HULDRA SILVER INC.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

Notice of disclosure of non-auditor review of interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying condensed consolidated interim financial statements of the Company for the period ended March 31, 2015 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or review of these condensed consolidated interim financial statements.

HULDRA SILVER INC.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

	Note	March 31, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents		$ 447,385	$ 2,471,960
Amounts receivable	4	42,253	58,769
Prepaid expenses and other assets		148,200	166,877
		637,838	**2,697,606**
Non-current assets			
Property, plant and equipment	5, 7	6,396,377	6,485,525
Mineral interests	6	3	3
Restricted cash	9	1,205,100	1,135,100
Total assets		**$ 8,239,318**	**$ 10,318,234**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 588,390	$ 678,877
Secured creditors payable	10, 20	1,883,361	1,879,049
Warrant liability	10, 17	568	7,995
Debtor-in-possession debt obligation	10	719,163	2,222,748
Flow-through obligation	18	3,546,685	3,508,827
		6,738,167	**8,297,496**
Non-current liabilities			
Asset retirement obligation	8	1,405,100	1,405,100
Secured convertible debenture	12	5,391,488	5,096,756
Total liabilities		**13,534,755**	**14,799,352**
Equity			
Shareholders' deficiency			
Share capital	14	58,503,161	59,403,161
Warrants	12	1,213,184	1,213,184
Equity component of convertible debentures	11, 14	325,038	325,038
Contributed surplus		5,977,053	5,977,053
Accumulated deficit		(71,313,873)	(71,399,554)
Total deficiency		**(5,295,437)**	**(4,481,118)**
Total liabilities and shareholders' deficiency		**$ 8,239,318**	**$ 10,318,234**

Peter Espig (signed) Director ***Frank Hogel (signed)*** Director

Nature of operations, creditor protection and going concern (Note 1)
Subsequent events (Note 21)

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

HULDRA SILVER INC.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Unaudited)
(Expressed in Canadian dollars)

	Note	Three Months Ended March 31 2015	2014
Operating Expenses			
Exploration costs	6	$ 271,823	$ 621,047
Salaries and benefits		57,943	65,600
Professional fees		66,025	68,847
Consulting fees	16	90,685	120,620
Office and general		19,601	4,183
Travel		5,809	8,661
Regulatory and transfer agent fees		22,994	6,560
Rent	16	10,451	10,451
Operating Loss Before Other Items		(545,331)	(905,969)
Other Items			
Loss on disposal of property, plant & equipment	5	(9,835)	-
Gravel sales		15,935	-
Finance costs	13	(352,515)	(942,818)
CMJV claim	20	70,000	-
Unrealized gain (loss) on warrant liability	17	7,427	(17,704)
Net Loss and Comprehensive Loss for the period		(814,319)	(1,866,491)
Net Loss Per Share – Basic and Diluted		$ 0.00	$ (0.05)
Weighted Average Number of Common Shares Outstanding		414,233,186	27,729,211

Loss per common share has been calculated as if the consolidation of share capital of July 17, 2014 (Note 14a) had been in place for all years reported.

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

HULDRA SILVER INC.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

	Three Months Ended March 31	
	2015	**2014**
Operating Activities		
Net loss for the period	$ (814,319)	$ (1,866,491)
Adjustments for:		
Loss on disposal of property, plant & equipment	9,835	—
Depreciation	58,763	75,858
Non-cash interest expense	357,422	944,567
Unrealized (gain) loss on warrant liability	(7,427)	17,704
CMJV claim	(70,000)	—
Changes in non-cash working capital items		
Amounts receivable	16,517	(6,338)
Prepaid expenses and other assets	18,677	499
Accounts payable and accrued liabilities	(93,223)	136,938
Cash and Cash Equivalents Used in Operating Activities	(523,755)	(697,263)
Investing Activities		
Disposal of property, plant, and equipment	20,550	—
Purchase of property, plant, and equipment	—	(32,482)
Cash and Cash Equivalents Provided by (used in) Investing Activities	20,550	(32,482)
Financing Activities		
Proceeds from debtor-in-possession loan, net of cash borrowing costs	—	740,540
Repayment of debtor-in-possession loan	(1,521,370)	—
Cash and Cash Equivalents Provided by Financing Activities	(1,521,370)	740,540
Net change in cash and cash equivalents for the period	(2,024,575)	10,795
Cash and cash equivalents, beginning of period	2,471,960	16,543
Cash and cash equivalents, end of period	$ 447,385	$ 27,338

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

HULDRA SILVER INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
(Unaudited)
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Warrants	Equity Component of Convertible Debentures	Contributed Surplus	Accumulated Deficit	Total Equity (Deficiency)
Balance, January 1, 2014	**55,458,394**	**$39,741,231**	**$ -**	**$ 325,038**	**$5,956,475**	**($62,930,519)**	**($16,907,775)**
Net loss for the period	-	-	-	-	-	(1,866,491)	(1,866,491)
Balance, March 31, 2014	**55,458,394**	**$39,741,231**	**$ -**	**$325,038**	**$5,956,475**	**($64,797,010)**	**($18,774,266)**
Balance, January 1, 2015	**421,033,186**	**$59,403,161**	**$1,213,184**	**$325,038**	**$5,977,053**	**($71,399,554)**	**($4,481,118)**
Shares cancelled	(18,000,000)	(900,000)	-	-	-	900,000	-
Net loss for the period	-	-	-	-	-	(814,319)	(814,319)
Balance, March 31, 2015	**403,033,186**	**$58,503,161**	**$1,213,184**	**$325,038**	**$5,977,053**	**($71,313,873)**	**($5,295,437)**

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

1. NATURE OF OPERATIONS, CREDITOR PROTECTION AND GOING CONCERN

Huldra Silver Inc. (the "Company" or "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. The Company's head office is located at # 610 - 837 West Hastings Street, Vancouver, B.C. Huldra is a publicly listed company incorporated under the Business Corporations Act of British Columbia. The Company is listed on the TSX Venture Exchange (the "TSX-V") and its common shares trade under the symbol "HDA.V".

On July 26, 2013, Huldra sought creditor protection under the Companies' Creditors Arrangement Act (the "CCAA") and obtained a stay order (the "Initial Order") from the British Columbia Supreme Court (the "Court"). 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"). Grant Thornton LLP (the "Monitor") was appointed by the Court as monitor in the proceedings and is 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 24, 2014. The Company developed a Plan of Compromise and Restructuring dated August 8, 2014 (the "Plan" or the "Restructuring Plan") which set out the terms and conditions for the settlement of the proven claims of affected creditors under the CCAA proceedings. The Plan was approved by the affected creditors of the Applicants on September 23, 2014 and by the Court on October 10, 2014. On November 21, 2014, the Company implemented the Plan and the stay of proceedings against the Applicants and their property was lifted (Note 20). Upon implementation, the Plan is binding and effective on all persons affected by the Plan.

As at March 31, 2015, the Company had an accumulated deficit of $71,313,873 (December 31, 2014 - $71,399,554) and a working capital deficiency of $6,100,329 (December 31, 2014 - $5,599,890). These factors represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. In order to continue operations, the Company will be required to raise funds through the issuance of equity or debt, or be successful recommencing operations at the Treasure Mountain Project and Merritt Mill. Realization values may be substantially different from carrying values as shown and the Company's unaudited 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.

The unaudited condensed consolidated interim financial statements for the three months ended March 31, 2015 were prepared using International Financial Reporting Standards ("IFRS"), as applied by the Company prior to the filing for CCAA. While the Applicants filed for and were granted creditor protection, these condensed consolidated interim 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. The Company continues to have significant payment obligations under the Plan.

Management believes that these actions continue to make the going concern basis appropriate. However, it is not possible to predict whether the Company will be able to raise the working capital required to satisfy the remaining payment obligations under the Plan, or recommence operations at the Treasure Mountain Project and the Merritt Mill 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 the 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 satisfy the remaining payment obligations under the Plan or recommence operations, the Company could be forced into bankruptcy and result in the liquidation of all of the Company's assets.

1. NATURE OF OPERATIONS, CREDITOR PROTECTION AND GOING CONCERN (cont'd)

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.

2. BASIS OF PRESENTATION

a) Statement of compliance with International Financial Reporting Standards

These unaudited condensed consolidated interim financial statements of Huldra have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting on a basis consistent with the accounting policies disclosed in Note 3.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2014 prepared in accordance with IFRS.

These unaudited condensed consolidated interim financial statements have been authorized for release by the Company's Board of Directors on May 19, 2015.

b) Basis of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Huldra Holdings Inc. (formerly 0906262 B.C. Ltd.), ("Huldra Holdings"), 0913103 B.C. Ltd., Huldra Properties Inc. (formerly Craigmont Holdings Ltd.), and Thule Copper Corporation. All inter-company balances and transactions are eliminated on consolidation.

c) Basis of Measurement

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's and all its subsidiaries functional currency and have been prepared on a historical cost basis, except for the warrant liability, which is carried at fair value.

d) Use of Estimates and Judgments

The preparation of the unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments and estimates which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. The judgments that have the most significant effect on the amounts recognized in the Company's unaudited condensed consolidated interim financial statements are as follows:

i) <u>Determination that the Company is in the exploration stage</u>

As at the period ended March 31, 2015, a majority of the Company's mineral resources are inferred whereby the economic viability of such resources cannot be determined. Accordingly, the removal of mill feed from the Company's Treasure Mountain mine was considered exploration and evaluation activity, and as such, all costs associated with the removal of this mill feed are expensed as exploration costs.

ii) <u>Impairment</u>

As of June 26, 2013, the Company put its mine and mill on care and maintenance. In the preparation of these unaudited condensed consolidated interim financial statements, certain indicators of potential impairment were identified, and a review of the carrying amounts of non-current non-financial assets has been carried out as a result. See Note 7 for details on the significant judgments, estimates and assumptions applied in carrying out this review.

2. BASIS OF PRESENTATION (cont'd)

iii) Commencement of commercial production

During the commissioning of the Company's mill, costs incurred are capitalized as property, plant and equipment, and any consideration from commissioning sales are offset against costs capitalized. The Company announced that as of March 26, 2013, it had achieved commercial production of the mill based on the then current production levels. On June 26, 2013, the Company's mill operations were placed on care and maintenance.

The significant areas requiring the use of management estimates relate to the estimated metal contained in the Company's concentrate shipments, the estimated provisional pricing, the assumptions used in assigning value to the land, permits, and mineral rights acquired upon the acquisition of Craigmont Holdings Ltd., the valuation of the warrants issued to Waterton, the estimated useful lives of the mineral interest and milling and other permits, the estimate of the asset retirement obligation, the estimate of flow-through obligations, and the assumptions used in determining the fair value of share based compensation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit with banks, and highly liquid short term interest bearing investments which are subject to an insignificant risk of change in value. Cash and cash equivalents consists of cash of $447,385 at March 31, 2015 (December 31, 2014 - $971,960) and a cashable guaranteed investment certificate of $nil at March 31, 2015 (December 31, 2014 - $1,500,000).

b) Restricted Cash

Cash is considered to be restricted as it is subject to rights of a government agency.

c) Property, Plant and Equipment

On initial recognition, property, plant and equipment ("PPE") are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

PPE is subsequently stated at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations and comprehensive loss during the financial period in which they are incurred.

The Company allocates the amount initially recognized in respect of an item of PPE to its significant parts and depreciates separately each part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized within operating expenses in the statement of operations and comprehensive income (loss). During the period, no depreciation was recognized on the mill or milling permits.

PPE are depreciated using the following methods:

Automotive equipment	30% declining balance
Camp and other site infrastructure	5 years straight line
Furniture and office equipment	20% declining balance
Computers	20% declining balance
Heavy machinery and equipment	5 years straight-line

d) Impairment of Non-financial Assets

At the date of each statement of financial position, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of operations and comprehensive income (loss) for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of operations and comprehensive income (loss).

e) Mineral Interests

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition and site restoration are capitalized by project, net of recoveries received. The amounts shown as mineral interests represent costs incurred to date less amounts written off, and do not necessarily represent present or future values. These costs will be amortized against revenue from future production or written off if the interest is abandoned or sold. The ultimate recoverability of amounts capitalized for mineral interests is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete development and realize profitable production or proceeds from the disposition thereof.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Management's estimates of recoverability of the Company's investment in various mineral interests have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

f) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures ("E&E") excluding mineral interest acquisition and site restoration costs are charged to the statement of operations and comprehensive loss as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized. Any recoveries received that relate to exploration costs are recorded as a recovery of such costs.

g) Financial Instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets

Financial assets are classified into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss. The Company classifies cash and cash equivalents and restricted cash as fair value though profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. They are carried at amortized cost using the effective interest rate method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company's amounts receivable are included in this category of financial assets.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive loss. At March 31, 2015, the Company has not classified any financial assets as held-to-maturity investments.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Available-for-sale investments - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized as other comprehensive income and classified as a component of equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations and comprehensive loss. When financial assets classified as available-for-sale are sold, the accumulated fair-value adjustments recognized in other comprehensive income are included in the statement of operations and comprehensive loss. At March 31, 2015, the Company has not classified any financial assets as available-for-sale.

All financial assets except for those classified as fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss. At March 31, 2015, the Company has classified the warrant liability associated with the Waterton debt in this category.

Other financial liabilities - This category includes accounts payable and accrued liabilities, secured creditors payable, DIP Loan obligation, convertible debentures, secured convertible debentures and flow-through obligation, all of which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of operations and comprehensive losses immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

h) Share Capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds.

i) Share-based Payments

The Company has a stock option plan (the "Stock Option Plan") that is described in Note 15a). The Stock Option Plan allows directors, officers, employees and consultants of the Company to acquire shares of the Company. The fair value of stock options granted is recognized as an employee or consultant expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Options issued to Employees and others providing similar services

The fair value of employee stock options are measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the stock options vest. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the stock option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the stock option.

Options issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services cannot be estimated reliably, the stock options are measured by determining the fair value of the stock options granted, using a Black-Scholes option pricing model.

j) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also directly recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided for using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent it becomes probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset, and they relate to the income taxes levied by the same tax authority and the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and tax liabilities will be realized simultaneously.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

k) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as finance costs in the statement of operations and comprehensive loss.

l) Asset Retirement Obligation

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period in which the obligation is incurred. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and the tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The present value of decommissioning and site restoration costs are recorded as a non-current liability. The provision is discounted using a real, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. In subsequent periods, the carrying amount of the liability is accreted by a charge to the statement of operations and comprehensive loss to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date the cost is charged to the statement of operations and comprehensive loss.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against the statement of operations and comprehensive loss as extraction progresses.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m) Flow-Through Shares

Current Canadian tax legislation permits mining entities to issue flow-through shares to investors. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by investors instead of the entity. The issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The tax deduction is measured as the difference between the current market price of the Company's common shares and the issue price of the flow-through shares. Upon incurring and renouncing eligible resource exploration and evaluation expenditures, the Company recognizes the sale of tax deductions as a flow-through share premium on the statement of operations and comprehensive loss and reduces the liability.

n) Flow-Through obligation

Flow-through obligations are comprised of the Company's various tax penalties and indemnification liabilities relating to the deficiencies in incurring on a timely basis the appropriate amount of qualifying exploration expenditures required related to past flow-through share issuances. The Company may also be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made required exploration expenditures.

Flow-through obligations have been created based on the Company's internal estimates of the maximum tax penalties and indemnification liabilities the Company could be subject to. Assumptions, based on the current tax regulations, have been made which management believes are a reasonable basis upon which to estimate the future liability.

o) Loss per Share

Basic and diluted loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share does not adjust the loss attributable to common shareholders when the effect is anti-dilutive.

As the Company incurred net losses for all periods presented, the stock options and share purchase warrants, as disclosed in Notes 16 and 15 respectively, were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive

p) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations.

q) Operating Segments

The Company operates in one segment being the exploration and development of its mineral exploration properties. All of the Company's assets are located in Canada.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

r) New Standards, Amendments and Interpretation not yet effective

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 unaudited condensed consolidated interim 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 of 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 (income) 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 unaudited condensed consolidated interim financial statements.

4. AMOUNTS RECEIVABLE

	March 31, 2015	December 31, 2014
Other receivables	$ 31,191	$ 29,330
HST receivable (net)	11,062	29,439
	$ 42,253	**$ 58,769**

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Permits $	Camp and Other Site Infrastructure $	Mill Feed Processing Mill & Construction $	Heavy Machinery and Equipment $	Computers $	Furniture and Office Equipment $	TOTAL $
Cost							
Balance at January 1, 2014	7,082,110	242,268	2,645,689	1,306,036	46,916	4,731	11,327,750
Additions	—	—	—	32,482	—	—	32,482
Write-downs	(1,772,110)	(242,268)	(1,904,714)	(214,808)	(33,478)	—	(4,167,378)
Balance at December 31, 2014	5,310,000	—	740,975	1,123,710	13,438	4,731	7,192,854
Disposals	—	—	—	(116,960)	—	—	(116,690)
Balance at March 31, 2015	5,310,000	—	740,975	1,006,750	13,438	4,731	7,075,894
Accumulated Depreciation							
Balance at January 1, 2014	—	107,851	—	610,526	13,433	2,213	734,023
Depreciation for the year	—	36,404	—	260,612	6,212	468	303,696
Write-downs	—	(144,255)	—	(172,628)	(13,507)	—	(330,390)
Balance at December 31, 2014	—	—	—	698,510	6,138	2,681	707,329
Depreciation for the year	—	—	—	58,296	365	102	58,763
Disposals	—	—	—	(86,575)	—	—	(86,575)
Balance at March 31, 2015	—	—	—	670,231	6,503	2,783	679,517
Carrying Amounts							
At January 1, 2014	7,082,110	134,417	2,645,689	695,510	33,483	2,518	10,593,727
At December 31, 2014	5,310,000	—	740,975	425,200	7,300	2,050	6,485,525
At March 31, 2015	5,310,000	—	740,975	336,519	6,935	1,948	6,396,377

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

On May 5, 2011, the Company completed the definitive strategic acquisition agreement dated March 30, 2011 with Craigmont Holdings Ltd. ("Craigmont") and a wholly owned subsidiary of the Company whereby the Company acquired 100% of the shares of Craigmont. The Company paid the vendors consideration consisting of cash of $500,000, the issuance of 372,000 shares of the Company with a value of $500,000 and the granting of a non-interest bearing vendor mortgage where $3,000,000 was payable on January 31, 2012 and $3,100,000 (net of estimated environmental remediation costs of $900,000) was payable on January 31, 2013. Because the vendor mortgage was non-interest bearing, the Company discounted the repayment amounts at a discount rate of 14%, such that the amount recorded for the mortgage on the date of the transaction was $5,164,724. This value has been accreted to face value and capitalized as a borrowing cost relating to the acquisition of the assets acquired at a rate of 14% over the term of the mortgage. During the year ended December 31, 2014, $nil (2013 - $39,526) of interest on this mortgage has been capitalized.

On January 31, 2012, the repayment terms of the vendor mortgage were amended whereby the first installment of $800,000 was paid on January 31, 2012 and the second installment of $2,200,000 was paid in two payments of $500,000 on May 24, 2012 and $1,700,000 on June 29, 2012.

On February 12, 2013, the Company entered into a second amending agreement whereby the final payment was extended and made in three equal payments as follows: $1,000,000 on or prior to February 12, 2013; $1,000,000 on or prior to February 28, 2013; and $1,100,000 on or prior to April 1, 2013 (net of agreed upon estimated remediation costs of $900,000) less any payment made to the vendor from gravel sales during the period from May 5, 2011 to January 31, 2013. All payments were made; the final payment was made in April 2013 (included 5% interest from February 12, 2013) and the mortgage and related security interest on the Craigmont Property were discharged.

The Company has recognized the estimated environmental remediation costs associated with the site as part of its retirement obligation (see Note 8).

During fiscal 2014, the Company took an impairment write-down of its PPE of $3,836,988 (see Note 7).

(Expressed in Canadian dollars)

6. MINERAL INTERESTS

The Company holds a 100% interest in 38 mineral claims at the Treasure Mountain property, located near Hope, British Columbia. In May 2011, the Company acquired a 100% interest in 20 mineral claims and 10 mineral leases through its 100% share acquisition of Craigmont.

In connection with and as partial consideration for the DIP Loan (see Note 10), 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.

During the year ended December 31, 2014, due to limited activity, the Company took an impairment write-down of $566,534 in relation to its Treasure Mountain property. The project remains in good standing, and further carrying charges and evaluation costs are being charged to the condensed consolidated interim statement of operations and comprehensive loss as an operating expense.

The Company's group of claims consists of the following:

		March 31, 2015 $	December 31, 2014 $
a)	The Treasure Mountain group of claims located in the Similkameen Mining Division of British Columbia	1	1
b)	A Crown Grant mineral claim (Lot 1210) in the Yale Mining Division contiguous to the Treasure Mountain Claims known as the "Eureka"	1	1
c)	The surface rights to Lot 1209 located in the Yale Mining Division of British Columbia known as the "Whynot Fraction"	1	1
		3	3

(Expressed in Canadian dollars)

6. MINERAL INTERESTS (cont'd)

Cumulative exploration costs (including care and maintenance costs) incurred is as follows:

	Three Months Ended March 31,	
	2015 $	2014 $
EXPLORATION COSTS, beginning of period	24,699,465	22,809,372
Costs incurred during the period		
Engineering	-	7,000
Insurance	22,995	16,237
Meals and travel living allowance	607	-
Property tax	13,055	55,172
Exploration supplies and camp expenses	14,429	38,656
Water sampling	-	4,151
Salaries and benefits	115,718	212,454
Fuel and propane	19,497	71,491
Vehicle and equipment expense	480	1,648
Depreciation	58,675	75,714
Permitting	100	3,588
Outsourced labor	18,850	51,975
Tenure lease	1,450	1,450
Freight	1,186	1,630
Equipment rentals	1,085	79,750
Geological	266	131
Tailings Maintenance	3,430	-
Total costs incurred during the period	271,823	621,047
CUMULATIVE EXPLORATION COSTS, end of period	24,971,288	23,430,419

7. IMPAIRMENT

The Company's mill and mine have been under care and maintenance since June 26, 2013, 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 had taken the view that mine and mill are determined to be a single cash generating unit ("CGU") for this purpose.

The remaining carrying value of PPE (see Note 5) 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 references to related independent valuations and values of recent sales of similar used equipment. For fiscal 2013, the fair value of the mill and related lands was based on an April 2014 purchase offer of $8,000,000 that did not complete. The fair value of the heavy machinery and equipment and remaining land was based on both independent valuations and values of recent sales of similar assets.

Based on its review, the Company recognized an impairment loss at March 31, 2015 of $nil (December 31, 2014 - $3,836,988).

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

8. ASSET RETIREMENT OBLIGATION

As part of the acquisition of Craigmont, the Company assumed the asset retirement obligation relating to the Craigmont property. Management estimated the cost to remediate the Craigmont property on the date of acquisition (as expressed in current dollars at the time of the acquisition) at $900,000. As the Company intends to settle the obligation at the end of the estimated useful life of the mill of 30 years, the Company has discounted the estimated costs using a real discount rate of 0% since the inflation rate and risk free rate are very similar.

As at March 31, 2015, there has been no change in either the estimated costs to settle the obligation or the real discount rate. In order to obtain its milling permits, the Company posted collateral of $230,000 with the government in May 2012 and posted further collateral of $400,000 in March 2013.

The Company's asset retirement obligation associated with the Treasure Mountain property is calculated as the net present value of estimated future net cash outflows of the reclamation costs, which at March 31, 2015 totaled $505,100 (December 31, 2014 - $505,100) and are required to satisfy the obligations, discounted using a real discount rate of 0% per annum (December 31, 2014 – 0% per annum). The settlement of the obligation is currently expected to occur in 2017.

In order to obtain its final permits, the Company posted collateral of $505,100 with the government of British Columbia.

9. RESTRICTED CASH

The Company has in place deposits amounting to $1,205,100 as at March 31, 2015 (December 31, 2014 - $1,135,100) registered in the name of the British Columbia Ministry of Finance as security for its mining permit and for reclamation clean up at both the Treasure Mountain property and the Merritt Mill property.

10. WATERTON DEBT

Credit Agreement

On June 16, 2011, the Company entered into a credit agreement (the “Credit Agreement”) with Waterton Global Value, L.P. (“Waterton”) pursuant to which Waterton agreed to make a $10,000,000 credit facility (the “Credit Facility”) available to the Company, which could be drawn down, at the Company’s option, in up to four advances at any time up until May 31, 2012. All amounts were originally to be repaid on a monthly basis during the period from May 2012 to April 2013.

In connection with the entry into the Credit Facility, the Company and its wholly owned subsidiary, Huldra Holdings, agreed to grant Waterton security over substantially all of their respective assets to secure the repayment obligations under the Credit Facility. The Credit Facility is secured by guarantees provided by each of the Company and Huldra Holdings and general security agreements with the Company and Huldra Holdings pursuant to which Waterton holds a security interest in all present and after-acquired personal property of the Company and Huldra Holdings; and a debenture pursuant to which Waterton holds a charge over the real property and mineral claims comprising the Treasure Mountain property.

The credit facility was drawn down by the Company in four instalments - June 17, 2011 - $3,000,000, July 28, 2011 - $2,000,000, January 17, 2012 - $2,500,000, and May 23, 2012 - $2,500,000.

Each drawdown had transaction costs associated with it which have been deducted from the proceeds received to determine an initial face value of the debt. The debt is then accounted for on an amortized cost basis using the effective interest rate method.

The Credit Agreement was amended, modified, supplemented, extended and restated from time to time up until June 28, 2013 at which time the Company and Waterton entered into a Waiver of Default Letter. The letter outlined the amount owing to Waterton as at June 28, 2013 as $7,234,363 and consists of: base payments, finance costs, silver adjustment provision, restructuring and amendment fees, and partial May 2013 outstanding payment.

Under the CCAA proceedings (see Notes 1 and 20) Waterton submitted a claim as a secured creditor of the Company for $7,234,363.

The Credit Facility, as amended, and together with the Settlement Agreement requires the Company to satisfy certain covenants so long as any amounts owing under the Credit Agreement remains unpaid or the Company has any obligation under the Credit Agreement.

Debtor in Possession (“DIP”) Loan

The Company entered into a DIP Credit Agreement dated August 15, 2013 (the “DIP Credit Agreement”) with Waterton, the primary secured creditor of the Company. The DIP Loan was authorized by an initial order of the Court pursuant to the CCAA proceedings (Note 1).

10. WATERTON DEBT (cont'd)

Under the terms of the DIP Credit Agreement, the DIP Loan was advanced by Waterton by way of a first advance, which was advanced in several tranches, of up to $2,300,000 in aggregate (collectively, the "First Advance") and a second advance (at Waterton's sole discretion) of up to $2,500,000 in aggregate (the "Second Advance" and together with the First Advance, the "Advances") upon receipt by Waterton of a comprehensive plan of operations from the Company for the Treasure Mountain property that is satisfactory to Waterton and its advisors (the "Plan").

From August 16, 2013 until November 20, 2014, the Company borrowed principal amounts utilizing sixteen tranches under the First Advance of the DIP Loan totaling $3,591,589. The Company incurred finance costs in the amount of $1,880,079 related to the DIP Loan. The Company has determined the value of the Silver Adjustment Provision to be immaterial. On July 25, 2014, the Company repaid $146,013 towards the repayment of the DIP Loan, which included $260 in interest.

Under the terms of the DIP Credit Agreement, the obligations of the Company in connection with the DIP Loan have been secured by a super-priority Court-ordered charge (the "Charge") over all present and after-acquired property, assets and undertakings of the Company, and by guarantees of each of the Company's subsidiaries in favour of Waterton. The Charge shall rank in priority to all other creditors, interest holders, lien holders and claimants of any kind whatsoever, subject only to an administrative charge in favour of the Monitor and its counsel in an amount up to $300,000, a charge in favour of the directors and officers of the Company to secure an indemnity and a lien with respect to certain of the Company's leased premises in an amount up to $25,000. The Company and its subsidiaries have entered into certain ancillary agreements to secure the obligations of the Company under the DIP Loan, including general security agreements, share pledge agreements with respect to the shares of the subsidiaries, and debentures with respect to the properties and mineral interests owned by Company and its subsidiaries. The Company also agreed to certain covenants and negative covenants as set out in the DIP Credit Agreement. The DIP Credit Agreement contains a number of events of default, including without limitation, the failure to make any payment to Waterton when due, the breach of, or failure to perform or observe any covenant, the failure to pay any other debt exceeding $50,000 when due, the failure to perform any material agreement, any judgment or order for the payment of money in excess of $50,000 being rendered against the Company, certain events happening in the CCAA proceeding and a number of other enumerated events.

On November 20, 2014, in connection with the Restructuring Plan (Note 20), the Company entered into a settlement agreement with Waterton to settle an aggregate of $12,367,460 owing to Waterton consisting of $7,234,363 relating to the Credit Agreement and $5,133,097 to the DIP Loan. Under the settlement, a cash payment of $2,876,328 was made to Waterton as well as the issuance of 108,992,918 common shares at a value of $5,449,646. In addition, $1,500,000 plus interest of $21,370 was paid January 2015 and a further $2,500,000 is due within twelve months of the Restructuring Plan implementation date. The Company will pay Waterton interest at 3% per annum. Upon repayment of these amounts, the Royalty Agreement (Note 6) will be terminated and all security interests in the assets and property of Huldra and its subsidiaries will be discharged.

(Expressed in Canadian dollars)

10. WATERTON DEBT (cont'd)

The change in the Waterton debt obligation is summarized as follows:

	March 31, 2015	December 31, 2014
Opening balance	$ 1,790,732	$ 7,294,815
Finance costs (Note 13)	13,202	328,092
Restructuring adjustment	-	(382,529)
Repayments	(9,535)	-
Repayments – Plan (Note 20)	-	(5,449,646)
	$ 1,794,399	$ 1,790,732

The $1,794,399 is included in the balance of secured creditors' payable at March 31, 2015.

The change in the Waterton DIP Loan obligation is summarized as follows:

	March 31, 2015	December 31, 2014
Opening balance	$ 2,222,748	$ 2,864,335
Drawdowns, net of transaction costs	-	1,570,454
Finance costs (Note 13)	8,250	851,786
Restructuring adjustment	-	(41,486)
Repayments	(1,511,835)	(146,013)
Repayments – Plan (Note 20)	-	(2,876,328)
	$ 719,163	$ 2,222,748

11. CONVERTIBLE DEBT

The Company completed a private placement of unsecured convertible debentures (the "Unsecured Debentures") in various tranches between February 8, 2013 and February 21, 2013, for aggregate gross proceeds of $10,003,800. The principal amounts of the Unsecured Debentures matured twelve (12) months after issuance and accrued interest at 16% per annum.

The principal amount of the Unsecured Debentures were convertible into common shares of the Company at a price of $1.05 per share, and any accrued but unpaid interest thereon were convertible into shares at the greater of (i) $1.05 per share and (ii) the Market Price (as defined in the policies of the TSX-V) per share at the time of any notice of conversion.

The Unsecured Debentures were compound instruments and the proceeds were required to be bifurcated. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 20%. The initial fair value of the debt was calculated to be $9,678,762 with the residual portion of $325,038 allocated to equity. Transaction costs of $447,459 offset the carrying value and were amortized using the effective interest method as finance costs over the expected life of the Unsecured Debentures.

On November 21, 2014, pursuant to the Restructuring Plan (Note 20) the Company issued 212,734,249 shares at a value of $10,636,713 to settle the Unsecured Debentures.

(Expressed in Canadian dollars)

11. CONVERTIBLE DEBT (cont'd)

	December 31, 2014
Opening balance	$ 11,335,223
Principal amount	-
Less equity component of convertible note	-
Less transaction costs	-
Accrued interest	1,439,599
Accretion	53,899
Restructuring adjustment	(2,192,008)
Repayments – Plan (Note 20)	(10,636,713)
	$ -

12. SECURED CONVERTIBLE DEBENTURE

On October 6, 2014, Huldra launched a private placement of secured convertible debentures (the "Debentures") to raise gross proceeds of up to $8,000,000 (the "Offering"). The Offering is expected to be completed in multiple tranches, with the first tranche of the Offering (the "First Tranche") raising minimum gross proceeds of $5,000,000.

On November 21, 2014, the Company closed the First Tranche by the issuance of Debentures having an aggregate principal amount of $7,000,882 and the issuance of 35,004,410 share purchase warrants (the "Warrants").

The First Tranche Debentures bear interest at a rate of 10% per annum, which is payable annually as 50% in cash and 50% by the issuance of common shares of the Company, at a price equal to the market price at time of issuance. The First Tranche Debentures will mature three years after the date of issuance (the "Maturity Date"), and the principal amount of the First Tranche Debentures, together with any accrued and unpaid interest is payable on the Maturity Date. The principal amount of the First Tranche Debentures is convertible into shares prior to the Maturity Date, at the option of the holder, at a price of $0.055 per share. Each Warrant is exercisable into one additional share (each, a "Warrant Share") for four years from the date of issuance of the Warrant at an exercise price of $0.075 per Warrant Share in the first year and $0.10 per Warrant Share thereafter. The repayment of the outstanding principal and interest of the First Tranche Debentures will be secured against the assets of Huldra but will rank subordinate to the debt owed to Waterton (Note 10) until such time as the debt owing to Waterton is repaid in full. Upon repayment by the Company of all amounts owed to Waterton, the holders of the First Tranche Debentures will be granted an aggregate 2% net smelter returns royalty with respect to the Company's Treasure Mountain mine.

For accounting purposes the proceeds received of $7,000,882 have been allocated based on the relative fair values of the debt and Warrants. The fair value of the debentures was determined to be $5,266,867 using a discount rate of 20%. The fair value of the Warrants was determined to be $1,734,015. There is no residual value to be allocated to the equity component of the convertible debenture. Transaction costs of $300,163 and $98,831 have been allocated pro-rata to the debentures and Warrants. In addition, the resulting deferred tax liability of $422,000 has been charged to the Warrants.

(Expressed in Canadian dollars)

12. SECURED CONVERTIBLE DEBENTURE (cont'd)

In connection with closing of the First Tranche, the Company paid cash finder's fees of $22,960 and issued finder's warrants (each, a "Finder's Warrant") with a total fair value of $20,578 to purchase an aggregate of 417,455 shares. The terms of the Finder's Warrants are the same as the terms of the Warrants. For purposes of the calculation of the fair value associated with the Warrants and Finder's Warrants, the following assumptions were used for the Black-Scholes model: (Risk-free interest rate – 1.32%, Expected life – 4 years, Expected annual volatility - 144.87%, Expected dividends – Nil, Expected forfeiture rate – Nil).

The proceeds of the First Tranche have been used to settle amounts owed to certain creditors of the Company in accordance with the Plan, to further the Company's post-restructuring business plan and for general working capital purposes.

	March 31, 2015	December 31, 2014
Principal amount	$ 5,096,756	$ 5,266,867
Less transaction costs	-	(300,163)
Accrued interest	270,060	118,814
Accretion	24,672	11,238
	$ 5,391,488	$ 5,096,756

13. FINANCE COSTS

	March 31, 2015	March 31, 2014
Waterton pre-filing debt obligation (Note 10)	$ 13,202	$ 89,190
Waterton DIP Loan obligation (Note 10)	8,250	349,251
Convertible debt (Note 11)	-	467,355
Flow-Through Share obligation (Note 18)	37,858	36,035
Secured convertible debenture (Note 12)	294,732	-
Other	(1,527)	987
	$ 352,515	$ 942,818

14. SHARE CAPITAL AND RESERVES

a) Common Shares

Authorized

The authorized capital stock of the Company is an unlimited number of common shares without par value.

Issued

Common shares issued and outstanding at March 31, 2015 are 403,033,186 (December 31, 2014 – 421,033,186).

On July 17, 2014, the Company effected a consolidation of its outstanding common shares on the basis of two (2) pre-consolidation shares for one (1) post-consolidation share leaving 27,794,594 shares giving effect to rounding and other adjustment.

(Expressed in Canadian dollars)

14. SHARE CAPITAL AND RESERVES (cont'd)

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 by issuing 114,368,382 shares to the secured creditors and 278,870,210 shares to the unsecured creditors at $0.05 per share for $5,718,419 and $13,943,511 respectively.

On February 25, 2015, 18,000,000 shares were returned to the Company and cancelled (see Note 20). The cancellation of the shares requires an amount to be reduced from share capital with a corresponding amount to be offset against deficit.

b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2014 to March 31, 2015:

	Number of Warrants	Weighted Average Exercise Price
Balance at January 1, 2014	10,358,288	$ 0.97
Expired warrants (pre-consolidation)	(343,848)	$ 1.08
Reduction on share consolidation	(5,007,220)	$ 2.08
Issued warrants (post-consolidation)	35,421,865	$ 0.09
Expired warrants (post-consolidation)	(1,417,121)	$ 3.37
Balance at December 31, 2014 and March 31, 2015	39,011,964	$ 0.15

As at March 31, 2015, the Company had outstanding warrants as follows:

Security	Number	Exercise Price	Expiry Date
Warrants	60,220	$0.80	June 13, 2015
Warrants	39,510	$0.80	June 17, 2015
Warrants	27,652	$0.80	June 18, 2015
Warrants	29,000	$0.80	June 20, 2015
Warrants	936,250	$0.70	June 13, 2016
Warrants	114,100	$0.80	June 13, 2016
Warrants	450,000*	$2.56	June 16, 2016
Warrants	269,200	$0.70	June 17, 2016
Warrants	157,267	$0.80	June 17, 2016
Warrants	345,650	$0.70	June 18, 2016
Warrants	275,000	$0.70	June 20, 2016
Warrants	61,250	$0.80	June 20, 2016
Warrants	325,000*	$2.42	January 17, 2017
Warrants	500,000	$2.60	May 23, 2017
Warrants	35,421,865**	$0.075/$0.10	November 21, 2018
	39,011,964		

14. SHARE CAPITAL AND RESERVES (cont'd)

*On the third anniversary of the issuance date of the warrants, the exercise price will increase by 20% provided that, and only if (i) during the prior full fiscal year the Company has produced a minimum of 1.25 million silver equivalent ounces, and (ii) the settlement price of silver (Bloomberg: SLVRLN) during the prior 90 days is at least $35. The adjustment shall take effect as of the first day of the Company's next fiscal quarter following the second anniversary of the issuance date of the relevant warrants. Because the exercise price of the warrants is dependent in part, on the price of silver, the warrants are classified as derivative liabilities.

**Exercise price in the first year is $0.075 and in the second, third and fourth year the exercise price is $0.10.

15. SHARE-BASED PAYMENTS

a) Stock Option Plan

The Company's Board of Directors approved the adoption of the Stock Option Plan in accordance with the policies of the TSX-V. The Board of Directors is authorized to grant stock options to directors, officers, consultants or employees. The exercise price of stock options granted under the Stock Option Plan shall be as determined by the Board of Directors when such stock options are granted, subject to any limitations imposed by any relevant stock exchange or regulatory authority.

The Company shall not grant stock options under the Stock Option Plan which will, when exercised, exceed 10% of the issued and outstanding shares, and further subject to the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the TSX-V, provided that the number of shares reserved for issuance, within any twelve-month period:

i) to any one option holder shall not exceed 5% of the total number of issued shares;

ii) to any one consultant shall not exceed 2% in the aggregate of the total number of issued shares, and

iii) to all persons employed or engaged to provide investor relations activities shall not exceed 2% in the aggregate of the total number of issued shares. In addition, stock options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than ¼ of the options vesting in any three-month period.

If any stock option expires or otherwise terminates for any reason without having been exercised in full, the number of shares which would have been acquired on the exercise of such stock option shall again be available for the purposes of the Stock Option Plan.

(Expressed in Canadian dollars)

15. SHARE-BASED PAYMENTS (cont'd)

The following is a summary of changes in stock options from January 1, 2014 to March 31, 2015:

	Number of Options	Weighted Average Exercise Price
Balance at January 1, 2014	2,466,500	$ 1.25
Expired options	(151,500)	1.40
Reduction on share consolidation	(1,157,500)	2.47
Balance at December 31, 2014	1,157,500	$ 2.47
Expired options	(417,500)	2.35
Balance at March 31, 2015	740,000	$ 2.54

The Company's 2014 annual general and special meeting of its shareholders was held on February 26, 2015. At such meeting, the motion to permit the Stock Option Plan to continue as a rolling plan was approved.

As at March 31, 2015, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Contractual Life (Years)	Expiry Date
25,000	25,000	$ 0.77	0.25	June 28, 2015
80,000	80,000	$ 2.80	1.08	May 2, 2016
165,000	165,000	$ 2.88	1.33	July 28, 2016
210,000	210,000	$ 2.90	2.44	September 10, 2017
65,000	65,000	$ 2.80	2.58	November 1, 2017
20,000	20,000	$ 1.90	2.91	February 25, 2018
175,000	175,000	$ 1.90	2.90	February 27, 2018
740,000	740,000		2.11	

b) Fair Value of Stock Options Issued During the Period

No options were issued during the period (March 31, 2014 – nil).

(Expressed in Canadian dollars)

16. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the year:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
	$	$
Consulting fees paid or accrued to directors (i)	45,000	90,000

i) Consulting fees are currently $15,000 per month paid or accrued to a director of the Company.

ii) Included in accounts payables as at March 31, 2015 was $42,000 (December 31, 2014 - $42,250) due to officers of the Company.

17. 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 warrant liability as Level 3 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, 2014 using the Black-Scholes model with the following assumptions:

Share Price	$0.05
Exercise Price	$2.42 or $2.56 as applicable
Risk Free Rate	0.00%
Discount Rate	1.34%
Expected Life	1.46 years or 2.04 years as applicable

(Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (cont'd)

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 March 31, 2015 using the Black-Scholes model with the following assumptions:

Share Price	$0.01
Exercise Price	$2.42 or $2.56 as applicable
Risk Free Rate	0.00%
Discount Rate	0.49%
Expected Life	1.21 years or 1.79 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 March 31, 2015 and December 31, 2014:

	Liability at December 31, 2014	Profit Participation Amounts	Mark to Market (gain) loss	Liability at March 31, 2015
Warrant liability	$ 7,995	$ -	$ (7,427)	$568
	$ 7,995	$ -	$ (7,427)	$568

	Liability at December 31, 2013	Profit Participation Amounts	Mark to Market (gain) loss	Liability at December 31, 2014
Warrant liability	$ 5,763	$ -	$ 2,232	$7,995
	$ 5,763	$ -	$ 2,232	$7,995

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 $0.5 million.

All of the Company's cash and cash equivalents are 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.

(Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (cont'd)

Liquidity Risk

Liquidity risk 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.

Management anticipates that, subject to financing and completion of the implementation of the Plan, it may incur expenditures towards developing the Treasure Mountain property and other Company assets. 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 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 completion of the implementation of the Plan 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.

Foreign Exchange Rate Risk

The company currently is not subject to significant foreign exchange risk.

18. FLOW-THROUGH SHARE OBLIGATION

	Flow-through Obligation
Balance at January 1, 2014	$ 3,733,009
Amounts charged to profit or loss for the year	165,859
Reclassification from other liabilities	19,007
Interest costs	145,341
Remittances to Canada Revenue Agency	(554,389)
Balance at December 31, 2014	3,508,827
Interest costs	37,858
Balance at March 31, 2015	$ 3,546,685

The above provision includes an estimated cumulative amount of $3,515,324 (December 31, 2014 – $3,477,466) relating to 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 exploration expenditures previously renounced to the flow-through investors. It also includes a further $31,361 (December 31, 2014 – $31,361) representing an estimate of tax penalties and interest that may be assessed against the Company. The final assessment of liability by the CRA may differ from management's assessment.

19. CONTINGENCIES

On February 4, 2013, Huldra and 0913103 BC Ltd. were named in a lawsuit (the "CRMC Lawsuit") by CRMC Canadian Royal Mining Corp. ("CRMC"), whereby CRMC was claiming that it was owed $461,099 pursuant to a Mining Equipment Purchase and Services Agreement, dated June 21, 2011 (the "CRMC Agreement") and an undetermined amount in connection with the alleged breach by Huldra of the CRMC Agreement. CRMC was also seeking interest and costs in connection with the CRMC Lawsuit. Huldra filed a defence to the CRMC Lawsuit claiming that CRMC breached the CRMC Agreement by failing to provide the required equipment and components, failing to provide the staff to supervise the assembly of the mill and by failing to design the mill to the specified requirements. Huldra also counterclaimed against CRMC, David Brian Archibald and Dennis Peter Dornan seeking an unspecified amount of damages because of CRMC's breach of the CRMC Agreement.

In connection with the CCAA proceedings, the Company and the Monitor agreed to admit CRMC's claims under the CRMC Lawsuit in consideration for, among other things, CRMC and Huldra executing a consent dismissal order with respect to the CRMC Lawsuit. The amounts owed to CRMC will be settled in accordance with the Plan. Accordingly, the Company recognized the claim of $461,099 during fiscal 2014 which was then settled pursuant to the Plan (Note 20).

20. RESTRUCTURING AGREEMENT

As discussed in Note 1, 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 secured claims by issuing an aggregate of 114,368,382 shares to the secured creditors and will be making payments to the secured creditors (excluding Waterton which is discussed in Note 10) in the aggregate amount of $88,021 plus interest. Additionally, the Company settled 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 $4,101,797 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 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 been terminated.

Craigmont Claim

In May 2011, the Company acquired Craigmont (Note 5). As part of that acquisition, the Company assumed a $900,000 reclamation obligation. In April 2014, Craigmont Mines, A Joint Venture ("CMJV") filed a proof of claim under the CCAA proceedings claiming a $900,000 reclamation credit on the grounds that CMJV could potentially remain liable for the reclamation obligations assumed by the Company in the event of failure to emerge from CCAA proceedings. CMJV also claimed $70,000 relating to a reclamation bond improperly assumed by the Company as well as certain operating and site expenditures totaling $385,947 incurred on behalf of the Company. On November 21, 2014, the Company issued shares to CMJV as an unsecured creditor pursuant to the Restructuring Plan (Note 20). On February 25, 2015, the 18,000,000 shares issued relating to the $900,000 claim were returned by CMJV to treasury and cancelled. In addition, the $70,000 reclamation deposit was assigned by CMJV to the Company.

21. SUBSEQUENT EVENTS

Subsequent events to March 31, 2015 are as follows;

(a) The Company as party to a Strategic Acquisition Agreement dated March 30, 2011 was required to allot and issue common shares of Thule Copper Corporation to Huldra Silver Inc. and the former shareholders of Huldra Properties Inc. (collectively, the “Craigmont Shareholders”) such that Huldra holds 50.1% of the outstanding Shares and the Craigmont Shareholders collectively hold 49.9% of the outstanding Shares. On April 20, 2015, Thule Copper Corporation allotted and issued 401 Shares to the Company at 0.01 per share (on June 12, 2012 Thule Copper Corporation allotted and issued 100 shares to the Company at $0.01 per share), and allotted and issued 499 shares at 0.01 per share in aggregate to the Craigmont Shareholders.