



HULDRA SILVER INC.

November 28, 2014

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three and Nine Months Ended September 30, 2014

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(Prepared by Management)

GENERAL

The following discussion of financial performance, financial condition, cash flows and future prospects ("MD&A") should be read in conjunction with the audited consolidated financial statements of Huldra Silver Inc. ("Huldra" or the "Company") and notes thereto for the year ended December 31, 2013 and the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2014.

This MD&A for the three and nine months ended September 30, 2014 was prepared as of November 28, 2014. Unless otherwise indicated, all dollar amounts set out herein are expressed in Canadian dollars. Additional information and filings are available for review on the Company's SEDAR profile at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A are forward-looking statements, which reflect management's expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Company, including (i) that Huldra will be able to restructure its financial affairs, (ii) that Huldra or another party may be able to recommence operations at its mine and mill, (iii) that the Company and the monitor (the "Monitor") in the proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") will be able to implement the restructuring plan that has been approved by Waterton Global Value, L.P. ("Waterton") and the other creditors and by the Supreme Court of British Columbia (the "Court"), and (iv) the Company's plans following implementation of the restructuring plan. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this MD&A. These assumptions, which include management's current expectations, estimates and assumptions about the CCAA proceedings, the amount of advances under the secured debtor-in-possession loan (the "DIP Loan"), the Company's ability to recommence operations, current mineral property interests, the global economic environment, the market price and demand for silver and other minerals, the Company's ability to manage its property interests and operating costs, and the Company's estimates with respect to concentrate shipments, may prove to be incorrect. A number of risks and uncertainties could cause the Company's actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) that Huldra is unable to secure additional financing or satisfy its outstanding obligations to its creditors, (2) that Huldra or another party will be unable to recommence operations at its mine and mill for any reason whatsoever, (3) that the Plan that was approved by the creditors and the Court may not be successfully implemented for whatever reason, (4) a downturn in general economic conditions in North America and internationally, (5) volatility and fluctuation in the prices of silver, lead and zinc, (6) volatility and fluctuation in the price of the Company's stock and stock of resource issuers generally, and (7) other factors beyond the Company's control. Readers are cautioned that the foregoing list of factors is not exhaustive.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors and shareholders are cautioned not to place undue reliance on these forward-looking statements. No

forward-looking statement is a guarantee of future results. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

CREDITOR PROTECTION AND RESTRUCTURING

As a result of a combination of events including the decline in the price of silver between January and June, 2013, a further precipitous decline of over 10% in the price of silver between June 20 and 26, 2013, together with a substantial drop in the price of the Company's shares, the general uncertainty in the equity markets, the inability of the Company to raise equity or debt financing, and an unanticipated breakdown and shutdown of the mill on June 23, 2013, resulting in an interruption of the Company's cash flow, the Company was left without the working capital to continue operations. On June 26, 2013, the Company was forced to put its Treasure Mountain mine and Merritt mill on care and maintenance.

On July 26, 2013 (the "Filing Date"), Huldra, after careful consideration of all available alternatives, sought creditor protection under the CCAA and obtained a stay order (the "Initial Order") from the Court. Huldra sought the protection because it was hampered by the equity markets, commodity prices and operational challenges. The CCAA proceedings cover the Company and its wholly-owned subsidiaries, Huldra Properties Inc., Huldra Holdings Inc., and 0913103 B.C. Ltd. (collectively, the "Applicants"). During the stay period of the Initial Order, the Applicants remained in possession and control of their assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, and continued to attempt to restructure their financial affairs. Grant Thornton LLP (the "Monitor") was appointed by the Court as monitor in the proceedings and was responsible for reviewing Huldra's ongoing operations, liaising with creditors and other stakeholders and reporting to the Court.

The Initial Order provided for a stay of proceedings against the Applicants and their property for an initial period ending August 26, 2013 which the Court extended to November 25, 2013 and further extended to November 24, 2014. The stay of proceedings was lifted on November 21, 2014 upon the Company implementing its Plan of Compromise and Arrangement dated August 8, 2014 (the "Plan"), which Plan was approved by the affected creditors under the CCAA proceedings on September 23, 2014 and by the Court on October 10, 2014. The Monitor filed a Certificate of Plan Implementation with the Court on November 21, 2014.

The Applicants had discussions with creditors, stakeholders and other third parties during the course of the stay of proceedings with a view to developing a comprehensive restructuring plan to return the Applicants to viability or implement a reorganization which would maximize value for all stakeholders and this resulted in the Company adopting the Plan. Under the Plan, claims against the Applicants were divided into classes, and each class voted on the Plan as it pertains to that class. The creditors were classified under the Plan as either secured creditors or unsecured creditors. See "Plan of Compromise and Arrangement" below for additional information.

As the Plan was implemented within the time prescribed by the Court, the stay of proceedings was lifted. If the Company does not satisfy its outstanding obligations under the Plan, then substantially all remaining debt obligations will then be due and payable immediately, or subject to acceleration, creating an immediate liquidity crisis which would in all likelihood lead to bankruptcy and the liquidation of all of the Applicants' assets.

CCAA Developments

In order to provide Huldra with access to the funds needed to conduct its business during the period of the CCAA proceedings Huldra has obtained the DIP Loan from Waterton, the primary creditor of the Company, pursuant to a credit agreement dated August 15, 2013 (the "DIP Credit Agreement"). The DIP Loan was authorized by the Initial Order of the Court pursuant to the proceedings under the CCAA.

On August 16, 2013, the Company drew down \$1,189,024 under the DIP Loan, of which \$502,671 was used to re-pay the principal and interest owed to Waterton pursuant to a \$500,000 promissory note dated July 8, 2013, \$115,000 of which was used to pay the costs and expenses of Waterton pursuant to the DIP Credit Agreement, and the balance of \$571,353 was advanced to the Company.

From September 17, 2013 to December 31, 2013, the Company drew down an aggregate of \$832,111 under the DIP Loan. During the nine months ended September 30, 2014, the Company drew down an aggregate of \$1,570,453 under the DIP Loan, and during the three months ended September 30, 2014, repaid \$ 146,013 to Waterton. The proceeds from the DIP Loan have allowed the Company to continue its care and maintenance program at its mine and mill while it attempted to restructure its financial affairs during the CCAA proceedings.

In connection with and as partial consideration for the DIP Loan, the Company also entered into a Royalty Agreement with Waterton, whereby the Company granted to Waterton a 2% net smelter return royalty on the production of all minerals from the Treasure Mountain property.

On August 8, 2014, pursuant to the Company's proceedings under the CCAA, the Court granted an Order (the "Meeting and Process Order") authorizing filing of the Plan pursuant to the CCAA and *Business Corporations Act* (British Columbia) (the "BCBCA") and approving the procedure proposed by the Company for calling and holding a meeting of the creditors of the Company (the "Creditors' Meeting") to consider and approve the Plan. The Court also granted an Order (the "Extension Order") further extending the expiry date of the stay of proceedings and period of creditor protection for the Company and its subsidiaries under the CCAA Proceedings from September 2, 2014 to November 7, 2014.

On September 23, 2014, the Creditors' Meeting was held and 100% of the creditors who voted in person or by proxy at the Meeting approved the Plan. On October 10, 2014, pursuant to the Company's proceedings under the CCAA, the Court granted an Order (the "Sanction Order") sanctioning the creditor approval of the Plan and granting a further extension of the expiry date of the stay of proceedings and period of creditor protection for the Company and its subsidiaries under the CCAA Proceedings from November 7, 2014 to November 24, 2014.

Plan of Compromise and Arrangement

The Company entered into a letter agreement dated June 3, 2014 and amended June 24, 2014 (collectively, the "Restructuring Agreement") with Concept and Waterton, whereby the parties proposed a restructuring of the affairs of Huldra pursuant to which, among other things: (i) the Company intended to complete a secured convertible debenture financing (the "Financing") for aggregate gross proceeds of up to \$8 million; (ii) the Company intended to compromise and settle its debt owing to its creditors under the CCAA proceedings; and (iii) the Company intended to satisfy its obligations to certain creditors outside of the CCAA proceedings, including the amounts owed to Waterton pursuant to the DIP Loan (collectively, the "Restructuring").

Under the Plan, the Company has separated its creditors under the CCAA proceeding into two classes, the creditors (the "Secured Creditors") who have secured claims against the Company (collectively, the "Secured Creditor Class") and the creditors (the "Unsecured Creditors") who have unsecured claims against the Company (collectively, the "Unsecured Creditor Class"). In total, under the CCAA Proceeding, the Company owes approximately \$7,569,741 (unaudited) to its Secured Creditors and approximately \$13,126,703 (unaudited) to its Unsecured Creditors. As noted, the amounts owed under the DIP Loan, estimated to be approximately \$5,133,097 as at November 20, 2014, and such other amounts that are excluded under the provisions of the CCAA, are not being compromised and settled under the Plan. The amounts owed under the DIP Loan are to be compromised and settled pursuant to the Settlement Agreement.

The Plan contains the following proposal for the compromise and settlement of the Company's pre-filing debt under the CCAA proceeding:

- Secured Creditors may elect to receive: (i) a combination of a cash payment and common shares of the Company (each, a “Share”) in settlement of the balance of the amounts owing to them, or (ii) only Shares of the Company at a deemed price of \$0.05 per Share in settlement of the entire amount owing to them; and
- Unsecured Creditors may elect to receive: (i) a cash payment in the amount that is the lesser of \$1,000 and the amount owed to such Unsecured Creditor, or (ii) only Shares of the Company at a deemed price of \$0.05 per Share in settlement of the entire amount owing to them.

The \$0.05 per Share issue price for the Shares to be issued on settlement of the debt owed to creditors is on a post-consolidation basis, and has been approved by the TSXV Venture Exchange (the “Exchange”).

On closing of the shares for debt settlements contemplated by the Plan: approximately 7% of the issued and outstanding shares are held by the shareholders of the Company who held shares prior to Plan Implementation, approximately 27% held by the Secured Creditors, and approximately 66% held by the Unsecured Creditors. In addition, the issuance of Shares pursuant to the Plan resulted in the creation of both Waterton and Concept as control persons of the Company, with Waterton holding approximately 26% of the total issued and outstanding Shares on an undiluted basis and Concept expected to hold approximately 23% of the total issued and outstanding Shares on an undiluted basis.

On November 20, 2014, the Company entered into a settlement agreement with Waterton (the “Settlement Agreement”), whereby the Company and Waterton agreed to settle the aggregate of \$12,267,460 owed to Waterton (the “Waterton Debt”) by the issuance of 108,992,918 common shares (the “Waterton Settlement Shares”) of the Company to Waterton and the payment of \$6,876,328 (the “Waterton Settlement Amount”). The Waterton Debt includes the amount owed to Waterton prior to the Filing Date and the amounts advanced to the Company by Waterton pursuant to the DIP Loan which were outstanding at the time of entry into the Settlement Agreement. The Waterton Settlement Amount includes \$1,784,717 to be paid to Waterton pursuant to the Plan with respect its pre-Filing Date debt. The Waterton Settlement Amount will be paid as follows: \$2,876,328 on the Plan Implementation Date (as defined in the Plan; paid), \$1,500,000 within 6 months of the Plan Implementation Date, and \$2,500,000 within 12 months of the Plan Implementation Date. The Company has agreed to pay interest to Waterton at a rate of 3% per annum on the portion of the Waterton Settlement Amount which remains outstanding after the Plan Implementation Date until such time as the Waterton Settlement Amount and interest thereon has been repaid, with such interest to be paid on each payment of the Waterton Settlement Amount. Upon repayment in full of the Waterton Settlement Amount and interest thereon, the Waterton Royalty will be terminated and all of the security interests in the assets and property of Huldra and its subsidiaries will be discharged. The Waterton Settlement Shares were issued on the Plan Implementation Date in accordance with the Plan.

On November 21, 2014, the Company satisfied all of the conditions to implementation of the Plan, and the Monitor filed a Certificate of Plan Implementation with the Court under the CCAA Proceedings. The Company implemented the Plan on this date by settling an aggregate of \$5,718,419 of secured claims (including a portion of Waterton’s pre-filing debt) by issuing an aggregate of 114,368,382 shares to the secured creditors and by settling an aggregate of \$13,943,510 unsecured claims by issuing an aggregate of 278,870,210 shares to the unsecured creditors and making payments to the unsecured creditors in the aggregate amount of \$25,408. Under the Plan, a total of \$1,872,739 (including a portion of Waterton’s pre-filing debt) is still owed to the secured creditors and is payable within 12 months of the Plan Implementation Date, together with interest thereon at a rate of 3% per annum. Upon repayment of this amount to secured creditors, the Monitor’s final certificate will be filed with the Court confirming that all distributions to the Company’s creditors have been made in accordance with the Plan which will be the final step to the Company exiting CCAA creditor protection. The settlement shares issued to secured and unsecured creditors are subject to a statutory hold period expiring on March 22, 2015. The payment of the settlement amounts constitutes full, final and absolute settlement of all rights of the creditors affected by the Plan. The stay of proceedings granted to the Company pursuant to the CCAA proceedings has now been terminated. See “Plan of Compromise and Arrangement” below for particulars of the Plan.

There can be no assurance that the Company will satisfy all of its outstanding obligations under the Plan and the Settlement Agreement within the time period prescribed therein, and if the Company fails to do so, substantially all of its remaining debt obligations will become immediately due and payable, or subject to immediate acceleration, which would create an immediate liquidity crisis and would, in all likelihood, lead to the liquidation of the Applicants' assets.

This section is qualified in its entirety by the material documents in connection with the CCAA proceeding, including the Court orders, copies of which have been filed and are available under the Company's profile on SEDAR (www.sedar.com).

The Company's Board of Directors had initiated a review process to consider a range of strategic alternatives with a view of preserving and maximizing shareholder value in light of the continuing financial challenges resulting from the operational cash flow deficiencies experienced. Strategic alternatives are likely to include, but are not limited to, the sale of all or a portion of the Company's assets, a merger or other business combination transaction involving a third party acquiring all of the Company, recapitalization, reorganization, or restructuring of the Company, as well as continued execution of the Company's existing business plan, or some combination of these alternatives. On April 12, 2014, the Company received an offer from Concept Capital Management Ltd. ("Concept") to purchase its property and mill which is comprised of certain lands, a lead/silver/zinc mill, a tailings facility and other assets located in Merritt, British Columbia for \$8,000,000 to be paid in tranches, with \$6,000,000 to be paid on closing of the purchase and sale and \$2,000,000 to be paid within 90 days of such closing. Subsequent to that offer, on June 9, 2014, the Company announced that Concept and Waterton had entered into a letter agreement pursuant to which the parties have proposed a restructuring of the affairs of the Company, which letter agreement was amended on June 24, 2014. The letter agreement was a key step towards restructuring the Company's obligations and, on August 8, 2014, the Company put forth Plan to the Court.

Subordinated Secured Convertible Debenture Financing

As a precondition to implementation of the Plan, the Company completed the first tranche (the "First Tranche") of its the private placement (the "Financing") for gross proceeds of up to \$8,000,000 by the issuance of subordinated secured convertible debentures (each, a "Debenture") and common share purchase warrants of the Company (each, a "Warrant"). The Company raised gross proceeds of \$7,000,882 pursuant to the First Tranche.

The First Tranche of the Debentures bear interest at a rate of 10% per annum, which interest shall be payable annually, 50% in cash and 50% by the issuance of Shares. The Debentures will be repayable on November 21, 2017 (the "Maturity Date"). For each \$1,000 in principal of Debentures, Huldra issued 5,000 Warrants. The Debentures are convertible into Shares at a conversion price of \$0.055 per Share prior to the Maturity Date. Each Warrant is exercisable into one additional Share for four years from the date of issuance at an exercise price of \$0.075 per Warrant Share in the first year after issuance and \$0.10 per Warrant Share thereafter. The Debentures rank subordinate to the debt owed to Waterton until such time as this debt is repaid in full. In addition, upon repayment by the Company of all amounts owed to Waterton and the cancellation of the 2% net smelter return royalty on the Company's Treasure Mountain mine held by Waterton, the holders of the Debentures issued pursuant to the First Tranche will be granted an aggregate 2% net smelter returns royalty with respect to the Company's Treasure Mountain mine on substantially the same terms as the royalty currently granted to Waterton, provided that each holder of Debentures issued pursuant to the First Tranche shall only be entitled to their pro rata share of such royalty based on their individual investment pursuant to the First Tranche.

The terms of the Debentures offered pursuant to subsequent tranches of the Financing, other than the First Tranche, including the interest rate, maturity date, conversion price and exercise price of the underlying warrants have not been determined at this time. There is no guarantee that the Company will be able to raise additional funds pursuant to the Financing, or that such additional funds, if any, will be raised on terms similar to the First Tranche or on terms that are favourable to the Company.

Repayment of DIP Loan and Waterton Debt

As previously disclosed, pursuant to the Settlement Agreement, Waterton has agreed to settle all amounts advanced by them to the Company, including the amounts advanced under the DIP Loan, as follows:

- cash payments in the aggregate amount of \$6,876,328, being the Waterton Settlement Amount, are to be paid to Waterton as follows:
 - \$2,876,328 on the Plan Implementation Date (paid),
 - \$1,500,000 on or before May 21, 2015, and
 - \$2,500,000 on or before November 21, 2015; and
- the balance of the amounts owing will be settled by the issuance of 108,992,918 Shares at a deemed price of \$0.05 per Share on the Plan Implementation Date (issued).

In addition, under the Settlement Agreement, the Company has agreed to pay Waterton interest at a rate of 3% per annum on the portion of the Waterton Settlement Amount which remains outstanding after the Plan Implementation Date until such time as the full Waterton Settlement Amount and interest thereon has been repaid. Upon repayment to Waterton in full of all amounts owed to them by the Company, the 2% net smelter return royalty that the Company previously granted to Waterton with respect to production from the Company's Treasure Mountain mine will be terminated and all security interests Waterton has against the assets and property of the Company will be discharged.

Impairment of Assets

As at December 31, 2013, the Company had entered care and maintenance mode which is a potential indicator of impairment of the carrying amount of its non-current non-financial assets. As a result, the Company carried out a review of the carrying amounts of the non-current non-financial assets. The Company has taken the view that mine and mill are determined to be a single cash generating unit for this purpose.

The remaining carrying value of property, plant, and equipment represented the Company's best estimate of aggregate recoverable value which has been determined based on fair value less costs to sell. The fair value of each significant asset was determined separately by the Company. The fair value of the mill and related lands was determined with reference to a purchase offer. The fair value of the heavy machinery and equipment and remaining land was determined based on values or recent sales of similar assets.

Based on its review, the Company recognized an impairment loss at December 31, 2013 in the amount of \$17,787,362.

Any significant negative change in the key assumptions made in determining the recoverable amount could result in an additional impairment loss.

DESCRIPTION OF BUSINESS

Huldra is a junior exploration company that until June 26, 2013 was engaged in the business of identification, acquisition, and exploration of mineral property interests.

Huldra's Treasure Mountain mine is located northeast of Hope, British Columbia, approximately 3 hours from Vancouver, British Columbia (the "Treasure Mountain Project"). In November, 2011, the Company completed the development of the required infrastructure at the Treasure Mountain Project to begin underground mining on a 10,000 tonne bulk sample permit. The Company also commenced an

exploration program that included geochemical testing, surface trenching, underground sampling and surface diamond drilling. The program continued in 2012 with additional underground sampling, an airborne survey, and further geochemical sampling.

In May 2012, the Company received a mining lease covering 335 hectares of active workings out of 7,000 acres of mineral tenures at the Treasure Mountain Project and a Mines Act permit for the Treasure Mountain Project for the removal of 60,000 tonnes per year of silver/lead/zinc mill feed from the underground mine and the transfer of the mill feed offsite for processing. The Company also received an amended permit for its mill site (the "Mill Property"), located in Merritt, British Columbia approximately 70 minutes from the Treasure Mountain Project, allowing for the construction and operation of a 200 tonne per day silver/lead/zinc mineral processing plant.

During 2012, the Company continued construction and installation of a 200 tonne per day mill at the mineral processing facility located at the Mill Property, at which the Company processed mill feed from the Treasure Mountain Project. The commissioning of the mill began in August, 2012 and was substantially completed in November, 2012.

As a result of a combination of events including the decline in the price of silver between January and June, 2013, a further precipitous decline of over 10% in the price of silver between June 20 and 26, 2013, together with a substantial drop in the price of the Company's shares, the general uncertainty in the equity markets, the inability of the Company to raise equity or debt financing, and an unanticipated breakdown and shutdown of the mill on June 23, 2013, resulting in an interruption of the Company's cash flow, the Company was left without the working capital to continue operations. On June 26, 2013, the Company was forced to put the mine and mill on care and maintenance.

On July 26, 2013, Huldra, after careful consideration of all available alternatives, sought creditor protection under the CCAA and obtained the Initial Order from the Court. The Company's mine and mill remained on care and maintenance, while Huldra restructured its financial affairs under the supervision of the Monitor.

The stay of proceedings against the Company was lifted on November 21, 2014 upon the Company implementing its Restructuring Plan. The Company intends to keep its mine and mill on care and maintenance, while Huldra completes its Restructuring Plan and continues to review options for Treasure Mountain, which include reviewing merger and acquisition opportunities, future exploration and recommencing mining activity.

Risk Factors

Risks Associated with the CCAA Proceedings

Although the Company has implemented its Plan under the CCAA, the Company has outstanding distributions to be made to secured creditors pursuant to the Plan within 12 months of the Plan Implementation Date. The CCAA Proceedings will not be completed until all distributions under the Plan have been made and the Monitor has filed a final certificate to this effect with the Court. The stay of proceedings, however, has been lifted.

Under the terms of the Settlement Agreement, if Huldra is unable to make payments required under the Settlement Agreement and the Plan, Waterton could enforce its security which would in all likelihood lead to bankruptcy and the liquidation of all of the Company's assets.

Following Plan Implementation, which Huldra continues to restructure its affairs, investments in the common shares of the Company will be highly speculative. Although the Company's common shares continue to trade on the Exchange, the trading prices of the common shares may have little or no relationship to the Company's actual business.

The Company may be unable to meet its liquidity requirements for operations

There can be no assurance that the amounts of cash from operations, if any, together with amounts raised pursuant to the Financing will be sufficient to fund the Company's operations and care and maintenance program following Plan Implementation and its plan for its business operations. If these amounts are insufficient to meet the Company's liquidity requirements, it may have to seek additional financing. There can be no assurance that such additional financing would be available or, if available, offered on acceptable terms. Failure to secure any necessary additional financing would have a material adverse impact on the Company's continued operations and viability.

The Company's ability to maintain acceptable credit terms with its suppliers may be impaired as a result of the Company previously being subject to creditor protection under the CCAA. The Company may be required to pay cash in advance to certain suppliers and may experience restrictions on the availability of trade credit which could reduce its liquidity. Liquidity problems could materially and adversely affect its ability to source key services. In addition, suppliers may be reluctant to enter into long term agreements with the Company due to its financial condition.

Mineral Exploration and Development Activities are Inherently Risky

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into mineral deposits with significant value. Unusual or unexpected ground conditions, geological formation pressures, fires, power outages, labour disruptions, flooding, earthquakes, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. There are also physical risks to the exploration personnel working on the site of a mineral project. The Company's exploration properties and any future mining operations will be subject to all the hazards and risks normally incidental to exploration, development and production of silver and other metals, any of which could result in damage to or destruction of exploration facilities or mines, damage to life and property, environmental damage and possible legal liability for any or all damage. Although the Company maintains insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition.

Uncertainty of Mineral Resources

The figures for mineral resources for the Treasure Mountain Project disclosed in the Company's Annual Information Form for the year ended December 31, 2012 and in its technical report filed on SEDAR on June 12, 2012, are only estimates. Mineral reserves at the Treasure Mountain Project have not been defined therefore the mineral resources currently cannot be considered ore. There is no certainty that any expenditures made in the exploration of the Company's mineral properties will result in identification of commercially recoverable quantities of ore or that ore reserves will be mined or processed profitably. In addition, substantial expenditures will be required to develop the mining and processing facilities and infrastructure at any site chosen for mining.

Uncertainty of Economic Viability of Production from the Treasure Mountain Project

The Company has not undertaken any preliminary feasibility study or preliminary economic assessment with respect to the Treasure Mountain Project and does not intend to undertake such a study or assessment. There are significant risks associated with making a production decision without a valid, current, economic analysis and the Company may subsequently determine that continued production from the Project is not economically feasible.

Insurance

The mining industry is subject to significant risks that could result in damage to or destruction of property and facilities, personal injury or death, environmental damage and pollution, delays in production, expropriation of assets and loss of title to mining claims. No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company currently maintains insurance within ranges of coverage that it believes to be consistent with industry practice for companies of a similar stage of development, however the insurance the Company has may not be sufficient to cover the full extent of any liabilities that may arise.

Prices, Markets and Marketing of Silver and Metal Prices

World prices for commodities fluctuate and are affected by numerous factors including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of commodities, and the resulting impact on the viability of any of the Company's exploration projects, cannot accurately be predicted.

Liquidity and Capital Requirements

Management anticipates that, subject to financing, it will make substantial expenditures towards developing the Treasure Mountain Project; however, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has a significant working capital deficit, no history of profitable operation and no assurance that additional funding will be available to it for further exploration and development of the Treasure Mountain Project if required. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources, and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration and development of the Treasure Mountain Project or the loss of substantial dilution of any of its property interests.

Going Concern Risk

As at September 30, 2014, the Company had an accumulated deficit of \$67,932,057 (December 31, 2013 - \$62,930,519) and a working capital deficiency of \$32,604,097 (December 31, 2013 - \$27,798,039) including current debt obligations of \$25,269,067 (December 31, 2013 - \$14,199,558). These factors, including the outcome of the CCAA proceedings, represent a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. The Company will be required to raise funds through the issuance of equity or debt, successfully develop and implement a Restructuring Plan in the CCAA process or be successful in the development of the Treasure Mountain Mine and Merritt Mill. Realization values may be substantially different from carrying values as shown and the Company's condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Further, a court approved Restructuring Plan in the CCAA proceedings could materially change the carrying amounts and classifications reported in the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements for the three and nine months periods ended September 30, 2014 were prepared using IFRS, as applied by the Company prior to the filing for CCAA. While the Applicants have filed for and been granted creditor protection, these consolidated financial

statements have been prepared using the going concern concept, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The CCAA proceedings provided the Company with a period of time to stabilize its operations and financial condition and develop a Restructuring Plan, which was implemented on November 21, 2014.

Management believes that these actions continue to make the going concern basis appropriate. However, it is not possible to predict the outcome of these proceedings and accordingly, substantial doubt exists as to whether the Company will be able to continue as a going concern. Further, it is not possible to predict whether the actions taken in any restructuring will result in improvements to the financial condition of the Company sufficient to allow it to continue as a going concern. If the Company is unable to obtain the necessary financing to complete its Restructuring Plan, the Company could be forced into bankruptcy and result in the liquidation of all of the Applicants' assets.

If the "going concern" assumption were not appropriate for such financial statements, then significant adjustments would be necessary in the carrying amounts and/or classification of assets and liabilities.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons could be required to manage and operate the Company.

Environmental Risks

All phases of the mineral exploration and development business present environmental risks and hazards and are subject to environmental regulations. Compliance with such legislation and regulations can require significant expenditures and a breach could result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner which may lead to stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of exploration or production, a material increase in the costs of production, development or exploration activities, or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Government Regulation

The natural resource exploration industry is subject to controls and regulations imposed by various levels of government. It is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different than they would affect other natural resource exploration companies of similar size. The current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future. The Company also competes with other mining companies in the recruitment and retention of qualified employees.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers of, or may be associated with, other reporting companies or have significant shareholdings in other public companies. To the extent that

such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the *Business Corporations Act* (British Columbia) dealing with conflicts of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his interest and refrain from voting on the matter unless otherwise permitted by the *Business Corporations Act* (British Columbia). In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

No Current Plans to Pay Cash Dividends

The Company has no plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Company's Board of Directors and will depend on, among other things, the Company's financial results, cash requirements, contractual restrictions and other factors that the Board of Directors may deem relevant. In addition, the Company's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness that the Company or its subsidiaries incur. As a result, investors may not receive any return on an investment in the Company's securities unless they sell the securities for a price greater than that which they paid for them.

Economic Conditions

Unfavorable economic conditions may negatively impact the Company's financial viability. Unfavorable economic conditions could also increase the Company's financing costs, decrease estimated income from prospective mining operations, limit access to capital markets and negatively impact the availability of credit facilities or other financing to the Company.

Price Volatility of Public Stock

The market price of the Company's securities has experienced wide fluctuations which may not necessarily be related to the operating performance, underlying asset values or prospects of the Company. Any market for the Company's securities may be subject to market trends generally and the value of the Company's securities on the TSX-V may be affected by such volatility in response to numerous factors, many of which are beyond the Company's control, including:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- the addition or departure of the Company's executive officers or other key personnel;
- release or other transfer restrictions on outstanding Company securities;
- sales or perceived sales of additional Company securities;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- news reports relating to trends, concerns, competitive developments or regulatory changes; and
- other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company's securities may decline even if the Company's operating results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Company's securities by those institutions, which could adversely affect the trading price of the Company's securities. There can be no assurance that fluctuations in price and volume will not occur in the future. If increased levels of volatility and market turmoil occur, the Company's operations may be adversely impacted and the trading price of the Company's securities may be adversely affected.

Regulatory and Permitting

Regulatory and permitting requirements have a significant impact on the Company's operations and can have a material and adverse effect on future cash flow, results of operations and financial condition. In order to conduct mineral exploration and mining activities the Company must obtain or renew exploration or mining permits and licenses in accordance with the relevant mining laws and regulations required by governmental authorities having jurisdiction over the mineral projects. There is no guarantee that the Company will be granted the necessary permits and licenses, that they will be renewed, or that the Company will be in a position to comply with all the conditions that are imposed. Mining is subject to potential risks and liabilities associated with pollution and the disposal of waste from mineral exploration and mine operations. Costs related to discovery, evaluation, planning, designing, developing, constructing, operating, closing and remediating mines and other facilities in compliance with these laws and regulations are significant. In addition to environmental protection, applicable laws and regulations govern employee health and safety. Not complying with these laws and regulations can result in enforcement actions that may include corrective measures requiring capital expenditures, installation of additional equipment, remedial action and changes to operating procedures resulting in additional costs and temporary or permanent shutdown of operations. The Company may also be required to compensate those parties suffering loss or damage and may face civil or criminal fines or penalties for violating certain laws or regulations. Changes to these laws and regulations in the future could have an adverse effect on the Company's cash flow, results of operations and financial condition. Further, the issuance of permits may be subject to review by third parties who may challenge future permitting and the validity of existing permits based on, among other things, the government's obligation to consult and accommodate.

Forward-Looking Statements may Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements contained in this MD&A. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements, or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this MD&A under the heading "Cautionary Note Regarding Forward-Looking Statements".

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This review of the Company's results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2014 and the audited consolidated annual financial statements of the Company for the year ended December 31, 2013.

Three Months Ended September 30, 2014

During the three months ended September 30, 2014, the Company incurred a net loss and comprehensive loss of \$1,402,960, compared to a net loss and comprehensive loss of \$13,416,807 for the comparable period of 2013. The significant fluctuation between the comparative periods resulted largely from the write down of property, plant, and equipment in the amount of \$7,471,898 during the three months ended September 30, 2013. There was no comparative write down recognized during the current three month period. Additional fluctuations included the decrease in finance costs to \$666,905 from \$1,687,713 for the comparable period in 2013, the decrease in Part X11.6 tax, tax penalties, and indemnification losses to \$nil from \$2,939,515, the decrease in exploration costs to \$418,412 from \$518,429 as the Company has operated under care and maintenance status. Consulting fees decreased to \$90,060 from \$167,508 during the comparable period in 2013, as well as professional fees to \$158,905 from \$474,808 during the comparable period in 2013. Furthermore, the unrealized gain on derivative decreased to \$nil as compared to an unrealized gain on derivative of \$41,233 during the comparable period in 2013. Additionally, for the three months ended September 30, 2014, there was an unrealized gain on warrant liability of \$900 as opposed to a unrealized gain on warrant liability of \$8,308 during the comparable period in 2013 as a result of the downward pressure on the share price.

Operating expenses for the three months ended September 30, 2014 decreased to \$757,444 from \$1,269,836 for the three months ended September 30, 2013. The decrease in expenses was related primarily to a decrease in both exploration and professional fees. Exploration costs for the three months ended September 30, 2014, which is mainly comprised of care and maintenance operational costs, decreased to \$418,412 as compared to \$518,429 for the three months ended September 30, 2013. The decrease in exploration costs was a result of the Company's further cost cutting initiatives with respect to its decision to put its Treasure Mountain mine on care and maintenance.

For the three months ended September 30, 2014, general and administrative costs decreased to \$339,032 as compared to \$751,407 for the three months ended September 30, 2013. There were decreases in management fees to \$nil from \$24,000 for the comparable period in 2013, a decrease in professional fees to \$158,905 from \$474,808 for the comparable period in 2013 and a decrease in consulting fees to \$90,060 from \$167,508 for the comparable period in 2013. These decreases are largely related to the fact that the Company has implemented its restructuring plan and therefore there are fewer fees associated with the CCAA process at this stage.

With regards to the amounts owing to Waterton under the Credit Facility and DIP Loan, for the three months ended September 30, 2014, the unrealized gain on the derivative liability was \$nil as compared to \$41,233 for the three months ended September 30, 2013, and the unrealized gain on the warrant liability was \$nil as compared to an unrealized loss of \$8,308 for the comparable period. The Credit Facility and DIP Loan are further described below under the heading "Financing, Liquidity and Capital Resources".

As a result of the Company entering care and maintenance mode on June 26, 2013, the Company did not ship any further concentrates to the smelter. As at June 26, 2013, the Company had entered care and maintenance mode which is a potential indicator of impairment of the carrying amount of its non-current non-financial assets. As a result, the Company has carried out a review of the carrying amounts of the non-current non-financial assets. The Company has taken the view that mine and mill are determined to be a single cash generating unit for this purpose. The remaining carrying value of property, plant, and equipment represents the Company's best estimate of aggregate recoverable value which has been determined based on fair value less costs to sell. The fair value of each significant asset was determined separately by the Company. The fair value of the mill and related lands was determined with reference to a subsequent purchase offer. The fair value of the heavy machinery and equipment and remaining land was determined based on what similar assets were valued at, or recently sold at. Based on its review, the Company recognized a write down of property, plant and equipment for the year ended December 31, 2013 in the amount of \$17,787,362. The Company did not recognize any write down of property, plant and equipment during the three months ended September 30, 2014 as compared to a write down of \$7,471,898 for the comparable period in 2013. Any significant negative change in the key assumptions made in determining the recoverable amount could result in an additional impairment loss.

Nine Months Ended September 30, 2014

During the nine months ended September 30, 2014, the Company incurred a net loss of \$5,001,538, compared to a net loss and comprehensive loss of \$31,684,216 for the comparable period of 2013. The significant fluctuation between the comparative periods resulted largely from the write down of property, plant, and equipment in the amount of \$18,853,148 during the nine months ended September 30, 2013. There was no comparative write down recognized during the current nine month period. Additional fluctuations included the decrease in finance costs to \$2,476,559 from \$4,404,724 for the comparable period in 2013, the decrease in share based compensation expensed to \$nil from \$300,418, the decrease in the unrealized loss on derivative to \$nil from \$359,793, the decrease in mark-to-market losses to \$nil from \$1,168,327, and the decrease in exploration costs to \$1,490,001 from \$3,582,392 as the Company has operated under care and maintenance status. Furthermore, an unrealized loss on warrant liability decreased to \$10,476 as compared to an unrealized gain on warrant liability of \$1,394,673 during the comparable period in 2013 as a result of the downward pressure on the share price in 2013.

Operating expenses for the nine months ended September 30, 2014 decreased to \$2,549,291 from \$5,366,377 for the nine months ended September 30, 2013. The decrease in expenses was related primarily to a decrease in both exploration and share based compensation expense. Exploration costs for the nine months ended September 30, 2014, which is mainly comprised of care and maintenance operational costs, decreased to \$1,490,001 as compared to \$3,582,392 for the nine months ended September 30, 2013. The large decrease in exploration costs was a result of the Company's decision to put its Treasure Mountain mine on care and maintenance. During the nine months ended September 30, 2014 there were no stock options granted, compared to the granting of an aggregate of 500,000 stock options which were granted during the nine months ended September 30, 2013, with an exercise price of \$0.95 per share which resulted in a share-based compensation expense of \$300,418. All stock options are exercisable for five years from the date of grant.

For the nine months ended September 30, 2014, general and administrative costs were significantly lower at \$1,059,290 as compared to \$1,783,985 for the nine months ended September 30, 2013. There were decreases in management fees to \$nil from \$72,000 for the comparable period in 2013, a decrease in share-based compensation to \$nil from \$300,418 for the comparable period in 2013, a decrease in salaries and benefits to \$183,004 from \$227,166 for the comparable period in 2013, and a decrease in office and general expenses to \$22,976 from \$123,733 for the comparable period in 2013. All decreases were a result of cost costing initiatives as a result of the Company entering the CCAA process.

With regards to the amounts owing to Waterton under the Credit Facility and DIP Loan, for the nine months ended September 30, 2014, the unrealized gain on the derivative liability was \$nil as compared to an unrealized loss of \$359,793 for the nine months ended September 30, 2013, and the unrealized loss on the warrant liability was \$10,476 as compared to an unrealized gain of \$1,394,673 for the comparable period. The Credit Facility and DIP Loan are further described below under the heading "Financing, Liquidity and Capital Resources".

As a result of fluctuating commodity prices, the Company incurred a loss for the mark-to-market adjustment on provisionally priced concentrate sales in the amount of \$nil for the nine months ended September 30, 2014 compared to a loss of \$1,168,327 for the nine months ended September 30, 2013. As a result of the Company entering care and maintenance mode on June 26, 2013, the Company did not ship any further concentrates to the smelter. As at June 26, 2013, the Company had entered care and maintenance mode which is a potential indicator of impairment of the carrying amount of its non-current non-financial assets. As a result, the Company has carried out a review of the carrying amounts of the non-current non-financial assets. The Company has taken the view that mine and mill are determined to be a single cash generating unit for this purpose. In carrying out this review process, the Company has been required to make significant judgments, including the application of appropriate valuation methods, estimates and assumptions regarding mine plan tonnages and grades, commodity prices and operating costs. The remaining carrying value of property, plant, and equipment represents the Company's best estimate of aggregate recoverable value which has been determined based on fair value less costs to sell. The fair value of each significant asset was determined separately by the Company. The fair value

of the mill and related lands was determined with reference to a subsequent purchase offer. The fair value of the heavy machinery and equipment and remaining land was determined based on what similar assets were valued at, or recently sold at. Based on its review, the Company recognized a write down of property, plant and equipment for the year ended December 31, 2013 in the amount of \$17,787,362. The Company did not recognize any write down of property, plant and equipment during the nine months ended September 30, 2014 as compared to a write down of \$18,853,148 for the comparable period in 2013. Any significant negative change in the key assumptions made in determining the recoverable amount could result in an additional impairment loss.

SELECTED QUARTERLY RESULTS

The following table provides selected unaudited financial information for the most recent eight quarters. All amounts shown are stated in Canadian dollars in accordance with IFRS.

	Sep 30, 2014 (\$)	Jun 30, 2014 (\$)	Mar 31, 2014 (\$)	Dec 31, 2013 (\$)	AMENDED Sep 30, 2013 (\$)	AMENDED Jun 30, 2013 (\$)	AMENDED Mar 31, 2013 (\$)	Dec 31, 2012 (\$)
Net loss	(1,402,160)	(1,732,887)	(1,866,491)	(2,058,148)	(13,417,807)	(14,023,166)	(4,243,242)	(2,001,045)
Loss per share from continuing operations (basic and diluted)	(0.05)	(0.03)	(0.03)	(0.04)	(0.25)	(0.27)	(0.08)	(0.05)

As described above under the heading “Results of Operations and Financial Condition”, significant fluctuations between the comparative periods resulted from the increased activity pertaining to the Company’s exploration and development program at the Treasure Mountain Project until June 26, 2013 when the Company’s mine and mill were put on care and maintenance. Additional explanations for certain significant changes in the table above are as follows:

- The substantial decrease in the net loss for the quarter ended December 31, 2013 compared to the quarter ended September 30, 2013 was largely due to the Company’s mine and mill being put on care and maintenance and the resulting write down in the amount of \$7,471,898 of property, plant and equipment in the quarter ended September 30, 2013 compared to a recognized adjustment upwards of \$1,065,785 for property, plant and equipment during the quarter ended December 31, 2013. Additionally, the Company took a net charge of \$2,939,515 in the quarter ended September 30, 2013 to recognize the Company’s requirement to indemnify flow-through investors for the amount of increased tax and other costs payable by investors as a consequence of the Company failing to incur qualifying expenses previously renounced to the flow-through investors, and there was no corresponding charge recognized during the quarter ended December 31, 2013.
- The substantial increase in the net loss for the quarter ended June 30, 2013 was largely due to the Company’s mine and mill being put on care and maintenance and the related write down of property, plant and equipment in the amount of \$11,381,250, as further described under the heading “Creditor Protection and Restructuring”.

EXPLORATION AND DEVELOPMENT

Treasure Mountain Project

Since its incorporation in March, 1980, the Company has been engaged in the exploration and development of its wholly owned group of mineral tenures and leases located at Treasure Mountain in the

Similkameen Mining Division, British Columbia. In 1985, a silver rich vein was discovered on the claims and was subsequently exposed over 250 meters. It was then drill tested by shallow drilling in the summer of 1986.

Between 1987 and 1989, the Company explored the vein zone on four underground levels with 2,740m of crosscuts, drifts and raises, complemented by 1,680m of underground and 3,050m of surface drilling. Preceding the underground work, a bulk sample of 407 tonnes of select high-grade material from the surface vein showing was shipped to the Cominco and Asarco smelters for testing. The smelters found the shipments compatible with their regimes and paid a total of \$344,265 for the shipments.

From 1989 to 2010, work at the Treasure Mountain Project included four small drill programs, several geochemical soil surveys, a legal mineral tenure survey by McElhanney and various technical studies by AMEC Earth & Environmental.

In 2011, exploration at the Treasure Mountain Project included approximately 7000m of diamond drilling spread across 69 diamond drill holes, as well as 671 surface soil geochemistry samples, surface sampling, underground sampling on the upper two levels of the mine workings, a 10,000 tonne bulk sample and a small exploration cut on the East Zone 0.8 kilometres from the mine workings.

On April 26, 2012, the Company received a mining lease covering 335 hectares of the Treasure Mountain Project. The existing camp, roads, underground workings and the East Zone exploration area are all covered under this lease area.

On May 18, 2012, the Company received a British Columbia Mines Act permit approving a mine plan and reclamation program for the Treasure Mountain Project. The mine plan for the Treasure Mountain Project calls for the removal of 60,000 tonnes per year of silver/lead/zinc mill feed from the underground mine and the transfer of such material offsite for processing.

As discussed earlier in this MD&A, in connection with and as partial consideration for the DIP Loan, the Company also entered into a Royalty Agreement with Waterton, whereby the Company granted to Waterton a 2% net smelter return royalty on the production of all minerals from the Treasure Mountain property. Upon repayment in full of all amounts owed to Waterton, this royalty currently held by Waterton will be cancelled, and a new aggregate 2% net smelter return royalty on the production of all minerals from the Treasure Mountain property will be granted, on a pro rata basis, to the holders of the Debentures issued pursuant to the First Tranche of the Financing.

Merritt Mill Property

The Company purchased all of the shares of Craigmont Holdings Ltd. (now Huldra Properties Inc.) ("Huldra Properties") on May 5, 2011. Huldra Properties holds real property, mineral claims and mineral leases, covering approximately 8,400 hectares, located in south central British Columbia, approximately 10 kilometers west of Merritt, British Columbia. The Company has constructed a mill facility on the permitted site of the former copper producing mine to process the material from the Treasure Mountain Project, which is located approximately 100 kilometers away.

The Company underwent the necessary engineering and environmental work to file a permit amendment application to the existing Mines Act permit on October 31, 2011. The British Columbia Mines Act mill construction and operation permit was received on May 18, 2012.

The Company began the civil work on the Mill Property in early November 2011 which was completed in November 2012. The first concentrate shipments were made on November 22, 2012 under the previously announced concentrate purchase agreements.

From November 12, 2012 to June 26, 2013, the mill was fully staffed and had been operating 24 hours a day, 7 days a week. On June 26, 2013, the mill was put on care and maintenance. See "Creditor Protection and Restructuring".

From November 16, 2012 to June 26, 2013, the Company processed and sold the following concentrates (net of HST):

Lead/Silver - 1,103.02 dry metric tonnes for approximately US\$8,552,973
Zinc/Silver - 856.12 dry metric tonnes for approximately US\$419,190

The mark to market loss associated with these sales totaled \$1,144,902.

CURRENT STATUS OF THE TREASURE MOUNTAIN PROJECT & MERRITT MILL PROPERTY

Treasure Mountain Project and Merritt Mill Property

As a result of a combination of events including the decline in the price of silver between January and June, 2013, a further precipitous decline of over 10% in the price of silver between June 20 and 26, 2013, together with a substantial drop in the price of the Company's shares, the general uncertainty in the equity markets, the inability of the Company to raise equity or debt financing, and an unanticipated breakdown and shutdown of the mill on June 23, 2013, resulting in an interruption of the Company's cash flow, the Company was left without the working capital to continue operations. On June 26, 2013, the Company was forced to put the mine and mill on care and maintenance.

On July 26, 2013, Huldra, after careful consideration of all available alternatives, sought creditor protection under the CCAA and obtained the Initial Order from the Court. The stay of proceedings against the Company was lifted on November 21, 2014 upon the Company implementing its Restructuring Plan. The Company intends to keep its mine and mill on care and maintenance, while Huldra completes its Restructuring Plan and continues to review options for Treasure Mountain, which include reviewing merger and acquisition opportunities, future exploration and recommencing mining activity.

To date, the majority of the Company's mineral resources have been classified as inferred, whereby the economic viability of such resources cannot be determined. The removal of mill feed from the Company's Treasure Mountain Project is considered an exploration and evaluation activity, and as such, all costs associated with the removal of this mill feed are expensed as exploration costs. Currently, no value has been assigned to stockpiled mill feed as the removal is considered an exploration and evaluation activity.

Current Mineral Tenure (Claim) Holdings at the Treasure Mountain Project

The Company's claim holdings at the Treasure Mountain Project now consist of 51 mineral tenures, comprising 21 legacy claims, 100 cell units, one Crown grant and 5 district lots, for a total of approximately 2,850 hectares (7,000 acres), of which 335 hectares are now under a mining lease.

Current Mineral Tenure (Claim) Holdings at Mill Property

The Company's claim holdings at the Mill Property now consist of 20 mineral claims covering approximately 8,457 hectares (20,898 acres), 10 mineral leases covering approximately 347 hectares (858 acres), and 7 district wholly-owned freehold lots covering approximately 391 hectares (966 acres).

FINANCING, LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2014, the Company had a working capital deficiency of \$32,604,097 that included cash of \$114,200, as compared to a working capital deficiency of \$27,798,039 and cash of \$16,543 as at December 31, 2013. The increase in the working capital deficiency can be largely attributable to the

increased liabilities associated with debt obligations under the DIP Loan which increased from \$2,864,335 as at December 31, 2013 to \$5,098,632 as at September 30, 2014, with the convertible debentures which increased from \$11,335,223 as at December 31, 2013 to \$12,605,075 as at September 30, 2014, and with accounts payable and accrued liabilities which increased from \$3,785,980 as at December 31, 2013 to \$4,094,734 as at September 30, 2014.

Cash used in operating activities for the nine months ended September 30, 2014 was \$1,294,043 compared to \$3,066,187 for the nine months ended September 30, 2013. The decrease in cash used in operating activities was largely due to the changes in the working capital balances period over period.

Cash used by investing activities was \$32,482 for the nine months ended September 30, 2014 compared to \$283,653 cash provided by investing activities for the nine months ended September 30, 2013. The \$32,482 spent in the first half of 2014 was for a pump related to the Mill Property. For the nine months ended September 30, 2013, major expenditures related to costs associated with the processing facility construction at the Mill Property which was offset by proceeds received from sales related to mill commissioning.

Cash provided by financing activities was \$1,424,182 for the nine months ended September 30, 2014 compared to \$2,212,276 for the nine months ended September 30, 2013. All proceeds during the nine months ended September 30, 2014 from financing activities were in connection with tranches under the DIP Loan. During the nine months ended September 30, 2013, \$1,362,123 was provided under the DIP Loan, \$9,556,341 was provided by the issuance of convertible debentures net of issuance costs, \$1,081,857 was provided by the issuance of common shares, \$3,007,649 was used for the repayment of the Craigmont mortgage, \$6,382,424 was used for the repayment of Waterton debt obligations and \$397,972 was for payments relating to derivative liabilities.

The Company had the following major cash obligations as of September 30, 2014:

- repayment of the Credit Facility (as described below) in the amount of \$7,565,360; and
- repayment of the DIP Loan (as described below) in the amount of \$5,098,632.

As at September 30, 2014, the Company had an accumulated deficit of \$67,932,057 (December 31, 2013 - \$62,930,519) and a working capital deficiency of \$32,604,097 (December 31, 2013 - \$27,798,039) including current debt obligations of \$25,269,067 (December 31, 2013 - \$14,199,558). These factors represent a material uncertainty that cast substantial doubt about the Company's ability to continue as a going concern. The Company has raised funds pursuant to the First Tranche of the Financing as required by the Restructuring Plan in the CCAA proceedings; however, additional funds will be needed to complete the transactions contemplated by the Restructuring Plan and/or be successful in the development of the Treasure Mountain Mine and Merritt Mill. Realization values may be substantially different from carrying values as shown and the Company's consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Further, implementation and completion of the Restructuring Plan in the CCAA proceedings could materially change the carrying amounts and classifications reported in the unaudited condensed consolidated interim financial statements.

The unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2014 were prepared using IFRS, as applied by the Company prior to the filing for CCAA. While the Company and its subsidiaries have filed for and been granted creditor protection under the CCAA, these consolidated financial statements do not purport to reflect or provide for any of the consequences of the CCAA proceedings and have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. However, it is not possible to predict the outcome of the CCAA proceedings and, as such, there is substantial doubt regarding the realization of assets and discharge of liabilities. The CCAA proceedings and the DIP Loan provided the Company with a period of

time to stabilize its operations and financial condition and develop a comprehensive Restructuring Plan. Management believes that these actions make the going concern basis appropriate. However, it is not possible to predict the outcome of these proceedings and accordingly substantial doubt exists as to whether the Company will be able to continue as a going concern. Further, it is not possible to predict whether the actions taken in any restructuring will result in improvements to the financial condition of the Company sufficient to allow it to continue as a going concern. If the transactions contemplated by the Court and creditor Restructuring Plan which has been implemented are not completed and the Company fails to emerge from CCAA, the Company could be forced into bankruptcy resulting in the liquidation of its assets. Under a liquidation scenario, adjustments would be necessary to the carrying amounts and/or classification of assets and liabilities, in these consolidated financial statements. If the “going concern” assumption were not appropriate for such financial statements, then significant adjustments would be necessary in the carrying amounts and/or classification of assets and liabilities.

CONTRACTUAL COMMITMENTS

The following table summarizes the contractual maturities of the Company’s significant financial liabilities and capital commitments, including contractual obligations as of September 30, 2014:

	Total (\$)	Less than 1 year (\$)	1 – 3 years (\$)	4 - 5 years (\$)	After 5 years (\$)
Debt	25,269,067	25,269,067	nil	nil	nil
Finance Lease Obligations	nil	Nil	nil	nil	nil
Operating Leases	nil	Nil	nil	nil	nil
Accounts payable and liabilities	4,094,733	4,094,733	nil	nil	nil
Other Obligations	nil	Nil	nil	nil	nil
Total Contractual Obligations	29,363,800	29,363,800	nil	nil	nil

Please refer to the discussion in the section titled “Plan of Arrangement and Compromise” in regards to the settlement of certain contractual commitments referenced in the table above.

Waterton Credit Facility

On June 16, 2011, the Company entered into a credit agreement (the “Credit Agreement”) with Waterton pursuant to which Waterton agreed to make a \$10,000,000 Credit Facility available to the Company, which could be drawn down, at the Company’s option, in up to four advances. The Company drew down the first advance of \$3,000,000 on June 17, 2011, the second advance of \$2,000,000 on July 28, 2011, the third advance of \$2,500,000 on January 17, 2012, and the fourth advance of \$2,500,000 on May 23, 2012. In connection with the fourth drawdown, the Company paid Waterton a structuring fee of \$25,000 and issued 1,000,000 share purchase warrants, each entitling Waterton to purchase one common share of the Company at a price of \$1.30 per share until May 22, 2017. The Company also paid Bayfront Capital a placement fee consisting of a cash payment of \$25,000 (being 1% of the principal amount of the fourth advance) and the issuance of 38,462 common shares of the Company at a deemed issue price of \$1.30 per share.

A full description of the original terms of the Credit Agreement and the Credit Facility are contained in the Company’s Management’s Discussion and Analysis for the year ended December 31, 2011.

On May 16, 2012, the Company entered into an amending agreement with Waterton pursuant to which it amended the terms of the Credit Agreement. Under the terms of this amending agreement, Waterton agreed to extend the first repayment date under the Credit Facility from May 31, 2012 to July 31, 2012, with the maturity date for the Credit Facility remaining as April 30, 2013. The amending agreement also

amended the conditions necessary for drawdown of the fourth advance of the Credit Facility such that the Company was entitled to drawdown the fourth advance immediately, as the Company had received a Mining Lease and a British Columbia Mines Act permit approving a mine plan and reclamation program for the Treasure Mountain Project, along with an amended permit approving construction and operation of a process plant at the Mill Property. In consideration of the foregoing, the Company increased the number of warrants to be issued to Waterton in connection with the drawdown of the fourth advance from 650,000 warrants to 1,000,000 warrants. The terms of the warrants were also amended so that they would have an exercise price of \$1.30 throughout the term of the warrant.

On July 30, 2012, the Company entered into a second amending agreement with Waterton pursuant to which it further amended the terms of the Credit Agreement. Under the terms of this amending agreement, Waterton agreed to amend the repayment terms of the Credit Agreement such that the repayment amount owing on July 31, 2012 was \$nil, effectively resulting in the first repayment date under the Credit Agreement being the last business day of August 2012, with the maturity date remaining as April 30, 2013. The amending agreement also reduced the amounts of the payments due in August and September 2012 by over fifty percent, however this resulted in an increase in the repayment terms starting October 31, 2012. In consideration for the amendments, the Company (i) issued 180,000 common shares of the Company to Waterton; and (ii) agreed to pay to Waterton a \$200,000 cash payment on the last day of the Repayment Period (as defined in the Credit Agreement).

On October 24, 2012, the Company entered into a third amending agreement with Waterton pursuant to which it further amended the terms of the Credit Agreement. Under the terms of this amending agreement, the repayment term for the payments to be made between October 31, 2012 and April 30, 2013 were amended so that the October 31, 2012 and November 30, 2012 repayment amounts were each reduced by \$887,607 with such reduction resulting in a corresponding increase in the March 29, 2013 and April 30, 2013 repayment amounts. The silver adjustment provision was also amended so that the amount payable on each repayment date continued to be based on the debt repayment amount for that date. In consideration for these amendments, the Company agreed to pay Waterton an additional \$300,000 cash payment on April 30, 2013 which has been added to the final principal payment amount of the Credit Facility. In addition, the Company entered into a concentrate off-take financing agreement with Waterton whereby Waterton would finance the sales of the concentrate under terms and conditions acceptable to Waterton, acting reasonably.

On January 29, 2013, the Company entered into a fourth amending agreement with Waterton pursuant to which it further amended the terms of the Credit Agreement. Under the terms of this amending agreement, Waterton agreed to amend the repayment terms of the Credit Agreement such that the maturity date was extended from April 2013 to November 2013 and the repayment amounts, other than for January 2013, were reduced accordingly. As consideration for the amendment, the Company agreed to pay a restructuring fee of \$125,000 per month for the remainder of the term subject to a minimum restructuring fee of \$750,000. Additionally, the calculation for the silver adjustment provision payable formula was changed so that the amount payable is based on the higher of the settlement price per ounce of silver on the business day preceding the repayment date or \$32.00 per ounce. Prior to this amendment, the calculation for the silver adjustment provision payable formula required the settlement price per ounce of silver on the business day immediately preceding the repayment date to be at a minimum of \$27.50 per ounce in order to trigger a silver adjustment provision amount payable and the maximum amount payable in the formula was based on \$34.00 per ounce.

On June 28, 2013, the Company entered into a fifth amending agreement (Waiver of Default) with Waterton pursuant to which the Company and Waterton agreed to eliminate all monthly payment obligations and delay the payment of all obligations under the Credit Facility until October 31, 2013.

On July 8, 2013, the Company received an additional advance of \$500,000 under its debt facility with Waterton. The advance was a further advance under and was subject to the terms of the Credit Agreement, bore interest at 5% per annum, calculated and payable on maturity, and was due on the earlier of the date of demand by Waterton, the date that Waterton provides a new loan to the Company or October 31, 2013. The amount to be repaid will also be subject to a silver adjustment provision similar to

the provision contained in the Credit Agreement, unless Waterton provides a new loan to the Company, in which case the amount to be repaid will only be principal plus interest. In consideration for the advance, the Company paid a restructuring fee of \$10,000. This advance was repaid on August 16, 2013 from the proceeds of the first tranche of the DIP Loan.

The amounts owed to Waterton under the Plan have been settled in part by the issuance of the Waterton Settlement Shares. The remaining amounts owed to Waterton under the Plan and DIP Loan will be settled in accordance with the Settlement Agreement. See "Creditor Protection and Restructuring".

Impact of CCAA Proceedings

The CCAA proceedings have triggered defaults under substantially all debt and lease obligations of the Applicants, including debt owing under various financial arrangements with Waterton. The Initial Order generally stayed actions against the Applicants, including steps to collect indebtedness incurred by the Applicants prior to the Filing Date, actions to exercise control over the Applicants' property and actions for breach of contractual or other obligations, subject to certain exceptions described below. Under the terms of the Initial Order, Waterton was unaffected by the stay of proceedings imposed by the Initial Order and was entitled to demand payment of advances under the DIP Facility provided by Waterton in accordance with the Initial Order and all other secured indebtedness of Huldra owing to Waterton upon notice to Huldra following the occurrence of an event of default under the DIP Loan.

On November 21, 2014, upon implementation of the Restructuring Plan, the stay of proceedings against the Company was lifted and the Company exited creditor protection under the CCAA. The settlement of all amounts owed to Waterton, including pre-Filing Date debt and the DIP Loan are expected to be completed by the Company in accordance with the Settlement Agreement and the Plan. A portion of these amounts has already been settled by the issuance of the Waterton Settlement Shares and by the payment of the first installment of the Waterton Settlement Amount. See "Creditor Protection and Restructuring".

Waterton Debtor-in-Possession Credit Facility

In order to provide Huldra with access to the funds needed to conduct its business during the period of the CCAA proceedings, Huldra obtained the DIP Loan from Waterton pursuant to the DIP Credit Agreement. The DIP Loan was authorized by the Initial Order of the Court pursuant to the proceedings under the CCAA.

Under the terms of the DIP Credit Agreement, the DIP Loan was to be advanced by Waterton by way of a First Advance, which was to be advanced in several tranches, of up to \$2,300,000 in aggregate and a Second Advance (at Waterton's sole absolute discretion) of up to \$2,500,000 in aggregate upon receipt by Waterton of the Plan that is satisfactory to Waterton and its advisors, all on the terms and conditions set out in the DIP Credit Agreement. The Company agreed to repay the DIP Loan in full as follows: if the First Advance (but not the Second Advance) is advanced, then on the date which is four months after the date the First Advance is advanced by Waterton to the Company under the DIP Credit Agreement; and if both Advances are advanced, then in accordance with an amortized repayment schedule to be determined by Waterton which reasonably corresponds to the Plan. Each tranche of each Advance was subject to a number of conditions as set out in the DIP Credit Agreement. Waterton advised the Company that it will not fund any amounts under the Second Advance. Accordingly, all amounts advanced under the First Advance were due on December 16, 2013 subject to extensions or waivers as may be agreed to by Waterton and the Company from time to time.

On August 16, 2013, under the first tranche of the First Advance, the Company drew down \$1,189,024, of which \$502,671 was used to re-pay the principal and interest owed to Waterton pursuant to a \$500,000 promissory note dated July 8, 2013, \$115,000 of which was used to pay the costs and expenses of Waterton pursuant to the DIP Credit Agreement, and the balance of \$571,353 was advanced to the Company. The DIP Loan proceeds of the first tranche was used, with the concurrence of the Monitor, to

continue its care and maintenance program at its mine and mill while attempting to restructure its financial affairs.

Subsequently, the Company received the advances under the DIP Loan in the amounts set forth below: **I**

Tranche Number	Date of Advance	Amount of Advance⁽¹⁾
2	September 17, 2013	\$347,698
3	October 29, 2013	\$250,000
4	December 6, 2013	\$200,000
5	December 31, 2013	\$34,414
6	January 10, 2014	\$180,000
7	January 28, 2014	\$112,285
8	February 11, 2014	\$97,742
9	February 24, 2014	\$110,513
10	March 11, 2014	\$165,000
11	March 28, 2014	\$75,000
12	April 9, 2014	\$154,590
13	April 24, 2014	\$127,604
14	May 13, 2014	\$183,671
15	June 27, 2014	\$218,295
16	July 11, 2014	\$145,753

⁽¹⁾ Amounts are rounded to the nearest dollar.

The proceeds of these advances have allowed the Company to continue its care and maintenance program at its mine and mill while attempting to restructure its financial affairs. On July 23, 2014, the Company repaid \$146,013 towards repayment of the DIP Loan.

Any advances under the DIP Loan were repayable in an amount in cash equal to the aggregate of the following payments: (a) the amount arrived at when (i) dividing the amount being repaid by 76.5% of the spot price of silver on the business day immediately preceding such repayment date and (ii) multiplying the result thereof by such spot price; and (b) the Profit Participation Amount (as calculated pursuant to the DIP Credit Agreement) relating to such repayment date.

In connection with and as partial consideration for the DIP Loan, the Company also entered into a Royalty Agreement with Waterton, whereby the Company granted to Waterton a 2% net smelter return royalty on the production of all minerals from the Treasure Mountain Property (the "Royalty").

Subsequent to September 30, 2014, the Company entered into the Settlement Agreement with Waterton, whereby the parties agreed to settle all amounts owed to Waterton including under the DIP Loan. See "Creditor Protection and Restructuring".

RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2014 and 2013, the Company incurred the following expenditures to related parties:

	Nine Months Ended September 30	
	2014 (\$)	2013 (\$)
Management fees paid to a former director and a company controlled by a former director ⁽¹⁾	–	72,000
Consulting fees paid or accrued to directors ⁽²⁾	270,000	150,000
Office rental payments made to a company controlled by a former director ⁽³⁾	–	20,000
Office and general expenses paid or accrued to a director of the Company ⁽⁴⁾	–	720

- (1) The Company paid a company controlled by Ryan Sharp, the Company's former President, former Chief Executive Officer and former director, \$8,000 per month pursuant to a consulting agreement for provision of services as President and Chief Executive Officer of the Company. Mr. Sharp resigned as a director and officer of the Company effective July 26, 2013.
- (2) The Company paid Magnus Bratlien, a director of the Company, a consulting fee of \$2,000 per month until February 28, 2013 pursuant to an unwritten agreement for provision of services as a director. Until June 2012, this consulting fee was \$1,000 per month. The Company paid Garth Braun, Chief Financial Officer and director of the Company, a consulting fee of \$8,000 per month effective April 1, 2013 plus an additional \$24,000 related to consulting with respect to legal matters. Effective July 1, 2013, Garth Braun, Chief Financial Officer and director of the Company and Peter Espig, Interim Chief Executive Officer and director of the Company are paid a consulting fee of \$15,000 per month. There are no formal agreements for either director.
- (3) The Company paid rent in the amount of \$2,500 per month for January 2013 through to August 2013 for the leasing of the Company's corporate headquarters, which lease is in the name of a company controlled by Ryan Sharp. Mr. Sharp resigned as a director and officer of the Company effective July 26, 2013. Effective September 2013 office rental payments are paid directly to the landlord.
- (4) The Company provided Mr. Bratlien with \$120 per month until February 28, 2013 for miscellaneous office and general expenses related to the operation of a home office.

All related party transactions are in the normal course of business and are measured at the exchange amount.

OUTSTANDING SHARE DATA

Effective July 17, 2014, the Company completed a consolidation of its outstanding shares on the basis of one (1) post-consolidation share for two (2) pre-consolidation shares.

- Authorized and issued share capital as at November 28, 2014:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	420,967,789

- As at November 28, 2014, there were 1,157,500 stock options outstanding.
- As at November 28, 2014, there were 4,435,971 warrants outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements which may affect its current or future operations or conditions.

CHANGES IN ACCOUNTING POLICIES

The following is an overview of accounting standard changes the Company will be required to adopt in future years. The Company will not adopt any of these standards before their effective dates. The adoption of these standards is not expected to have a material impact on the Company's consolidated financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 9 – Financial Instruments Disclosure

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held with a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payment of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investment are measured at their fair values at the end of subsequent accounting periods.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive earnings (loss).

IFRS 9 amendments are tentatively effective for annual periods beginning on or after January 1, 2018. The Company will continue to evaluate the impact of this standard on its consolidated financial statements.

FINANCIAL INSTRUMENTS

Fair Value

The Company records certain of its financial instruments at fair value using various techniques. These include estimates of fair values based on prevailing market prices (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal and external valuation models, such as discounted cash flow analyses, using, to the extent possible, observable market-based inputs.

The financial instruments have been characterized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

Level 1 – quoted prices in active markets for identical instruments.

Level 2 – quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company has categorized the Waterton derivative liabilities, and the warrant liability as Level 3 on the fair value hierarchy. The Company has also categorized the debtor-in-possession derivative liabilities as Level 3 on the fair value hierarchy. The accounts receivable from concentrate sales is categorized as Level 2 on the fair value hierarchy.

The Company estimated the fair value of the warrant liability relating to the warrants issued to Waterton for the first and third advances under the Credit Facility as at December 31, 2013 using the Black-Scholes model with the following assumptions:

Share Price	\$0.03
Exercise Price	\$1.21 or \$1.28 as applicable
Risk Free Rate	0.00%
Discount Rate	1.90%
Expected Life	2.46 years or 3.04 years as applicable

The Company estimated the fair value of the warrant liability relating to the warrants issued to Waterton for the first and third advances under the Credit Facility as at September 30, 2014 using the Black-Scholes model with the following assumptions:

Share Price	\$0.07
Exercise Price	\$2.42 or \$2.56 as applicable
Risk Free Rate	0.00%
Discount Rate	1.66%
Expected Life	1.71 years or 2.29 years as applicable

The following tables present the changes in the fair value of the Company's Level 3 financial instruments that are carried at fair value during the periods ended September 30, 2014 and December 31, 2013:

	Liability at December 31, 2013	Profit Participation Amounts	Mark to Market (gain) loss	Liability at September 30, 2014
Waterton derivative liability	\$ -	\$ -	\$ -	-
Warrant liability	\$ 5,763	\$ -	\$ 10,476	\$16,239
	<u>\$ 5,763</u>	<u>\$ -</u>	<u>\$ 10,476</u>	<u>\$16,239</u>

	Liability at December 31, 2012	Profit Participation Amounts	Mark to Market (gain) loss	Liability at December 31, 2013
Waterton derivative liability	\$ 406,260	\$ (766,053)	\$ 359,793	-
Warrant liability	\$1,422,005	\$ -	\$ (1,416,242)	\$5,763
	<u>\$1,828,265</u>	<u>\$ (766,053)</u>	<u>\$ (1,056,449)</u>	<u>\$5,763</u>

Risk Exposure and Management

Overview

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal financial risks to which the Company is exposed are credit risk, liquidity risk, metal price risk, and currency risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the balance sheet date under its financial instruments is approximately \$0.2 million.

All of the Company's cash is held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are primarily receivables. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the parties from whom the receivables are due, including government organizations.

Liquidity Risk

Liquidity is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations as well as care and maintenance, and if warranted, the exploration and development of its Treasure Mountain property.

There is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has a significant working capital deficiency, no history of profitable operations and no assurance that additional funding will be available to it for further exploration and development of the Treasure Mountain property. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly. Failure to obtain additional financing or complete the Restructuring Plan under the CCAA proceeding could result in the delay or indefinite postponement of further exploration and development of the Treasure Mountain property or the loss or substantial dilution of any of its property interests.

Metal Price Risk

Metal price risk is the risk that changes in metal prices will affect the Company's income or the value of its related financial instruments. The Company had sales of silver, lead, and zinc where the value of such sales is dependent on metal prices that have shown significant volatility and are beyond the Company's control.

Foreign Exchange Rate Risk

Since the Company's sales of concentrate are denominated in U.S. dollars and the Company's operating costs are denominated primarily in Canadian dollars, the Company is negatively impacted by the strengthening of the Canadian dollar relative to the U.S. dollar and positively impacted by the inverse.

The following is a summary of the maturities for the Company's non-derivative financial liabilities as at September 30, 2014:

	Less than 30 days (\$)	30 days to 1 year (\$)	1 year to 2 years (\$)	More than 2 years (\$)
Accounts Payable and Accrued Liabilities	3,831,423	263,311	Nil	nil
Waterton Debt Obligation	Nil	7,565,360	Nil	nil
Waterton DIP Loan	Nil	5,098,632	Nil	nil
Convertible Debentures	Nil	12,605,075	Nil	nil
TOTAL:	3,831,423	25,532,378	Nil	nil

OTHER INFORMATION

This MD&A of the financial position and results of operations of the Company is dated as of November 28, 2014 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2014. Additional information relating to the Company, including the Company's Annual Information Form, can be accessed through the Company's public filings on SEDAR at www.sedar.com.

The Company's website address is www.huldrasilver.com.