THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013
MANAGEMENT DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

KOOTENAY
SILVER INC.

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013
MANAGEMENT DISCUSSION AND ANALYSIS

DATE

This Management Discussion & Analysis ("MD&A") was prepared by management as at November 29, 2013, and was reviewed and approved by the Audit Committee. The following discussion of performance, financial condition and future prospects should be read in conjunction with the consolidated interim financial statements of Kootenay Silver Inc. (the "Company" or "Kootenay") and notes thereto for the three and nine months ended September 30, 2013, as well as the 2012 audited consolidated financial statements and the annual 2012 MD&A. The information provided herein supplements but does not form part of the financial statements. This discussion covers the three and nine months ended September 30, 2013, and the subsequent period up to the date of issue of this MD&A. Additional information relating to the Company is available at www.sedar.com.

The Company has prepared this MD&A following the requirements of National Instrument 51-102 ("NI-51-102"). These statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in Canadian dollars unless otherwise noted.

Unless otherwise indicated the geological disclosure contained within this MD&A has been reviewed and verified by Kootenay's CEO, James McDonald, P.Geo (a qualified person for the purpose of National Instrument 43-101 ("NI 43-101), Standards of Disclosure for Mineral Projects). Mr. McDonald is also a director of Kootenay.

Forward-Looking Information

This report contains forward-looking statements or forward-looking information within the meaning of the United States Private Securities Litigation Reform Act of 1995, and applicable Canadian securities laws. Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimated," "potential," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" occur or be achieved. Forward-looking statements are statements concerning the Company's current beliefs, plans and expectations about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors , including, without limitation, the risks that: (i) any of the assumptions in the resource estimates turn out to be incorrect, incomplete, or flawed in any respect; (ii) the methodologies and models used to prepare the resource estimates either underestimate or overestimate the resources due to hidden or unknown conditions, (iii) operations are disrupted or suspended due to acts of god, internal conflicts in the country of Mexico, unforeseen government actions or other events; (iv) the Company experiences the loss of key personnel; (v) the Company's mine operations are adversely affected by other political or military, or terrorist activities; (vi) the Company becomes involved in any material disputes with any of its key business partners, lenders, suppliers or customers; or (vii) the Company is subjected to any hostile takeover or other unsolicited attempts to acquire control of the Company. Other factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Other risks are more fully described under the heading "RISKS AND UNCERTAINTIES" below. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and the Company assumes no obligation to update such forward-looking statements in the future, except as required by law. For the reasons set forth above, investors should not place undue reliance on the Company's forward-looking statements.

Please see the Company's Management Discussion and Analysis for the year ended December 31, 2012 for a more complete discussion of the risks associated with our business.

DESCRIPTION OF BUSINESS

The Company is an exploration stage mining company involved in the acquisition and exploration of mineral properties in Mexico, and Canada. The Company's main business objective is identifying mineralized deposits economically worthy of subsequent development, mining or sale. The Company is a Tier One listed issuer on the TSX Venture Exchange ("TSX-V") and its common shares trade under the symbol 'KTN'. The core management and technical team are proven professionals, with extensive international experience in all aspects of mineral exploration, operations and venture capital markets.

OVERVIEW OF PERFORMANCE

The Company's advanced project is the Promontorio Silver Project ("Promontorio") located in Sonora, Mexico which encompasses the former Promontorio Silver Mine. On May 14, 2013, the Company announced an updated resource estimate prepared by SRK Consulting (U.S.) Inc. of Lakewood, Colorado ("SRK") incorporating the gold content contained into the mineral resources of Promontorio, due to new metallurgical data and information which supports the possible recovery of gold. This updated resource estimate does not incorporate any drilling completed since the previous resource estimate announced August 21, 2012.

The open pit mineral resources for the Promontorio Project are comprised of an estimated 44,504,000 tonnes classified as Measured and Indicated Mineral Resources grading an average of 64.32 grams per tonne ("gpt") silver equivalent ("AgEq"), with an additional 14,564,000 tonnes classified as Inferred Mineral Resources grading an average of 51.95 gpt AgEq (see Resource Estimate – for specific grades of metals included). This resource is stated above a 20.00 gpt AgEq cut-off grade and is contained within a potentially economically mineable pit shell. Underground mineral resources are approximately 215,000 tonnes classified as Measured and Indicated Mineral Resources grading an average of 56.96 gpt AgEq, with an additional 1,265,000 tonnes classified as Inferred Mineral Resources grading an average of 61.17 gpt AgEq. This resource is stated above a 45.00 gpt AgEq cut-off grade to reflect the higher mining costs expected to be associated with underground production. An updated NI 43-101 technical report on Promontorio was filed on SEDAR on June 7, 2013.

The Company acquired Promontorio in 2006, and initial drilling commenced in 2007. Step-out drilling on geophysical and prospecting targets continues at Promontorio where the Company has at this time completed 339 holes for a total of approximately 97,516 metres. Drill results reported on Promontorio can be found on the Company's website.

The phase V drilling program recommenced in September 2013 and a total of 5,000 metres of drilling have been planned. The Company has announced 6 drill holes since recommencement totaling approximately 2,476 metres of drilling. A total of 74 drill holes have been announced for approximately 18,776 metres of its multi-phase V drill and resource expansion program on Promontorio. Drilling has focused on systematically expanding the known silver resource, beginning with the unconfined portions of the higher-grade resource located in the Pit and NE zones, as defined by previous drilling. Multiple core holes have been drilled to offset significant intercepts located along strike and between the two primary resource zones. Future drilling will also focus on five high-priority, targets defined by surface exploration, geophysics and limited drilling.

The Company has evaluated 2,900 line kilometres of airborne geophysics identifying similar EM signatures to those over the Main Pit and Northeast zones some of which are associated with mineralization on surface. In addition ground work has identified separate mineralized zones of which two are currently being prepared for future drilling. Recent regional exploration within the 80,000 hectare Promontorio concession block has resulted in the discovery of numerous anomalous to highly anomalous gold/silver/polymetallic mineralized systems that form the 25 x 15 km northwest trending Promontorio belt.

The phase V drill program on Promontorio, is designed to increase the overall size of the contained silver resource and to expedite the path to a production decision, and will comprise the following components:

- Drilling focused on expanding the known resource to the SW and NE and definition of high-grade zones;
- Initial drill testing of breccia targets that sit outside of known silver resource;
- Continuing baseline studies to further advance the permitting process;
- Continuing metallurgical testing to further define metal recoveries;
- Monitoring wells for hydrologic measurements needed for pit design and process water assessment.

The focus of the 2013 work program is on resource expansion consisting of a continuation of the phase V diamond drill program. This program will be staged and adjusted according to drill results and will be up to 30,000 metres with 21,700 metres, including 2,925 metres which are yet to be announced, having been completed. The program will consist of 80 to 120 drill holes, which has been designed to define the limits of the resource bodies and test separate targets within the diatreme system. Additional work to assist in target definition will include cross-sectional and 3D modeling, geologic mapping, soil sampling and possibly ground geophysical surveys.

It is anticipated that data from this work program will be followed by an updated resource estimate and a preliminary economic assessment if results warrant them.

The Company continues to focus on advancing Promontorio and additionally under the generative model, prospecting new potential discoveries both in Mexico and Canada. Generative exploration projects will either be optioned to joint venture partners, who by spending exploration dollars and issuing share and/or cash payments to the Company, obtain a right to an earn-in interest, or explored by the Company directly.

On April 26, 2013, the Company closed the previously announced (see news release on April 23, 2013) $4,750,000 investment by Agnico-Eagle Mines Limited ("Agnico-Eagle") through a non-brokered private placement. A total of 6,250,000 units were issued. As a result of the transaction Agnico-Eagle owns 9.96% of the Company's issued and outstanding shares on a non-diluted basis. Each unit ("Unit") was priced at $0.76 per Unit and consisted of one common share ("Share") and one half of one common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to purchase one Share at a purchase price of $1.08 per Share expiring April 26, 2015. Subject to certain conditions, Agnico-Eagle will have the right to participate in any future equity offerings by the Company in order to maintain its pro rata investment in the Company.

The junior exploration industry is seeing a tightening in investment dollars as a result of the pressure on precious and base metal prices, which is adding pressure to junior explorers to ensure that dollars are effectively invested into their resource projects. The Company continues to focus on advancing its Promontorio project and other projects in a cost effective manner ensuring that focus on value created on dollars spent.

PORTFOLIO OF MINERAL PROPERTIES

The Company has aggressively pursued the advancement of its Promontorio Project as well as establishing Generative Exploration Teams in Northwest Mexico and British Columbia Canada, and initiating Option Agreements and Joint Venture Partnerships on its exploration discoveries. The Company currently has two properties optioned to partners. During 2012, two generative properties, namely Santa Lucia and Espiritu were drilled by the Company's option partners. The option agreement on Espiritu was terminated by the option partner early in 2013 and subsequent to September 30, 2013, the option agreement for Santa Lucia was terminated by the option partner.

PROMONTORIO SILVER PROJECT – RESOURCE ESTIMATE

On May 14, 2013, the Company announced the results of an updated resource estimate prepared by SRK incorporating the gold content contained into the mineral resources of the Promontorio Silver Project, due to new metallurgical data and information which supports the potential recovery of gold (see February 28, 2013 news release). The updated Measured and Indicated Resource contains an estimated 44,504,000 tonnes containing an estimated 92,035,000 oz AgEq grading 64.32 gpt AgEq with another 24,326,000 oz AgEq grading 51.95 gpt AgEq categorized as Inferred, as summarized the table below:

Resource Statement for the Promontorio Deposit, Sonora State, Mexico: Effective Date March 31, 2013*

	20 gpt AgEQ Cut-Off	Tonnes (000's)	Avg AgEq (gpt)	Avg Ag (gpt)	Avg Au (gpt)	Avg Pb (%)	Avg Zn (%)	AgEq Oz (000's)	Ag Oz (000's)	Au Oz (000's)	Pb lbs (000's)	Zn lbs (000's)
Pit-Constrained	Measured	10,289	74.79	32.69	0.40	0.46	0.55	24,741	10,814	134	105,328	123,715
	Indicated	34,215	61.18	26.30	0.34	0.38	0.45	67,294	28,926	373	287,579	335,904
	M+I	**44,504**	**64.32**	**27.77**	**0.35**	**0.40**	**0.47**	**92,035**	**39,740**	**506**	**392,907**	**459,619**
	Inferred	14,564	51.95	24.95	0.28	0.28	0.31	24,326	11,683	132	89,430	98,462

	45 gpt AgEQ Cut-Off	Tonnes (000's)	Avg AgEq (gpt)	Avg Ag (gpt)	Avg Au (gpt)	Avg Pb (%)	Avg Zn (%)	AgEq Oz (000's)	Ag Oz (000's)	Au Oz (000's)	Pb lbs (000's)	Zn lbs (000's)
Underground Potential	Measured	3	62.27	25.12	0.32	0.37	0.63	6	2	0	23	40
	Indicated	212	56.88	22.86	0.28	0.40	0.55	387	156	2	1,889	2,551
	M+I	**215**	**56.96**	**22.89**	**0.28**	**0.40**	**0.55**	**393**	**158**	**2**	**1,913**	**2,591**
	Inferred	1,265	61.17	26.57	0.37	0.36	0.38	2,488	1,081	15	10,049	10,667

Notes: * **Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.**

[1] Open pit resources stated as contained within a potentially economically minable pit shell;

[2] Pit optimization is based on assumed silver, gold, lead, and zinc prices of $31/oz, $1650/oz, $0.96/lb, and $0.89/lb respectively, mill recoveries of 74%, 70%, 81% and 88% respectively, a 1.5% NSR, Estimated mining costs of $1.20/t, and estimated processing and G&A cost of $12.00/t; and an estimated POX cost of $2/tonne ($30/tonne of pyrite concentrate)

[3] Break-even cut-off grades used were 20 gpt AgEq for open pit mill material and 45 gpt AgEq for underground material;

[4] Silver equivalency is based on unit values calculated from the above metal prices, and assumes 100% recovery of all metals; and

[5] Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.

The following material changes incorporated into the updated resource estimation contributed to the significant increase in the mineral resource:

- Additional metallurgical test work has allowed for the inclusion of Au in the mineral resources, which has a significant impact on the AgEq grades and relative ounces.
- The estimated Measured and Indicated gold resources contained within the mineralized diatreme system total 508,000 ounces with an additional 155,000 ounces Inferred.

This mineral resource estimate has been completed by Matthew Hastings MSc, P.Geo and reviewed by Frank Daviess, MAusIMM, RM-SME, Associate Principal Resource Geologist with SRK. A site visit was conducted by Allan Moran, of SRK, R.G., C.P.G, who has reviewed pertinent geological information in sufficient detail to support the data incorporated in the mineral resource estimate. Mr. Daviess is an Independent Qualified Person as defined under NI 43-101 and is responsible for the mineral resource estimate presented in this release. Eric Olin, of SRK, MSc, MBA, RM-SME reviewed the metallurgical information contained in this release.

Drilling data includes a total of 45,118 samples from 65,092 meters of drilling. Of the 45,118 samples in the database, 22,658 lie within the wireframes and were used in the resource estimation. Wireframes are three-dimensional closed solids constructed in Vulcan™ and based on a combination of logged geology and assay information. These wireframes limit the estimation.

Three-dimensional wireframes were constructed for the modeled domains using Leapfrog 3D™ modeling software as well as Vulcan™. SRK modeled both the Pit and NE zones independently, and corrected inconsistencies with the Leapfrog solids using Vulcan.

The average sample length for all samples is 1.44 meters. Samples were composited to 3 m lengths within the breccia, stockwork, and PC zones. For the estimation, SRK used Ordinary Kriging in the densely-drilled areas and Inverse Distance Weighting for the areas with more widely-spaced drilling. SRK applied appropriate block model validation techniques for a resource estimation at this stage of project development.

Pit optimization was conducted using Whittle™ software and evaluating the block model which was constructed in Vulcan™. The purpose of the pit-optimization exercise is to satisfy the conditions of "reasonable prospects for economic extraction" as defined in the CIM Guidelines using pit shells based on a very simple "break-even" cash flow model. These pits are not representative of detailed mine plans or even the "best" pit design for the Project. A cut-off for the mineral resource of 20 gpt and 45 gpt AgEq for open pit and underground potential was used respectively.

Measured, Indicated and Inferred Mineral Resources are categorized as Measured being where at least 3 drill holes occur within a 25 meters ellipsoid, Indicated being where at least 3 drill holes occur within a 50 meters ellipsoid and Inferred being where at least 2 drill holes occur within a 75 meters ellipsoid. Blocks estimated using Inverse Distance Weighting in the widely-spaced drilling intermediate to the two primary zones are categorized as Inferred. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.

G&T Metallurgical Services Ltd, Kamloops, BC, Canada completed preliminary metallurgical programs on drill core composites from the Promontorio property for Kootenay in 2009, 2012 and 2013. Several significant factors were noticed in SRK's review of the metallurgical process work conducted to date. The metallurgical program investigated a standard polymetallic sequential flotation flowsheet that includes:

- Crushing;
- Grinding;
- Lead Flotation;
- Zinc Flotation; and
- Pyrite/Arsenopyrite Flotation

Pressure oxidation (POX) of the pyrite/arsenopyrite concentrate is required to extract the contained gold by cyanidation. SRK estimates metal recoveries shown in the table below are based on the average results from the preliminary metallurgical test programs conducted in 2009, 2012 and 2013. Overall gold recovery is estimated at 70% and is based on 65% gold recovery into the pyrite flotation concentrate followed by 94% cyanidation gold extraction from the pyrite concentrate after pressure oxidation, plus an average 9% gold recovery into the lead flotation concentrate.

Metallurgical Recovery Assumptions

Metal	Product	Recovery (%)
Silver	Lead Concentrate	74
Lead	Lead Concentrate	81
Zinc	Zinc Concentrate	88
Gold	Pyrite Concentrate	65
Gold	Lead Concentrate	9
Gold	Overall *	70

* Includes 94% cyanidation extraction from pyrite concentrate + gold contained in lead concentrate

The current NI 43-101 compliant Technical Report was filed on June 7, 2013 and can be reviewed on SEDAR (www.sedar.com).

GENERATIVE EXPLORATION PROJECTS

The Company continues to seek active option partners within its generative model, which minimizes financial exposure by granting external exploration companies a right to earn an interest in properties, subject to exploration expenditures and share payments made by them. Generative properties are continuously prioritized and dropped based on ongoing exploration work.

JOINT VENTURE PARTNERSHIPS & EARN-IN OPTION AGREEMENT

The Company currently has one property which is subject to a joint venture agreement and one property which is subject to an earn-in option agreement, which are summarized below:

Property	Company	Interest of partner
Jumping Josephine, BC, Canada	Orex Minerals Inc.	60% of joint venture
Rosetta Creek, BC, Canada	Theia Resources Ltd.	60% earn-in option

RISKS AND UNCERTAINTIES

The Company is in the business of acquiring, exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than project management fees, and interest on cash balances. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

Early Stage – Need for Additional Funds
The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

The Company anticipates future expenditures will require additional infusions of capital; there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Resulting Issuer may change and investors may suffer additional dilution. Furthermore, if financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any may not be satisfied and could result in a loss of the shareholders entire investment.

Exploration and Development
Mineral exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All of the mineral claims to which the Company has a right to acquire an interest are in the exploration stages only, and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

Estimates of mineral resources may not be realized
The mineral resource estimates contained in the Company's Technical Reports are only estimates and no assurance can be given that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Material changes in resources, grades and other factors, may affect the economic viability of projects.

Earn-In agreements
The Company continues to enter into separate option agreements with publicly listed companies where the opportunity exists on the Company's exploration properties other than Promontorio. The terms of such option agreements vary but primarily optioning companies are granted an option to earn up to a 60% ownership interest in an exploration property by issuing shares to the Company and incurring exploration expenditures. These are not firm payment or expenditure commitments and are subject to these companies obtaining sufficient financing to fulfill their earn-in requirements. The agreements are also subject to termination if such payment and expenditure commitments are not fulfilled. On fulfillment of these commitments, the ownership arrangement and future development of the property will be subject to a joint venture agreement whereby the Company will be required to finance its proportionate share of exploration expenditures based on the ownership ratio of each of the parties. There is no certainty that any of these companies will complete the required expenditures on the properties to earn-in on the properties or that they will be able to obtain the necessary financing to complete the expenditure requirements in which case the costs of carrying and developing the properties will be the responsibility of the Company.

Operating Hazards and Risks
Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount that 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 conditions.

Political Risk
The Company's advanced project and certain other property interests are located in Mexico, and are subject to that jurisdiction's laws and regulations. Mexico is a developing country and obtaining financing, finding or hiring qualified people or obtaining all necessary services for the Company's operations in Mexico may be difficult. Mexico's status as a developing country may make it more difficult for the Company to attract investors or to obtain any required financing for its exploration projects. The Company believes the present attitude of Mexico to foreign investment and mining to be favourable but investors should assess the political risks of investing in a foreign country. Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company.

Supplies, Infrastructure, Weather and Inflation
The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surfaces access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated on site.

Due to the partial remoteness of its exploration projects, the Company is forced to rely on the accessibility of secondary roads resulting in potentially unavoidable delays in planned programs and/or cost overruns. The rainy season in Mexico during the months of June through September can sometimes flood the main access road causing temporary delays.

Recent, improved market conditions for resource commodities after several years of record low prices have resulted in dramatic increase in mineral exploration which has resulted in widespread shortages of experienced technical personnel, and heavy demand for drillers, helicopters and crews, and geophysical surveying crews, as well as other goods and services required by exploration companies to perform work.

Metal Prices
The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company and may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

Title Risks
Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements, or transfers, or conflicting claims; or native claims, and title may be affected by undetected defects.

Environmental Regulations, Permits and Licenses
The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in British Columbia, Canada and Mexico provides restrictions and prohibition on spills, releases or emissions of various

substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines, penalties and work stoppage. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The current operations of the Company require permits from various government authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

The Company believes that it is in substantial compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Competition and Agreements with Other Parties
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 may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

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 net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to the Company.

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 would be required to manage and operate the Company.

Conflicts of Interest
The Company's directors and officers may serve as directors or officers, 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 (BC) ("Corporations Act") dealing with conflict 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 or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. 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 the best interest of the Company.

Insurance coverage
The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.
The Company's policies of insurance may not provide sufficient coverage for losses related to these or other risks. The Company's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse the Company for all losses sustained. In particular, the Company does not have coverage for certain environmental losses or certain types of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on the Company's cash flows, results of operation and financial condition.

Shareholder dilution
The Company's constating documents permit the issuance of an unlimited number of common shares and a limited number of preferred shares issuable in series on such terms as the Directors determine without the approval of shareholders, who have no pre-emptive rights in connection with such issuances. In addition, the Company is required to issue common shares upon the conversion of its outstanding share purchase warrants and options in accordance with their terms. Accordingly, holders of common shares may suffer dilution.

The Company’s business involves uninsurable risks
In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Disclosure Controls and Procedures
Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

Management is also responsible for the design of the Company’s internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company’s certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information prepared in accordance with IFRS for each of our last eight quarters:

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Total Revenue[1]	24,003	36,485	54,200	(8,967)	16,609	17,544	13,794	66,204
Net Loss	(1,292,537)	(810,055)	(870,691)	(695,734)	(845,283)	(460,721)	(579,661)	(1,809,488)
Loss Per Share	(0.021)	(0.013)	(0.015)	(0.014)	(0.017)	(0.010)	(0.012)	(0.042)

(1) Revenue is derived from administration fees and interest income

SELECTED ANNUAL INFORMATION

The financial statements have been prepared in accordance with IFRS for fiscal years 2012, 2011 and 2010 and Pre-changeover Canadian GAAP for the preceding year, and are expressed in Canadian dollars.

As at:	**December 31 2012**	**December 31 2011**	**December 31 2010**	**December 31 2009[1]**
	$	$	$	$
Total Assets	35,997,915	28,644,455	29,262,283	27,302,315
Current Liabilities	352,975	1,282,352	612,216	606,210
Other Liabilities	-	-	-	-
Shareholders’ Equity	35,644,940	27,362,103	28,650,067	26,824,013
Total shareholders’ Equity & Liabilities	35,997,915	28,644,455	29,262,283	27,430,223

As at:	December 31 2012	December 31 2011	December 31 2010	December 31 2009[1]
	$	$	$	$
Total Revenue[2]	38,980	137,690	166,512	130,678
Net Loss	2,581,399	3,908,559	5,327,609	4,639,166
Basic and diluted loss per share	$(0.053)	$(0.087)	$(0.142)	$(0.125)
Weighted average number of common shares outstanding	49,385,203	44,856,009	37,440,230	36,972,641

(1) This information is presented under Pre-changeover Canadian GAAP

(2) Revenue is derived from administration fees and interest income

FINANCING ACTIVITIES

On April 26, 2013, the Company raised gross proceeds of $4,750,000 through a non-brokered private placement which was wholly subscribed to by Agnico-Eagle Mines Limited ("Agnico-Eagle"). A total of 6,250,000 units were issued. As a result of the transaction Agnico-Eagle owns 9.96% of the Company's issued and outstanding shares on a non-diluted basis. Each unit ("Unit") was priced at $0.76 per Unit and consisted of one common share ("Share") and one half of one common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to purchase one Share at a purchase price of $1.08 per Share expiring April 26, 2015. Subject to certain conditions, Agnico-Eagle will have the right to participate in any future equity offerings by the Company in order to maintain its pro rata investment in the Company.

On October 31, 2012, the Company completed a brokered private placement (the "Offering") of 7,860,000 units at a price of $1.05 per unit ("Unit") consisting of one common share ("Share") and one half of one common purchase warrant ("Warrant"), for gross proceeds of $8,253,000. Each whole Warrant entitles the holder to acquire one Share at a price of $1.30 per Share. The Offering was completed in two tranches with the first tranche of warrants expiring October 25, 2014 and the second tranche expiring October 30, 2014. In connection with the Offering, the Agents received a cash commission of $495,180, equal to 6.0% of the gross proceeds raised under the Offering, and 471,600 compensation warrants (each a "Broker Warrant"), equal to 6.0% of the total number of units issued pursuant to the Offering. Each Broker Warrant is exercisable into one share at an exercise price of $1.05 per share until October 25, 2014. The Company paid share issuance costs of $166,347 in addition to cash commissions.

During the year ended December 31, 2012, the Company raised gross proceeds of $3,317,625 from the closing of an early warrant exercise incentive program, which was announced on January 23, 2012, in which a total of 2,860,000 warrants, were exercised. The Company issued an aggregate of 1,430,000 common share purchase warrants as an incentive to warrant holders who exercised their warrants as part of the Incentive program, which entitles the holder to purchase one additional common share for a period of 24 months from the date of issuance at a price of $1.50 per common share.

INVESTING ACTIVITIES

During the nine months ended September 30, 2013, the Company incurred $4,620,924 (2012 - $2,563,621) in mineral property acquisition and deferred exploration costs. These amounts exclude non-cash transactions including fair value of shares received or issued. Significant areas of expenditures were:

Description	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Acquisition costs incurred	$60,000	$55,000
Assaying and Lab	$382,197	$406,107
Camp costs	$463,520	$239,682
Drafting	$172,461	$202,309
Drilling	$2,118,130	$965,788
Geological mapping	$149,221	$153,243
Geophysics	$122,842	$24,677
Maintenance	$670,077	$277,292
Miscellaneous	$57,757	$79,273
Prospecting	$368,424	$374,200
Rock sampling	$58,476	$57,186
Metallurgical testing	$30,578	$116,061
Recovery of costs	($32,759)	($387,197)
	$4,620,924	$2,563,621

Capitalized mineral property expenditure as at September 30, 2013 totaled $31,774,953 (2012 - $27,220,082). The Company has expended $29,300,159 net of recoveries (2012 - $24,550,789) on its Mexican properties of which $25,746,626 (2012 - $21,130,715) is related directly to exploration activities on the Company's Promontorio property.

RESULTS OF OPERATIONS

Three month period ended September 30, 2013

The Company recorded a net loss of $1,292,537 or $0.021 per share (2012 - $845,283 or $0.017) based on a greater weighted average number of shares outstanding.

Corporate administrative expenditure totaled $1,024,252 (2012 - $945,090), which included recognition of non-cash stock-based payment expense of $449,969 (2012 - $33,360). The increase is related to the granting of non-cash stock purchase incentive options for directors, officers and consultants. General and administrative costs totaling $373,069 (2012 - $215,939) includes the Company's office in Vancouver and exploration offices in Hermosillo, Mexico and Kimberley, British Columbia. Also included in general and administrative is the Company's promotional, travel and investor relations expenses, which increased versus the prior comparable period and totaled $152,423 (2012 - $112,812) on additional marketing activities including road shows and associated travel. Management fees were $92,325 (2012 - $89,750); Professional fees increased over the prior comparable period totaling $68,031 (2012 - $40,379) which includes additional consultant work and directors fees.

The Company recorded a foreign exchange gain of $72,980 (2012 – $171,476). The Company maintains foreign currency in both Mexican peso and US dollar accounts and incurs certain operating expenditures in each of those currencies, which gives rise to exchange risk.

For the three month period ended September 30, 2013, the Company recorded finance income of $21,913 (2012 - $2,912). The Company expensed property investigation costs of $95,669 (2012 - $88,278) during the period. The Company recorded a realized loss on the sale of marketable securities of $269,599 (2012 - $nil) and an unrealized gain on its marketable securities of $110,971 (2012 – loss of $43,266).

Nine month period ended September 30, 2013

The Company recorded a net loss of $2,973,283 or $0.048 per share (2012 - $1,885,665 or $0.040) based on a greater weighted average number of shares outstanding.

Corporate administrative expenditure totaled $2,552,869 (2012 - $2,012,472), which included recognition of non-cash stock-based payment expense of $1,082,508 (2012 - $183,683). The increase related to the granting of non-cash stock purchase incentive options for directors, officers and consultants. General and administrative costs totaling $845,154 (2012 - $713,777), includes the Company's office in Vancouver and exploration offices in Hermosillo, Mexico and Kimberley, British Columbia. Also, included in general and administration is the Company's promotional, travel and investor relations expenses that totaled $279,864 (2012 - $296,869). Management fees were $271,825 (2012 - $269,250); Professional fees increased over the prior comparable period totaling $215,631 (2012 - $167,583), which includes additional consultant work and directors fees.

The Company recorded a foreign exchange loss of $47,579 (2012 – gain of $223,028) due to the volatility of both the US dollar and Mexican peso against the Canadian dollar during the period. The Company maintains foreign currency in both Mexican peso and US dollar accounts and incurs certain operating expenditures in each of those currencies, which gives rise to exchange risk.

For the nine month period ended September 30, 2013, the Company recorded finance income of $109,818 (2012 - $13,128). The Company expensed property investigation costs of $217,924 (2012 - $144,168) during the period. The Company recorded a realized loss on the sale of marketable securities of $269,599 (2012 - $nil) and an unrealized loss on its marketable securities of $166,567 (2012 – $314,779).

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2013, the Company had working capital of $6,241,079 (2012 - $2,020,636), with cash and cash equivalents totaling $5,214,414 (2012 - $1,046,088).

During the nine months ended September 30, 2013 (closed April 26, 2013), $4,750,000 was raised by way of non-brokered placement (see Financing Activities).

During the year ended December 31, 2012, the Company raised gross proceeds of $11,578,125, with a total of $3,325,125 received from the exercise of warrants, including $3,317,625 from the closing of an early warrant exercise incentive program and $8,253,000 from the closing of a brokered private placement (see Financing Activities).

During the year ended December 31, 2012, the Company issued 278,750 common shares on the exercise of 278,750 share purchase options at a weighted exercise price of $0.88. Gross proceeds received from the exercise totaled $244,189.

Our current cash position will enable us to continue our budgeted exploration efforts in Mexico and Canada, as well as to generate new properties and forming options or joint venture agreements to managing risk, in which partner companies explore and develop such projects in return for the right to earn an interest in them. Funding will be needed to advance the Promontorio project into the next phase of exploration. The Company plans to obtain financing in the future primarily through further equity issuance, as well as through joint venturing and/or optioning out the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its mineral properties.

Economically, poor conditions in the U.S. housing market and the credit quality of mortgage backed securities have stabilized since 2008 and 2009 but a renewed loss of confidence in the broader U.S. and European markets and global credit and financial markets and resulting in the collapse of, and government intervention in, sovereign debt, major banks, financial institutions and insurers and creating a climate of greater volatility, decreased liquidity, widening of credit spreads, increased credit losses and tighter credit conditions. This has been further impacted by pressure on precious metals prices seen during April 2013 that continues as at the date of this report. These disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. These disruptions could, among other things, make it more difficult for us to obtain, or increase our cost of obtaining, capital and financing for our operations.

The Company's access to additional capital may not be available on terms acceptable to us or at all. As we expect our reliance on equity financings to continue into the future, these current market conditions could make it difficult or impossible for us to raise necessary funds to meet our capital requirements. If we are unable to obtain financing through equity investments, we will seek multiple solutions including, but not limited to, credit facilities or debenture issuances. We are also attuned to the affect of capital markets on many of our joint venture partners who may not be able to meet their obligations under their option or joint venture agreements.

All cash is held with Canadian Schedule I banks either in deposit accounts or guaranteed investment certificates, and the Company has no joint ventures with any parties that potentially create derivative or hedge risk.

OUTLOOK

The Company is currently reviewing future exploration plans related to advancing Promontorio. An initial six holes have been reported from the 5,000 meter program which began on September 12, 2013. Results from a further 14 drill holes are pending announcement once assay results are received from the assay laboratory and compiled. A number of possibilities exist for the next stage of work at Promontorio. These include but are not limited to continued drilling to expand the resource base, a resource update an economic assessment such as a Preliminary Economic Assessment (PEA), further metallurgical work, additional hydrologic work and geotechnical work. The work plan will be established once all drill results have been received and assessed. The work plan will consider what work will be most beneficial for the project and Company as balanced against the cash balance and market conditions affecting future funding. The Company is focused on ensuring capital resources are spent in the most efficient manner especially related to the advancement of Promontorio.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash, accounts receivable, exploration deposits and advances, marketable securities, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) 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 contractual obligations. The Company's accounts receivable relates to receivables from exploration partners who are earning a right to the Company's property via earn-in option agreements, Goods and Services Tax input tax credits and IVA credits (Mexican Value added Tax refunds) from the Mexican Government. Accordingly, accounts receivable in the form of tax credits from Canada and Mexico are regarded with minimal risk and receivables from exploration partners are regarded with moderate risk by the Company.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements. The Company anticipates it will have adequate liquidity to fund its financial liabilities through future equity contributions.

As at September 30, 2013 the Company's financial liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian, the United States dollar and the Mexican Peso. The Company's transactions are denominated in Canadian dollars, United States dollars and the Mexican Peso, the Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency with a predominate balance held in Canadian Dollars. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the yearend would not have a material impact on the Company's financial statements.

OFF BALANCE SHEET ARRANGEMENTS

The Company had no off Balance Sheet Arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the nine month period ended September 30, 2013, officers of the Company earned management and consulting fees totaling $377,250, (2012 - $377,250) of which $105,425 (2012 - $108,000) has been allocated to deferred mineral property costs. These amounts were incurred in the ordinary course of business and are non-interest bearing, unsecured and due on demand.

During 2008, the Company entered into a consulting agreement with Makwa Exploration Ltd. for the services of James McDonald to act as the Company's President and CEO, and with Manly Capital Corp. for the services of Kenneth Berry to act as the Company's Chairman. The consulting agreement provides for a base monthly fee of $15,000 payable to each party. The consulting agreement is effective as of January 1, 2008 and expired on December 31, 2009; on expiration, the agreement extends in increments of 24 months, until terminated.

Effective September 1, 2008, the Company entered into an administrative and geological services agreement with Touchstone Capital Corp. a private company indirectly related to two directors, Messrs. McDonald and Berry. Touchstone provides services to the Company including assisting in professional analysis, geological personnel, planning of exploration programs, promotional materials; providing access to secretarial services and providing such other additional instructions and directions as the Company may require. For the nine month period ended September 30, 2013, the Company paid $90,000 (2012 - $90,000) under the administrative services contract.

In addition to the above:

a) Included in marketable securities as at September 30, 2013 is $407,000 (2012 - $400,000) market value of shares received from companies with directors and officers in common.

b) Included in exploration recovery of costs as at September 30, 2013 is $1,117,214 (2012 - $987,588) received from joint venture partners who have a common director.

c) Included in accounts receivable as at September 30, 2013 is $119,336 (2012 - $89,369) from companies who have common directors.

d) The Company recorded an expense of $45,000 (2012 - $51,000) for compensation to directors during the nine month period ended September 30, 2013. As at September 30, 2013, $30,000 is recorded in accrued payables.

e) Included in accounts payable as at September 30, 2013 is $22,799 (2012 - $12,365) for consulting, administrative and geological fees payable to companies who have common directors or officers.

f) The Company incurred $90,000 (2012 - $nil) for consulting fees to one director during the nine month period ended September 30, 2013.

CHANGES IN ACCOUNTING POLICIES INCLUDING NEW ANNOUNCEMENTS

Accounting Policy Changes

The following new standards, interpretations and amendments were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC"), and are effective for annual periods beginning on or after January 1, 2013.

The following standards were applied for periods beginning on or after January 1, 2013 and have no effect on the Company's results of operations, financial position and disclosures:

- IFRS 7, Financial Instruments: Disclosures (amended 2011).
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement.
- IAS 1, Presentation of Financial Statements
- IAS 27, Separate Financial Statements (amended 2011)
- IAS 28, Investments in Associates (amended 2011).

Future Accounting Policy Changes Issued but not yet in Effect

Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from below.

The following new standard was issued by the IASB and was intended to be effective for annual periods beginning after January 1, 2015.

The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income.

The IASB decided that a mandatory date of January 1, 2015 would not allow sufficient time for entities to prepare to apply the new Standard because the impairment phase of the IFRS 9 project has not yet been completed.

Critical Accounting Estimates

Please refer to Note 3 of the Company's Audited Financial Statements for the year ended December 31, 2012, for additional information under "Significant Accounting Policies".

Significant areas requiring the use of management estimates include the collectability of amounts receivable, balances of accrued liabilities, the fair value of financial instruments, the rates for depreciation of property and equipment, the recoverability of mineral property interests, determination of estimates of deferred tax assets and liabilities, and the determination of variables used in the calculations of stock-based payments. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

OTHER MD&A REQUIREMENTS

Additional Disclosure for Venture Companies without Significant Revenues

The Following table sets forth a breakdown of material components of the general and administration costs of the Company for the periods and years indicated.

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009[1]	Year Ended December 31, 2008[1]
			$	$	$	$
Office	**519,535**	449,919	606,315	200,235	141,197	130,240
Telephone and postage	**26,406**	33,932	52,040	47,088	32,485	35,648
Travel and Promotion	**279,864**	387,945	427,925	433,916	331,467	402,824

(1) This information is presented under IFRS for years 2012, 2011, and 2010, otherwise under Pre-changeover Canadian GAAP.

Disclosure of Outstanding Share Data

The following table states the diluted share capital of the Issuer as at Novembe 29, 2013:

	Number Shares Outstanding (Diluted)
Outstanding as at December 31, 2012	**56,488,850**
Private placement	6,250,000
Issuance of share capital for acquisition mineral property interests	70,000
Outstanding as at September 30 & Novembe 29, 2013	**62,808,850**
Shares reserved for issuance pursuant share purchase warrants outstanding	8,951,600[1]
Shares reserved for issuance pursuant share purchase options outstanding	6,086,750[2]
DILUTED TOTAL	**77,847,200**

Notes

(1) As at Novembe 29, 2013, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,425,000	1.50	February 28, 2014
2,930,000	1.30	October 25, 2014
471,600	1.05	October 25, 2014
1,000,000	1.30	October 31, 2014
3,125,000	1.08	April 26, 2015
8,951,600		

(2) As at Novembe 29, 2013, the Company had outstanding share purchase options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
944,750	0.65	June 24, 2014
120,000	0.77	November 14, 2015
750,000	1.00	March 23, 2016
200,000	1.20	December 11, 2016
2,120,000	1.05	November 26, 2017
1,952,000	0.66	September 18, 2018
6,086,750		

Commitments

The Company has entered, jointly with other tenants, into an office lease, which commenced January 1, 2013 and expires December 31, 2015 at $3,169 per month. The Company received a four-month rent free period regarding its new office space that ended during the year ended December 31, 2012. Additionally, the Company has entered, into an additional office lease, which commenced August 1, 2013 and expires July 31, 2018 at $2,976 per month.

Mineral property payments and project related commitments have been outlined under the property headings found in the 'Portfolio of Mineral Properties' section of this MD&A and the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2013.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

Cautionary note regarding preparation of Mineral Reserves and Resources

This MD&A uses the terms "reserves" and "resources" and derivations thereof. These terms have the meanings set forth in Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum's Classification System (CIM Standards). NI 43-101 and CIM Standards differ significantly from the requirements of the United States Securities and Exchange Commission (the SEC). Under SEC Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that is "part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination". In addition, the term "resource", which does not equate to the term "reserve", is not recognized by the SEC and the SEC's disclosure standards normally do not permit the inclusion of information concerning resources in documents filed with the SEC, unless such information is required to be disclosed by the law of the Company's jurisdiction of incorporation or of a jurisdiction in which its securities are traded. Accordingly, information concerning descriptions of mineralization and resources contained in this Management's Discussion and Analysis may not be comparable to information made public by US domestic companies subject to the reporting and disclosure requirements of the SEC.

Approval

The Audit Committee as authorized by the Board of Directors of the Company has approved the disclosure contained in this MD&A.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the Company's website at www.kootenaysilver.com and on SEDAR at www.sedar.com