \$0.13 Unit private placement, warrants exercised and funding from South32 which was partially offset by exploration activities at the Sierra Mojada Property and general and administrative expenses.

Since our inception in November 1993, we have not generated revenue and have incurred a deficit of \$124,591,063. Accordingly, we have not generated cash flows from operations, and since inception we have relied primarily upon proceeds from private placements and registered direct offerings of our equity securities and warrant exercises as the primary sources of financing to fund our operations. We anticipate that we will continue to rely on sales of our securities in order to continue to fund our business operations. Issuance of additional shares will result in dilution to our existing stockholders. There is no assurance that we will be able to complete any additional sales of our equity securities or that we will be able to arrange for other financing to fund our planned business activities.

Any future additional financing in the near term will likely be in the form of an issuance of equity securities, which will result in dilution to our existing shareholders. Moreover, we may incur significant fees and expenses in the pursuit of a financing or other strategic transaction, which will increase the rate at which our cash and cash equivalents are depleted.

Capital Requirements and Liquidity: Need for Additional Funding

Our management and board of directors monitor our overall costs, expenses, and financial resources and, if necessary, will adjust our planned operational expenditures in an attempt to ensure that we have sufficient operating capital. We continue to evaluate our costs and planned expenditures, including for our Sierra Mojada Property as discussed below. The continued exploration of the Sierra Mojada Property will require significant amounts of additional capital. In January 2018, our board approved a calendar year 2018 budget of \$655,000 for the Sierra Mojada Property and a \$1,033,000 budget for general and administrative expenses. As a result of the Option Agreement, our board approved an updated budget for the Sierra Mojada Property in June 2018 for expenditures that are not expected to be covered by the Option Agreement of \$28,000 for the period from June 2018 to December 2018. As of August 31, 2018, we had approximately \$3.7 million in cash and cash equivalents. We anticipate that we will be able to satisfy our remaining calendar year 2018 budget with cash on hand. The continued exploration of the Sierra Mojada Property ultimately will require us to raise additional capital, identify other sources of funding or identify another strategic transaction. For information about our current strategic partnership with South32 see Note 4 – Option Agreement in our financial statements. Debt or equity financing may not be available to us on acceptable terms, if at all. Equity financing, if available, may result in substantial dilution to existing stockholders. If we are unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, our business, financial condition and results of operations will be adversely impacted.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our shareholders.

Critical Accounting Policies

The critical accounting policies are defined in our Annual Report on Form 10-K for the year ended October 31, 2017 filed on January 17, 2018.

Income Taxes

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017. The law includes significant changes to the U.S. corporate income tax system, including a Federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. The law did not have a material impact on our financial position, results of operations or cash flows and disclosures.

Recent Accounting Pronouncements Adopted in the Nine-Month Period Ended July 31, 2018

Effective November 1, 2017 we adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-09, "Improvements to Employee Share-Based Payment Accounting," which amends several aspects of the accounting for share-based payment transactions, including income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The adoption of this update did not have a material impact on our financial position, results of operations or cash flows and disclosures.

Effective November 1, 2017, we adopted the FASB's ASU 2015-17, "Balance Sheet Classification of Deferred Income Taxes (Topic 740)," which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent. The adoption of this update did not have a material impact on our financial position, results of operations or cash flows and disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In June 2018, the FASB issued ASU 2018-07, "Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting" to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 simplifies the accounting for nonemployee share-based payments, aligning it more closely with the accounting for employee awards. These changes become effective for our fiscal year beginning November 1, 2019. Early application is permitted. At this time, we have not determined the effects of this update on our financial position, results of operations or cash flows and disclosures.

In February 2017, the FASB issued ASU 2017-05, "Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" which addresses the transfer to noncustomers of nonfinancial assets or ownership interests in consolidated subsidiaries that do not constitute a business and the contribution of nonfinancial assets that are not a business to a joint venture or other noncontrolled investee. These changes become effective for our fiscal year beginning November 1, 2018. At this time, we have not determined the effects of this update on our financial position, results of operations or cash flows and disclosures.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," which clarifies the definition of a business to assist entities in the evaluation of acquisitions and disposals of assets or businesses. These changes become effective for our fiscal year beginning November 1, 2018. At this time, we have not determined the effects of this update on our financial position, results of operations or cash flows and disclosures.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," which will require entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. These changes become effective for our fiscal year beginning November 1, 2018. At this time, we have not determined the effects of this update on our financial position, results of operations or cash flows and disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides guidance on the presentation and classification of certain cash receipts and payments in the statement of cash flows. These changes become effective for our fiscal year beginning November 1, 2018. At this time, we have not determined the effects of this update on our financial position, results of operations or cash flows and disclosures.

In February 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize assets and liabilities for the rights and obligations created by most leases on the balance sheet. These changes become effective for our fiscal year beginning November 1, 2019. Modified retrospective adoption for all leases existing at, or entered

into after, the date of initial application, is required with an option to use certain transition relief. At this time, we have not determined the effects of this update on our financial position, results of operations or cash flows and disclosures.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which (i) requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, (ii) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (iii) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and (iv) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. These changes become effective for our fiscal year beginning November 1, 2018. Early application is permitted. At this time, we have not determined the effects of this update on our financial position, results of operations or cash flows and disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)", which has subsequently been amended to update revenue guidance under the newly-created ASC 606. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" to become effective for our fiscal year beginning November 1, 2018. At this time, we have not determined the effects of this update on our financial position, results of operations or cash flows and disclosures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, we have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of July 31, 2018. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of July 31, 2018.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

During the quarter ended July 31, 2018, there have not been any changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

See Note 14 – Commitments and Contingencies in the Notes to Financial Statements (Part I, Item 1 of this Quarterly Report on Form 10-Q) for information regarding legal proceedings in which we are involved.

ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors included in our Annual Report on Form 10-K for the year ended October 31, 2017 and our Quarterly Report on Form 10-Q for the three-months ended April 30, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Recent Sales of Unregistered Securities

On July 25, 2018 and August 20, 2018, the Company completed a private placement of 29,141,872 units at a purchase price of \$0.13 per unit (the "\$0.13 Unit") for aggregate gross proceeds of \$3,788,443. Each \$0.13 Unit consists of one share of the Company's common stock and one half of one common stock purchase warrant (the "\$0.13 Warrant"). Each full \$0.13 Warrant entitles the holder thereof to acquire one share of common stock at a price of \$0.16 for a period of 24 months from the closing of the private placement. The Company paid a 7% finder's fee totaling \$224,110 to agents with respect to certain purchasers who were introduced by these agents. In addition, the agents received 1,231,374 non-transferable warrants (the "2018 Agent's Warrants"). Each 2018 Agent's Warrant entitles the agents to acquire one share of common stock at a price of \$0.14 for a period of 24 months from the closing of the private placement. The Company relied on the exemption from registration under Section 4(a)(2) of the Securities Act or Rule 506 of Regulation D, or Regulation S, for purposes of the \$0.13 Unit private placement.

During the nine months ended July 31, 2018, 5,565,000 warrants to acquire 5,565,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$565,134 (\$CDN 723,450). In addition, 901,375 warrants to acquire 901,375 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$69,901 (\$CDN 90,138). We incurred costs of \$1,128 related to these warrant exercises.

The Company relied on the exemption from registration under Section 4(a)(2) of the Securities Act or Rule 506 of Regulation D, or Regulation S, for purposes of issuance of common stock on the exercise of warrants.

Purchases of Equity Securities by the Company and Affiliated Purchasers

No purchases of equity securities were made by or on behalf of Silver Bull or any "affiliated purchaser" within the meaning of Rule 10b-18 under the Exchange Act during the period covered by this report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

Edgar Filing: SILVER BULL RESOURCES, INC. - Form 10-Q

ITEM 6. EXHIBITS.

| Exhibit Number | Exhibit Description | Incorporated by Reference | | Filed Herewith |
|----------------|--|---------------------------|-------------------|----------------|
| | | FormDate | Exhibit | |
| <u>10.1</u> | <u>Option Agreement, by and among Silver Bull Resources, Inc., Minera Metalin S.A. de C.V., Contratistas de Sierra Mojada S.A. de C.V., and South32 International Investment Holdings Pty Ltd, dated as of June 1, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 7, 2018).</u> | <u>8-K</u> | <u>06/07/2018</u> | <u>10.1</u> |
| <u>10.2</u> | <u>Form of Subscription Agreement</u> | <u>8-K</u> | <u>07/27/2018</u> | <u>10.1</u> |
| <u>10.3</u> | <u>Form of Warrant Certificate (Investors)</u> | <u>8-K</u> | <u>07/27/2018</u> | <u>10.2</u> |
| <u>10.4</u> | <u>Form of Warrant Certificate (Finders)</u> | <u>8-K</u> | <u>07/27/2018</u> | <u>10.3</u> |
| <u>10.5</u> | <u>Form of Subscription Agreement</u> | <u>8-K</u> | <u>08/21/2018</u> | <u>10.1</u> |
| <u>10.6</u> | <u>Form of Warrant Certificate (Investors)</u> | <u>8-K</u> | <u>08/21/2018</u> | <u>10.2</u> |
| <u>10.7</u> | <u>Form of Warrant Certificate (Finders)</u> | <u>8-K</u> | <u>08/21/2018</u> | <u>10.3</u> |
| <u>10.8+</u> | <u>Amendment to Amended and Restated Employment Agreement, dated August 28, 2018, by and between the Company and Brian Edgar</u> | <u>8-K</u> | <u>08/29/2018</u> | <u>10.1</u> |
| <u>10.9+</u> | <u>Amendment to Amended and Restated Employment Agreement, dated August 28, 2018, by and between the Company and Timothy Barry</u> | <u>8-K</u> | <u>08/29/2018</u> | <u>10.2</u> |
| <u>10.10+</u> | <u>Amendment to Amended and Restated Employment Agreement, dated August 28, 2018, by and between the Company and Sean Fallis</u> | <u>8-K</u> | <u>08/29/2018</u> | <u>10.3</u> |
| <u>31.1</u> | <u>Certification of CEO Pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> | | | X |
| <u>31.2</u> | <u>Certification of CFO Pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> | | | X |
| <u>32.1</u> | <u>Certification of CEO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> | | | X |
| <u>32.2</u> | <u>Certification of CFO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> | | | X |
| 101.INS* | XBRL Instance Document | | | X |

| | | | |
|----------|-------------------------------------|---|---|
| 101.SCH* | XBRL Schema Document | | X |
| 101.CAL* | XBRL Calculation Linkbase Document | | X |
| 101.DEF* | XBRL Definition Linkbase Document | | X |
| 101.LAB* | XBRL Labels Linkbase Document | X | |
| 101.PRE* | XBRL Presentation Linkbase Document | X | |

* The following financial information from Silver Bull Resources, Inc.'s Quarterly Report on Form 10-Q for the nine months ended July 31, 2018, formatted in XBRL (Extensible Business Reporting Language): Interim Condensed Consolidated Balance Sheets, Interim Condensed Consolidated Statements of Operations and Comprehensive Loss, Interim Condensed Consolidated Statement of Stockholders' Equity, Interim Condensed Consolidated Statements of Cash Flows

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SILVER BULL RESOURCES, INC.

Dated: September 13, 2018 By: /s/ Timothy Barry
Timothy Barry
President and Chief Executive Officer
(Principal Executive Officer)

Dated: September 13, 2018 By: /s/ Sean Fallis
Sean Fallis
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

