



**TILL CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Three and Six Months Ended June 30, 2020 and 2019**

## **TILL CAPITAL CORP.**

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

*The following management's discussion and analysis ("MD&A") of the activities, results of operations, and financial position of Till Capital Corp. ("Till") should be read in conjunction with the interim unaudited condensed consolidated financial statements for the three and six months ended June 30, 2020 and the audited consolidated financial statements for the year ended December 31, 2019 and the related notes that have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts in this MD&A are stated in United States dollars unless otherwise indicated. This MD&A was prepared as of August 24, 2020.*

*Additional information related to Till, including its Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com). Till's website is [www.tillcap.com](http://www.tillcap.com).*

---

## **BACKGROUND AND CORE BUSINESS**

Effective on November 22, 2019, Till Capital Ltd. redomiciled to British Columbia, Canada and was renamed Till Capital Corp. ("Till"). Till is a holding company domiciled in Canada. Through Till's wholly-owned subsidiary, Omega Insurance Holdings, Inc. ("Holdings") and its wholly-owned subsidiary Omega General Insurance Company ("Omega"), Till provides property and casualty insurance and reinsurance. Till operates in a single segment, specifically insurance.

Omega underwrites direct insurance and reinsurance business. Omega is a primary insurer, or direct writer, for insurance companies looking to write Canadian business, but lacking the appropriate Canadian insurance licenses. In that capacity, Omega acts as the direct writer, or fronting company, for a specific insurance company, and, typically, will cede most or all of that fronted business to that insurer. As a reinsurer, Omega provides assumption reinsurance to insurance companies that want to exit the Canadian market, and to insurance companies that want to transfer all of their remaining claim liabilities on particular books of business; those arrangements are commonly referred to as "run-off" or "loss portfolio transfer" assumption business. Omega has three sources of revenue, namely, (i) premiums on direct and fronting business, (ii) premiums on portfolio transfer transactions and fees related to managing Canadian branch offices in "run-off", and (iii) assumption reinsurance, including servicing fees on certain transactions.

Till also owns 64% of the outstanding shares of Silver Predator Corp. ("SPD"), a Canadian-based public junior mineral exploration company that has historically been engaged in exploring for and developing economically viable silver and gold deposits in the United States, with a focus on Nevada and Idaho. SPD is not currently engaged in any mining or exploration activities; however, a drill program for its Copper King property is being considered for 2020.

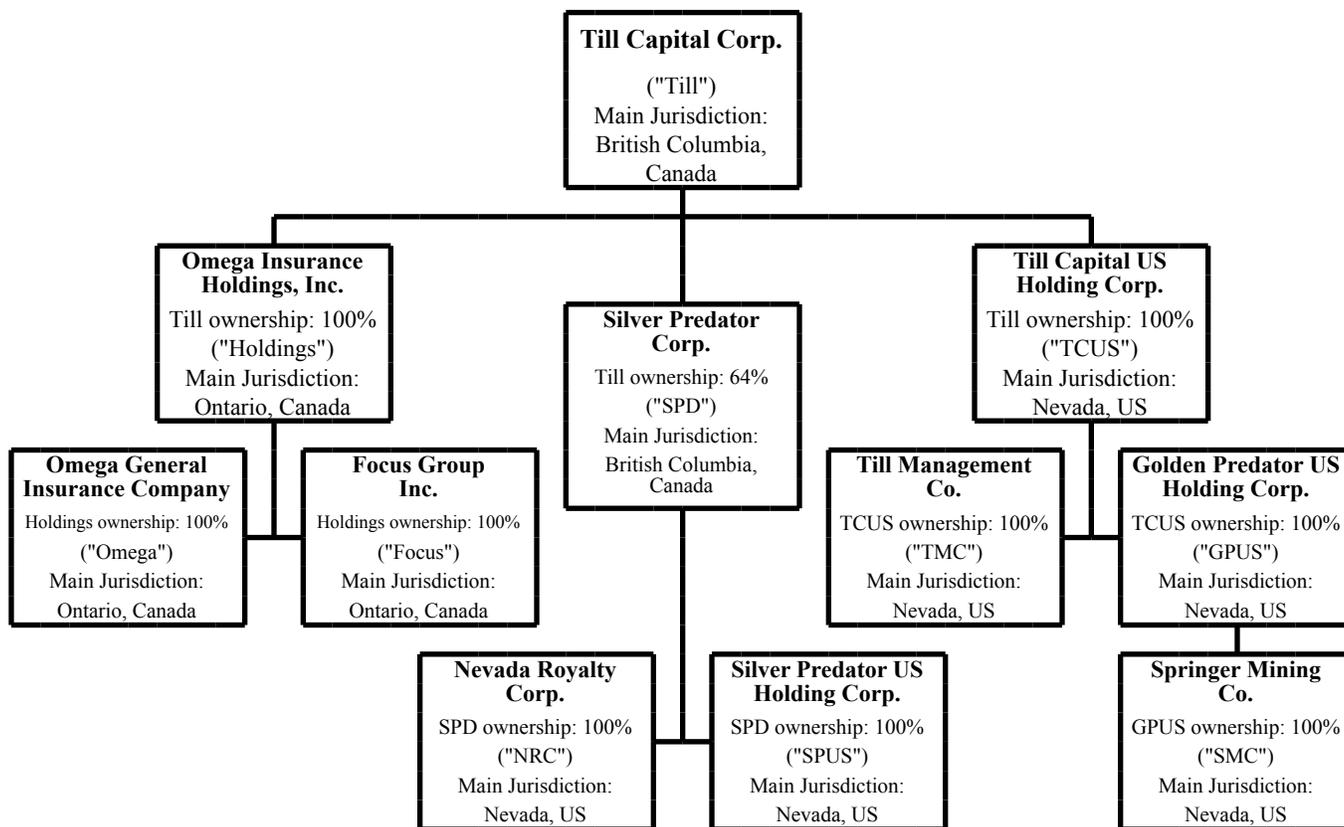
## TILL CAPITAL CORP.

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

The following chart sets forth Till's corporate structure as of June 30, 2020:



The discussion of Till's financial condition and results of operations that follows is intended to provide summarized information to assist the reader in understanding Till's interim unaudited condensed consolidated financial statements and related notes for the three and six months ended June 30, 2020 and 2019, as well as to provide summary explanations as regards the primary factors for financial statement changes between specified periods.

## CORPORATE DEVELOPMENTS, SIGNIFICANT TRANSACTIONS, AND FACTORS AFFECTING RESULTS OF OPERATIONS

### (a) IG Far East LLC

In April 2020, Till, through Till Management Company ("TMC"), invested \$225,000 for a 25% ownership interest in IG Far East LLC ("IGFE"), a private company with a substantial interest in the Durmin gold property in east Russia, including an option to acquire 100% of the property for \$7,000,000. Another \$225,000 investment by Till was made in August 2020. Additional investments, if any, may be requested, but any such additional investment is at Till's option. Soil sampling is underway and initial drill results from June 2020 showed significant lengths of mineralization.

## **TILL CAPITAL CORP.**

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

Till's investment in IGFE is accounted for under the equity method of accounting. Till recorded a loss of \$60,822 for the three and six months ending June 30, 2020 for its portion of equity method investment loss in IGFE.

#### *(b) IG Tintic LLC*

In early 2020, Till, through TMC, invested \$2 million for a 10% ownership interest in the private company IG Tintic LLC ("IGT"). IGT is the majority owner of Tintic Consolidated Metals LLC ("TCM") that owns a substantial consolidated land package of over 14,000 acres of mineral rights, including 7,000 acres of surface rights in the East Tintic Mining District near Provo, Utah, and is currently working to re-commission the Trixie mine in that district with gold and silver production from that mine scheduled for 2021.

Till's investment in IGT is accounted for under the equity method of accounting. Till recorded a loss of \$84,478 for the three and six months ending June 30, 2020 for its portion of equity method investment loss in IGT.

#### *(c) Assets and liabilities held for sale*

##### Springer Mining Company

In July 2020, Till received a non-binding letter of intent for the sale of Springer Mining Company. Environmental and other due diligence is underway and a final agreement is expected in 2020.

##### Omega Insurance Holdings, Inc.

In late 2019, Till initiated a plan to sell Holdings, including its subsidiaries, Omega and Focus, all of which are based and operate in Canada. Pursuant to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, Holdings was classified as a discontinued operation and Holding's assets and liabilities were classified as held for sale. A fair value measurement of that fair value assessment was performed assessing the fair value of Holdings' assets and liabilities less costs to sell. As a result, a valuation loss of \$689,458 and a goodwill impairment of \$332,343 were recorded at December 31, 2019.

Due to the coronavirus pandemic, a highly qualified prospective purchaser of Holdings paused advanced negotiations and due diligence. Management remains committed to sell Holdings. The sales process with the prospective buyer and their due diligence, which had been substantially completed, may resume in the future.

#### *(d) Coronavirus*

In December 2019, a novel strain of the coronavirus emerged and has spread to Canada and the U.S. The extent to which the coronavirus impacts Till's business, including its operations and the market for its securities, will depend on future developments that are highly uncertain and cannot be predicted at this time. In particular, the continued spread of the coronavirus could materially and adversely impact Till's operations and business, including without limitation, its stock valuation, employee health and

## TILL CAPITAL CORP.

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

productivity, significant reduction in the market value of Till's investments including its mining investments and assets held for sale, restrictions or delays to SPD's planned exploration activities, and other factors, including those related to market demand for precious metals that are beyond Till's control.

## OUTLOOK

Till's capital management and operating strategies are key for generating future profitability, managing its business, and maximizing shareholder value. Profitability is predominantly determined by insurance results and investment returns.

The insurance markets in which Till operates have historically been cyclical. During periods of excess underwriting capacity, as defined by the availability of capital, competition can result in lower pricing and less favorable policy terms and conditions for insurers and reinsurers. Historically, underwriting capacity has been affected by several factors, including industry losses, the impact of catastrophes, changes in legal and regulatory guidelines, new entrants, investment results (including interest rate levels), and the credit ratings and financial strength of competitors. Till's insurance operations, both on a direct and reinsurance basis, have been particularly affected by traditional cycles related to pricing, underwriting capacity, and capital availability. As a result of those factors, Till has limited entering into new business and expanding its existing direct and reinsurance business.

The planned sale of Springer and Holdings will allow Till to focus on maximizing its shareholder value, including through managing its investment portfolio that includes mining investments, and mining resources.

## FINANCIAL HIGHLIGHTS

(\$ in millions, except per share amounts)

	2020		2019				2018	
	Apr - Jun	Jan - Mar	Oct - Dec	Jul - Sep	Apr - Jun	Jan - Mar	Oct - Dec	Jul - Sep
Revenue (loss)	\$ (0.39)	\$ 0.24	\$ 0.20	\$ (0.02)	\$ (0.06)	\$ 0.04	\$ 3.55	\$ (0.49)
Income (loss) attributable to the shareholders of Till	\$ (0.60)	\$ (0.32)	\$ (0.26)	\$ (0.08)	\$ (0.10)	\$ (0.13)	\$ 2.78	\$ (1.65)
Basic and diluted income (loss) per share attributable to the shareholders of Till	\$ (0.19)	\$ (0.10)	\$ (0.08)	\$ (0.02)	\$ (0.03)	\$ (0.04)	\$ 0.85	\$ (0.50)
Total assets at end of period	\$ 61.66	\$ 60.44	\$ 62.87	\$ 67.16	\$ 68.21	\$ 69.15	\$ 65.41	\$ 67.72
Total non-current financial liabilities at end of period	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Income (loss) attributable to Till's shareholders is substantially determined by insurance and investment results and asset valuations. Expenses, such as general and administrative and salaries and benefits, have been declining due to the efforts of Till's management to reduce expenses.

The reduction in total assets is primarily related to the reduction of a specialty insurance program.

## TILL CAPITAL CORP.

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

#### *(a) Results of operations for the three months ended June 30, 2020*

Net loss for the three months ended June 30, 2020 increased \$0.49 million to \$0.61 million (three months ended June 30, 2019 - \$0.12 million). The difference is due to:

- Net investment loss for the three months ended June 30, 2020 increased \$0.33 million to \$0.39 million (three months ended June 30, 2019 - \$0.06 million) due to losses from investments held for trading and lower net interest and dividends, partially offset by reduced investment related expenses.
- There was no stock-based compensation during the three months ended June 30, 2020 (three months ended June 30, 2019 - \$0.04 million).
- Income from discontinued operations for the three months ended June 30, 2020 decreased \$0.02 million to \$0.18 million (three months ended June 30, 2019 - income of \$0.20 million) due to lower net insurance premiums earned and higher general and administrative expenses, partly offset by lower net losses and loss adjustments expenses and higher investment income.
- Equity loss in associated companies for the three months ended June 30, 2020 was \$0.15 million. There were no equity investments during the three months ended June 30, 2019.

#### *(b) Results of operations for the six months ended June 30, 2020*

Net loss for the six months ended June 30, 2020 increased \$0.68 million to \$0.95 million (six months ended June 30, 2019 - \$0.27 million). The difference is due to:

- Net investment loss for the six months ended June 30, 2020 increased \$0.18 million to \$0.25 million (six months ended June 30, 2019 - \$0.07 million) due to losses from investments held for trading and lower net interest and dividends, partially offset by reduced investment related expenses.
- Other revenue for the six months ended June 30, 2020 increased \$0.05 million to \$0.10 million (six months ended June 30, 2019 - \$0.05 million) due to increased property option payments received.
- Income from discontinued operations for the six months ended June 30, 2020 decreased \$0.39 million to loss of \$0.11 million (six months ended June 30, 2019 - income of \$0.28 million) due to lower net insurance premiums earned and investment income, partly offset by lower net losses and loss adjustments expenses.
- Equity loss in associated companies for the six months ended June 30, 2020 was \$0.15 million. There were no equity investments during the six months ended June 30, 2019.

## **TILL CAPITAL CORP.**

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

#### *(c) Cash flows for the six months ended June 30, 2020*

Cash inflows from operating activities for the six months ended June 30, 2020 increased \$1.97 million to \$1.37 million (six months ended June 30, 2019 - outflows of \$0.60 million) due primarily to changes in insurance-related operating assets and liabilities and accounts receivable changes.

Cash outflows from investing activities for the six months ended June 30, 2020 increased \$3.47 million to \$2.83 million (six months ended June 30, 2019 - inflows of \$0.64 million). That increase was primarily due to \$2.2 million purchases of equity method investments during the six months ended June 30, 2020, net purchase of investments of \$0.5 million (six months ended June 30, 2020 - net sales of investments of \$0.3 million), and no proceeds from property option payments and receivables during the six months ended June 30, 2020 (six months ended June 30, 2020 - \$0.25 million).

#### *(d) Financial position*

Cash decreased \$1.55 million during the six months ended June 30, 2020 due primarily to the \$2.2 million purchase of equity method investments, partly offset by cash flow from operating activities.

Investments increased \$1.12 million primarily due to Till's equity investment in IGT and IGFE, partly offset by a decrease in held for trading securities.

## **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2020, Till had working capital of \$18.89 million, of which \$13.00 million is related to assets held for sale, including cash and investments at market value of \$3.35 million and \$2.61 million, respectively, as compared to working capital of \$19.95 million, of which \$13.26 million is related to assets held for sale, including cash and investments at market value of \$4.90 million and \$1.49 million, at December 31, 2019, respectively. Till has no long-term debt.

Till currently does not have any plans to incur any material indebtedness in the ordinary course of business.

Till manages capital on an aggregate basis, as well as separately for each regulated entity. Till's insurance subsidiary, Omega, is subject to the regulatory capital requirements defined by the Office of Superintendent of Financial Institutions (Canada) ("OSFI"), which amounts are not available to satisfy liabilities of Till or other affiliates.

Till's objectives when managing capital consist of:

- Ensuring that policyholders in the insurance subsidiary are protected.
- Complying with regulatory capital requirements.
- Maintaining a strong liquidity position.
- Maximizing long-term shareholder value by optimizing capital generated, and used, by Till.

Till views capital as a scarce and strategic resource. That resource protects the financial well-being of the organization, and is critical in enabling Till to protect its liquidity position and to pursue strategic business

## **TILL CAPITAL CORP.**

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

goals and opportunities. Adequate capital also acts as a safeguard against possible unexpected losses, and as a basis for confidence in Till by shareholders, policyholders, creditors, and others. For the purpose of capital management, Till has defined capital as shareholders' equity, excluding accumulated other comprehensive income. Capital is monitored by Till's Board of Directors.

#### *Omega*

OSFI has set out expectations of a 100% Minimum Capital Test ("MCT") as the minimum and 150% MCT as the supervisory target for Canadian property and casualty insurance companies. As of June 30, 2020, Omega had total capital available of Cdn\$10.5 (US\$7.7) million (December 31, 2019 - Cdn\$10.0 (US\$7.7) million) and a total capital required of Cdn\$2.6 (US\$1.9) million (December 31, 2019 - Cdn\$2.5 (US\$1.9) million) resulting in a MCT of 407% (December 31, 2019 of 397%). As of June 30, 2020 and December 31, 2019, Omega is in compliance with OSFI's MCT requirements.

## **OUTSTANDING SHARE DATA**

At June 30, 2020, and through the date of this filing, Till had 3,191,462 issued and outstanding restricted voting shares, and 11,000 outstanding options with an exercise price of Cdn\$7.00 (US\$5.14) expiring December 1, 2021.

## **RELATED PARTY DISCLOSURES**

### *(a) Compensation of key management personnel*

Key management personnel comprise all members of Till's Board of Directors and executive officers. The compensation of key management personnel includes fees, salaries, share-based awards, and other employee benefits. During the three and six months ended June 30, 2020, total compensation amounted to \$0.14 million and \$0.28 million, respectively (three and six months ended June 30, 2019 - \$0.14 million and \$0.28 million, respectively). One of Till's non-independent directors also serves as the CEO of SPD and receives \$12,000 a year from SPD for his services.

### *(b) Service agreements*

Till is party to service agreements with SPD whereby Till provides administration, accounting, and corporate communications services on a cost-plus recovery basis. Till charged SPD \$15,000 and \$30,000 for the three and six months ended June 30, 2020, respectively (three and six months ended June 30, 2019 - \$15,000 and \$30,000, respectively) for those services.

### *(c) Common management with TCM*

The Chairman of the Board of TCM, a company over which Till is deemed to have significant influence, is a director of Till.

## **TILL CAPITAL CORP.**

Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

Till's Chief Investment Officer and director is an adviser to TCM assisting with the financial aspects of TCM as it advances from mineral exploration to production. See also Note 2(e) and Note 5(b) to the interim condensed consolidated financial statements.

### **OFF BALANCE SHEET ARRANGEMENTS**

At June 30, 2020, Till had no material off-balance sheet arrangements or any obligations that could trigger material financing, liquidity, market, or credit risk to Till.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of condensed consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the applicable accounting policies. Those judgments and estimates are based on management's knowledge of the relevant facts and circumstances, input from certain outside advisers, and taking into account previous experience; however, actual results may differ from the amounts reported in the condensed consolidated financial statements.

Areas of estimation and judgment that have the most significant effect on the amounts recognized in the condensed consolidated financial statements include:

#### *(a) Valuation of insurance and reinsurance liabilities and reinsurance assets*

Estimates are made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of incurred but not yet reported ("IBNR") claims. A significant amount of time may pass before the ultimate claims cost can be established with certainty, and, for some types of policies, IBNR claim reserves form the majority of the liability in the accompanying condensed consolidated statements of financial position.

The ultimate cost of outstanding claims is estimated by using a range of actuarial claim projection techniques. The principal assumption underlying those techniques is that a company's past claims development experience can be used to project future claims development and the estimated ultimate expected claims costs. Those techniques extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Large claims are usually separately addressed either by being reserved at the value of loss adjusters' estimates or separately projected estimates of their future loss development. Additional qualitative judgment is used to assess the extent that past trends may not apply in the future when estimating the ultimate cost of claims.

Estimates are also made for the portion of the ultimate cost of outstanding claims that are expected to be recoverable from reinsurance ceded policies.

**TILL CAPITAL CORP.**

## Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

The insurance and reinsurance contract liabilities reported as liabilities held for sale are summarized as follows:

	June 30, 2020	December 31, 2019
Reserve for unpaid losses and loss adjustment expenses	\$ 10,413,382	\$ 10,694,017
Unearned premiums	14,114,407	13,921,365
Reinsurance payables	13,468,960	12,758,965
Unearned commissions	2,176,208	2,226,143
<b>Total insurance and reinsurance contract liabilities</b>	<b>\$ 40,172,957</b>	<b>\$ 39,600,490</b>

The insurance and reinsurance related contract assets reported as assets held for sale are summarized as follows:

	June 30, 2020	December 31, 2019
Unpaid losses and loss adjustment expenses ceded	\$ 6,923,657	\$ 7,108,469
Unearned premiums ceded	11,896,726	11,733,402
Premiums receivable and reinsurance recoverables	13,973,288	14,973,746
Deferred policy acquisition costs	1,965,234	1,929,492
<b>Total insurance and reinsurance contract assets</b>	<b>\$ 34,758,905</b>	<b>\$ 35,745,109</b>

*(b) Valuation of mineral properties*

Till follows the guidance of IFRS 6, *Exploration for and Evaluation of Mineral Resources*, to determine when a mineral property asset is impaired. That determination requires significant judgment. In making that judgment, Till evaluates, among other factors, the results of exploration and evaluation activities to date and Till's future plans to explore and evaluate a mineral property.

*(c) Impairment of assets*

Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is assessed at the level of cash-generating units ("CGU") that are identified as the smallest identifiable group of assets that generate cash inflows and which are largely independent of the cash inflows from other assets. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use and fair value less cost of disposal ("FVLCD").

The value in use is the net present value of expected future cash flows of the relevant CGU in its current condition, both from continuing use and ultimate disposal. For value in use, recent cost levels are

## TILL CAPITAL CORP.

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

considered, together with expected changes in costs that are compatible with the current condition of the business and that meet the requirements of IFRS.

The best evidence of FVLCD is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCD is based on the best information available to correlate with the amount a market participant would pay for the CGU in an arm's length transaction. That amount is often estimated using discounted cash flow techniques.

## CHANGES TO ACCOUNTING STANDARDS

### *Standards and interpretations not yet adopted*

#### (a) IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 is a three-part standard that replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 became effective for fiscal years beginning on or after January 1, 2018. However, Till meets the eligibility criteria of the temporary exemption from IFRS 9 as provided by IFRS 4, *Insurance Contracts*, and has elected to defer the application of IFRS 9 until the effective date of the new insurance contracts standard IFRS 17, *Insurance Contracts* ("IFRS 17"), which is scheduled to become effective January 1, 2022. Till is currently evaluating the impact that IFRS 9, in conjunction with IFRS 17, will have on its condensed consolidated financial statements in future periods.

In accordance with the requirements of the temporary deferral, Till is required to present additional disclosure related to the classification and fair value of financial assets, as well as their credit rating.

#### (b) IFRS 17, *Insurance Contracts*

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure that replaces IFRS 4 ("IFRS 4") and introduces consistent accounting for all insurance contracts.

IFRS 17 provides a general model for the recognition of insurance contracts, as well as a simplified model (premium allocation approach) for short-duration contracts, that will be applicable for most property and casualty insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that give effect to the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires a company to recognize income as it delivers insurance services.

The main features of the simplified new accounting model for property and casualty insurance contracts are summarized as follows:

- A portfolio is a group of contracts covering similar risks and managed together as a single pool. As such, contracts are to be grouped for allocation of deferred policy acquisition costs, the calculation of risk adjustment, the determination of onerous contracts, and the application of the discount rate;

## TILL CAPITAL CORP.

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

- Insurance liabilities are to be discounted at a rate that takes into consideration the characteristics of the liabilities (as opposed to a rate based on asset returns) and the duration of each portfolio. Entities are to report the effect of changes in discount rates either in net income or in other comprehensive income, according to their accounting policy choice;
- Changes in balance sheet presentation whereby unearned premiums are to correspond to premiums received in advance, while accounts receivable are to include amounts not yet received when revenue is recognized. In the condensed consolidated statement of loss, direct premiums written are no longer to be presented (only earned premiums are presented). Also, insurance results are to be presented without the impact of discounting. Amounts relating to financing and changes in discount rates are to be shown separately;
- Extensive disclosures are to be made to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from those contracts.

In November 2018, the IASB proposed a delay in the implementation of IFRS 17 by one year, to January 1, 2022. Earlier application is permitted if IFRS 9 is also applied. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impractical, the entity is required to select either a modified retrospective approach or a fair value approach. Till plans to adopt the new standard on the required effective date together with IFRS 9 (see above). Till expects the new standard will result in significant changes to its accounting policies for insurance contract liabilities; however, the impact on Till's consolidated financial statements has not yet been determined.

In June 2019, the IASB issued an exposure draft to amend IFRS 17. The amendments were issued in the second quarter of 2020, including a deferral of the effective date to annual reporting periods beginning on or after January 1, 2022, to January 1, 2023, with early adoption permitted.

## FINANCIAL RISK MANAGEMENT

### *(a) Insurance risk*

Omega principally underwrites insurance lines of business that include personal property, commercial property, and liability lines of business. The various coverages underwritten have specific insurance contracts that set forth the specific insurance risk exposures, including the duration of the coverage. Omega is exposed to risks defined in those insurance contracts that it writes or assumes.

In addition to underwriting general insurance contracts, Omega has also assumed portfolios of existing business that are in run-off from other insurers through assumption reinsurance transactions. Those portfolios could be from any line of business that the transferring insurer underwrote prior to the effective date of assumption. Under those assumption reinsurance transactions, Omega is exposed to certain risks defined in the underlying insurance contracts that were originally written by the transferring insurer.

The principal risk that Omega faces under both general insurance contracts and reinsurance assumption transactions is that the actual claims and benefit payments, or the timing thereof, differs from the

## TILL CAPITAL CORP.

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

assumptions and/or expectations used to price the general insurance contracts or reinsurance assumption transactions. That insurance risk is influenced by the frequency of claims, severity of claims, emergence of unknown claims, actual benefits paid, and subsequent development of claims, in particular long-tail claims. For long-tail claims that take years to settle, Till is also exposed to inflation risk. Till's objective is to ascertain, based on the business insured and other factors, that sufficient resources are available to cover known and unknown liabilities related to the business written and assumed.

Risk exposure is mitigated by diversification across a portfolio of insurance contracts and geographical areas and by the use of various underwriting and claim review strategies. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities. Omega also purchases reinsurance as part of its risk mitigation strategies. Reinsurance is placed and assumed on both a proportional and non-proportional basis. The use of proportional and non-proportional reinsurance varies by line of business.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying claim liabilities and in accordance with the reinsurance contracts. Although Omega has reinsurance arrangements in effect, Omega is not relieved of its obligations to its policyholders and, thus, a credit risk exposure exists with respect to such reinsurance arrangements.

The key assumption underlying the valuation of the reserve for unpaid losses and loss adjustment expense ("LAE") is that the future loss development will follow a similar pattern to past loss development experience, including average claim costs, claim handling costs, and other claim factors for each loss year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future. Consideration is given to available industry data/information. Judgment is further used to assess the extent to which external factors, such as inflation, court decisions, and government legislation, may affect the estimates. Other factors that may affect the reliability of loss and LAE assumptions include any variation in interest rates, claim settlement delays, and changes in foreign exchange rates.

#### *(b) Liquidity risk*

Liquidity risk is the risk that Till is unable to meet its financial obligations as they come due. Till manages that risk by continuous monitoring of its working capital to determine that its cash, cash equivalents, and investments exceed its estimated obligations.

#### *(c) Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its obligations. Till's credit risk is primarily attributable to cash and cash equivalents, investments, premiums receivable, and reinsurance recoverables. Till has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of investments. Till's insurance and reinsurance policies are distributed by brokers and agents who manage cash collection on its behalf, and Till monitors its exposure as regards of the activities of those brokers and agents. Till has policies in place that limit its exposure to individual reinsurers, and Till conducts regular review processes to assess the creditworthiness of reinsurers with whom it transacts business. Till also holds collateral for certain of its reinsurance arrangements.

## **TILL CAPITAL CORP.**

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

## **RISKS**

### *(a) Factors related to the regulatory and legal environment in which Till and its subsidiaries operate*

- Governmental actions, including, but not limited to, implementation of new US federal and state, and Canadian laws and regulations, and court decisions interpreting existing laws and regulations or policy provisions.
- Uncertainties related to regulatory approval of insurance rates, policy forms, insurance products, license applications, dividends from insurance subsidiaries, acquisitions or divestitures of businesses, and other matters within the purview of insurance regulators.
- Insurance regulations to which Till's subsidiary is, or may become, subject, and potential changes thereto, could have a significant and negative effect on Till's business.
- Unforeseen adverse outcomes in litigation or other legal or regulatory proceedings involving Till, its subsidiaries or non-controlling interests, or affiliates.

### *(b) Factors related to insurance claims and related reserves in Till's insurance businesses*

- The number and severity of insurance claims.
- Changes in facts and circumstances affecting assumptions used in determining loss and LAE reserves, including, but not limited to, the number and severity of insurance claims, changes in claim handling procedures, and claim closure and development patterns.
- The impact of inflation on insurance claims, including, but not limited to, the effects of personal injury claims and property claims.
- Developments related to insurance policy claims and coverage issues, including, but not limited to, interpretations or decisions by courts or regulators that may govern or influence losses incurred.
- Orders, interpretations, or other actions by regulators that impact the reporting, adjustment, and payment of claims.
- Changes in the pricing or availability of reinsurance, or in the financial condition of reinsurers, and amounts recoverable therefrom.

### *(c) Factors related to Till's ability to compete*

- Changes, if any, in the ratings by rating agencies of Till and/or its insurance company subsidiary, with regard to credit, financial strength, claims-paying ability, and other areas on which those entities are or may be rated.

## TILL CAPITAL CORP.

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

- The level of success and costs incurred in realizing or maintaining economies of scale, implementing significant business initiatives, including those related to, but not limited to, expenses, claims, consolidations, reorganizations, integration of acquired businesses, and divestitures of businesses.
- Absolute and relative performance of Till's products and services, including, but not limited to, the level of success achieved in designing and introducing new insurance products.
- The ability of Till to maintain the availability of critical systems and manage technology initiatives cost-effectively to address insurance industry developments and regulatory requirements.
- Heightened competition, including, with respect to pricing, entry of new competitors, and alternate distribution channels, introduction of new technologies, refinements of existing products, and development of new products by current or future competitors.
- The ability of Till to maintain adequate capital and liquidity.

*(d) Factors related to the business environment in which Till and its subsidiaries operate*

- Changes in general economic conditions, including, but not limited to, performance of financial markets, interest rates, inflation, unemployment rates, and fluctuating values of certain investments held by Till that may be thinly traded or that are subject to other market considerations.
- Till's outstanding restricted voting shares are not widely held, and, accordingly, the market for those restricted voting shares may be more volatile and less liquid than the securities of other publicly traded companies.
- Absolute and relative performance of investments held by Till, including derivative and resource-related investments.
- Investments in junior and intermediate resource companies that may have a significantly higher degree of volatility risk than other types of investments.
- Changes in insurance industry trends and significant industry developments.
- Changes in consumer trends and significant consumer or product developments.
- Changes in capital requirements, including the calculations thereof, used by regulators and rating agencies.
- Regulatory, accounting, or tax changes that may affect the cost of, or demand for, Till's products, services, or after-tax returns from Till's investments.
- Changes in distribution channels, methods, or costs resulting from changes in laws or regulations, lawsuits, or market forces.

## **TILL CAPITAL CORP.**

### Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

- Increased costs and risks related to cybersecurity and information technology, including, but not limited to, identity theft, data breaches, and system disruptions affecting services and actions taken to minimize the risks thereof.
- Failure to maintain the security of personal data that may result in lost business, reputational harm, legal costs, and regulatory penalties.

#### *(e) Emerging risk*

- The recent outbreak of the coronavirus (COVID-19) may affect our business and operations. In December 2019, a novel strain of the coronavirus emerged that has spread to Canada and the U.S. The extent to which the coronavirus impacts Till's business, including its operations and the market for its securities, will depend on future developments that are highly uncertain and cannot be predicted at this time. In particular, the continued spread of the coronavirus could materially and adversely impact Till's operations and business, including without limitation, its stock valuation, employee health and productivity, significant reduction in the market value of Till's investments and assets held for sale, restrictions or delays to SPD's planned exploration activities, and other factors, including those related to market demand for precious metals that are beyond Till's control.

## **INFORMATION REGARDING FORWARD LOOKING STATEMENTS**

Certain statements contained in this MD&A, and in certain documents incorporated by reference herein, contain "forward-looking statements" within the meaning of applicable securities legislation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, or achievements of Till to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Till believes the expectations pertaining to those forward-looking statements are reasonable, but there may be other factors that cause actions, events, or results not to be as anticipated, estimated, or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

In particular, this MD&A includes forward-looking statements pertaining, among others, to the following matters:

- business strategy, strength, and focus;
- proposed future expenditures;
- the satisfaction of certain conditions in respect of certain properties in which Till may obtain an interest;
- the granting of regulatory approvals;
- the timing and receipt of regulatory approvals;

**TILL CAPITAL CORP.**

## Management's Discussion and Analysis

For the three and six months ended June 30, 2020 and 2019

(Stated in US dollars)

---

- the resource potential of Till's properties and equity method investments;
- the estimated quantity and quality of mineral resources;
- projections of market prices, costs, and the related sensitivity of distributions;
- expectations regarding the ability to raise capital;
- treatment under governmental regulatory regimes and tax laws, and capital expenditure programs;
- expectations with respect to Till's future working capital position; and
- capital expenditure programs.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements in this MD&A are made as of the date of filing this report or, in the case of documents incorporated by reference herein, as of the date of such documents. Till does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws.