



WILDCAT SILVER CORPORATION

Management's Discussion and Analysis

*For the Three and Nine Months Ended September 30, 2013*

## Introduction

This management's discussion and analysis ("MD&A") of Wildcat Silver Corporation (the "*Company*", "*Wildcat*", "*we*", "*us*", or "*our*") covers the three and nine months ended September 30, 2013. This MD&A takes into account information available up to and including November 14, 2013. This MD&A should be read in conjunction with the accompanying condensed consolidated interim financial statements and notes for the three and nine months ended September 30, 2013, and management's discussion and analysis for the year ended December 31, 2012, which are available on the Company's website at [www.wildcatsilver.com](http://www.wildcatsilver.com) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The Company has prepared the condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements including IAS 34, *Interim Financial Reporting*.

All dollar amounts reported herein are in US dollars unless indicated otherwise.

## Cautionary Note Regarding Forward-Looking Information

Certain information contained in this document constitutes forward-looking statements. All statements, other than statements of historical facts, are forward looking statements, including without limitation, statements contained in the Company's resource estimate and Preliminary Economic Assessment regarding: expected annual silver production, mine life, silver, gold and copper recoveries, capital and operating costs, metal grades and other information; and the statements under "Objectives and Outlook" later in this document including progressing the Hermosa project through to pre-feasibility stage by the end of 2013. Forward-looking statements are often, but not always, identified by the use of words such as *may*, *will*, *seek*, *anticipate*, *believe*, *plan*, *estimate*, *budget*, *schedule*, *forecast*, *project*, *expect*, *intend*, or similar expressions.

The forward-looking statements are based on a number of assumptions which, while considered reasonable by the Company, are subject to risks and uncertainties. The Company cautions readers that forward-looking statements involve and are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed in or implied by such forward-looking statements and forward-looking statements are not guarantees of future results, performance or achievement. These risks, uncertainties and factors include general business, economic, competitive, political, regulatory and social uncertainties; actual results of exploration activities and economic evaluations; fluctuations in currency exchange rates; changes in project parameters; changes in costs, including labour, infrastructure, operating and production costs; future prices of silver and other minerals; variations of mineral grade or recovery rates; operating or technical difficulties in connection with exploration, development or mining activities, including the failure of plant, equipment or processes to operate as anticipated; delays in completion of exploration, development or construction activities; changes in government legislation and regulation; the ability to maintain and renew existing licenses and permits or obtain required licenses and permits in a timely manner; the ability to obtain financing on acceptable terms in a timely manner; contests over title to properties; employee relations and shortages of skilled personnel and contractors; the speculative nature of, and the risks involved in, the exploration, development and mining business; and the factors discussed in the section entitled "Risks and Uncertainties" in this MD&A.

Although the Company has attempted to identify important risks, uncertainties and other factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those expressed in or implied by the forward-looking information, there may be other risks, uncertainties and other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended. Unless otherwise indicated, forward-looking statements contained herein are as of the date hereof and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable law.

## About Reserves and Resources

This MD&A uses the terms measured, indicated and inferred resources as a relative measure of the level of confidence in the resource estimate. Readers are cautioned that: (a) mineral resources are not economic mineral reserves; (b) the economic viability of resources that are not mineral reserves has not been demonstrated; and (c) it should not be assumed that further work on the stated resources will lead to mineral reserves that can be mined economically. In addition, inferred resources are considered too geologically speculative to have any economic considerations applied to them. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies or economic studies except for preliminary economic assessments as defined under NI 43-101. Readers should also refer to the Company's Annual Information Form for the period ended December 31, 2012 and other continuous disclosure documents available at [www.sedar.com](http://www.sedar.com), which is subject to the qualifications and notes set forth therein.

## Description of Business

Wildcat Silver Corporation is a mineral exploration company engaged in the exploration and development of the Hermosa property, which is located in Santa Cruz County, Arizona. The Company is incorporated in British Columbia, Canada with one primary operating subsidiary: Arizona Minerals Inc. ("Arizona Minerals"), which is 80% owned. The remaining 20% interest in Arizona Minerals is held by 5348 Investments Ltd. ("5348 Investments"), a wholly owned subsidiary of Diamond Hill Investment Corp. ("Diamond Hill"), which is controlled by a director of the Company. Diamond Hill also has a 2% net smelter royalty interest in the approximately 152 acres of patented claims and approximately 478 acres of the total 13,516 acres of unpatented mining claims held by the Company. The Company's common shares trade under the symbol WS on the Toronto Stock Exchange.

The Hermosa property is a polymetallic mineral exploration project located approximately 100 kilometres southeast of Tucson, Arizona and about 15 kilometres north of the US - Mexico border. The primary metals at Hermosa are silver and gold with manganese, zinc, lead and copper as potential by-products. During 2012, the Company completed updated resource estimates and an updated Preliminary Economic Assessment ("PEA") for the Hermosa project, which documents are available at [www.sedar.com](http://www.sedar.com). The Company is currently working towards completing a pre-feasibility study.

### **Pre-Feasibility Study**

The Company is finalizing work on the pre-feasibility study for its Hermosa project, which is being led by M3 Engineering and Technology Corporation of Tucson, Arizona. The Company has substantially completed the overall mine design and process flow and has been directing its recent efforts on assessing the various options available to it with respect to the manganese by-product expected to be recovered through the process. The prefeasibility study is now expected to be completed before the end of 2013.

### **Financing Through Acquisition of Riva Gold Corporation**

On May 6, 2013, the Company closed its previously announced acquisition of all of the outstanding common shares of Riva Gold Corporation ("Riva"), a company related to Wildcat through certain common directors and officers. Riva was a Canadian-based mineral exploration company that had been assessing strategic alternatives and evaluating potential opportunities and did not hold any mineral properties. As a result of the acquisition, the Company acquired Riva's cash balance of \$7.1 million, which is net of the C\$1.0 million loan that was previously advanced to the Company in March 2013 and is now eliminated.

Consideration for the acquisition consisted of 9,871,492 common shares of the Company based on the agreed share exchange ratio of one common share of Wildcat for each 4.7 Riva common shares. The acquisition has been accounted for as an acquisition of assets and assumption of liabilities at fair values as follows:

Assets acquired:	
Cash and cash equivalents	\$ 7,068,311
Loan due from Wildcat Silver Corporation	992,556
Accounts receivable	19,234
Prepays and other	5,463
Other assets (non-current)	69,768
	8,155,332
Liabilities assumed:	
Accounts payable and accrued liabilities	(645,158)
Due to related parties	(3,429)
Net assets acquired	7,506,745
Less: existing investment in Riva Gold Corporation	(129,032)
Value ascribed to common shares issued as consideration for the acquisition	\$ 7,377,713

Accounts payable and accrued liabilities assumed include change of control payments and associated withholdings due to certain of Riva's former management totaling \$491,648, of which \$295,437 was subsequently settled through the issuance of 767,037 Wildcat common shares.

In accordance with the terms of the acquisition agreement, Riva's 1,790,000 stock options outstanding at the date of the acquisition vested on the change of control and may be converted into 380,851 Wildcat common shares based on the exchange ratio of one Wildcat common share for each 4.7 Riva stock options.

The Company's costs associated with completing the transaction of \$198,478 have been included in share issue costs. Included in this amount is \$9,991 with respect to the fair value of the Riva options.

### **Other Developments**

The Company has been adding to its portfolio of mining claims around the Hermosa project through acquisition or staking and now holds a total of 152 acres of patented claims and 13,516 acres of un-patented claims.

Subsequent to the quarter end, Mr. Donald B. Clark resigned as a director of the Company due to personal reasons. The Company extends its thanks to Mr. Clark for his dedication and long service and

wishes him well for the future. The Nominating and Corporate Governance Committee of the Board is currently assessing the timing and skill set for a replacement director. In addition, during the quarter Mr. William J. Pennstrom Jr., Vice President, Technical Services, resigned to pursue his consulting business. Mr. Pennstrom is now consulting to the Company, as required.

**Project Costs Capitalized**

The following shows total costs deferred on the Company's Hermosa property during the three and nine months ended September 30, 2013 and 2012:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Drilling	\$ -	\$ 111,774	\$ -	\$ 1,734,257
Drill access and restoration	137,399	273,108	362,297	1,020,330
Assay and analysis	2,433	44,328	20,631	842,403
Salaries, benefits and stock based compensation	213,176	286,286	1,007,877	914,970
Geologic consulting and support	92,207	208,884	452,368	860,972
Engineering & metallurgy	850,883	1,082,330	3,290,828	2,047,877
Environmental baseline studies	321,046	308,117	949,927	751,537
Other	318,647	167,354	650,920	572,328
	<u>\$ 1,935,791</u>	<u>\$ 2,482,181</u>	<u>\$ 6,734,848</u>	<u>\$ 8,744,674</u>

During the three and nine months ended September 30, 2013 the Company capitalized expenditures of \$1,935,791 and \$6,734,848, respectively on its Hermosa property compared to \$2,482,181 and \$8,744,674 in the same periods of 2012. The costs for 2013 primarily reflect engineering and metallurgical test-work associated with the pre-feasibility study as well as ongoing environmental baseline studies. The costs for 2012 relate to exploration drilling through to the completion of the drilling program in March 2012, the first update to the Company's resource estimate that was released in February 2012, finalization of drill-hole assays and the further update to the Company's resource estimate in August, 2012 and pilot plant test-work and engineering in connection with the preliminary economic assessment that was released on October 1, 2012.

Drill access and restoration costs incurred in the quarter primarily relate to ongoing property maintenance costs to remain in compliance with the Company's permits. The decrease compared to the comparative periods in 2012 reflects the accruals in 2012 for restoration and reclamation following the completion of the Company's exploration drilling program earlier in 2012.

The increase in salaries, benefits and stock based compensation capitalized to the project in the first nine months of 2013 compared to 2012 is primarily due to bonus incentives for 2012 performance together with hiring additional personnel partially offset by lower stock based compensation cost capitalized.

Engineering and metallurgy costs increased for the first nine months of 2013 compared to 2012 reflecting the work being undertaken to determine the economic recoverability of the manganese, zinc, lead and copper by-products and process optimization of the silver recoveries. These costs also include resource estimation, mine planning, engineering and similar costs associated with the ongoing work on the pre-feasibility study. These costs were lower for the third quarter of 2013 compared to the same period of 2012 as 2012 included more expensive pilot plant test-work in connection with the preliminary economic assessment.

Environmental baseline studies costs were higher in 2013 as a result of the higher number of studies being undertaken and work associated with the Company's drilling permit application.

**Costs Expensed, Net Loss and Comprehensive Loss**

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
<b>Expenses:</b>				
Stock based compensation	\$ 79,472	\$ 413,234	\$ 385,751	\$ 1,255,788
Salaries and benefits	203,192	211,651	860,528	1,633,286
Filing and regulatory	2,385	6,537	29,414	34,603
Office and administrative	73,867	76,047	221,186	260,106
Professional services	17,687	37,473	98,644	128,995
Investor relations	31,982	18,768	105,762	120,807
Insurance	14,193	20,672	49,980	65,622
Legal	15,046	(184)	35,315	58,804
Recruitment and relocation fees	-	1,688	-	1,688
Travel	1,551	7,608	20,319	14,841
Fiscal and advisory services	3,150	2,750	19,839	18,498
Directors' fees	24,191	2,763	44,186	8,231
Interest and finance charges	1,846	1,702	13,499	5,288
Depreciation	2,377	2,094	7,167	7,638
Foreign exchange (gain) loss	5,998	99,206	(8,432)	162,241
Interest and other income	(8,221)	(7,512)	(12,821)	(36,438)
Impairment of marketable securities	-	-	289,454	-
<b>Net loss</b>	<b>(468,716)</b>	<b>(894,497)</b>	<b>(2,159,791)</b>	<b>(3,739,998)</b>
<b>Other comprehensive loss (income):</b>				
Unrealized loss on marketable securities	-	(80,378)	-	63,394
Impairment of marketable securities transferred to the income statement	-	-	(239,866)	-
Foreign currency translation (gain) loss	(57,701)	(205,393)	166,398	(295,256)
	<u>57,701</u>	<u>285,771</u>	<u>73,468</u>	<u>231,862</u>
<b>Comprehensive loss</b>	<b>\$ (411,015)</b>	<b>\$ (608,726)</b>	<b>\$ (2,086,323)</b>	<b>\$ (3,508,136)</b>

For the three and nine months ended September 30, 2013, the Company reported a net loss of \$468,716 and \$2,159,791, respectively compared to a net loss of \$894,497 and \$3,739,998 for the same periods in 2012. After accounting for the loss attributable to the non-controlling interest, the net loss attributable to the Company was \$463,796 (\$0.003 per common share) for the three months and a net loss of \$2,145,340 (\$0.016 per common share) for the nine months ended September 30, 2013 compared to a net loss of \$886,350 (\$0.007 per common share) and a net loss of \$3,726,383 (\$0.028 per common share) for the same periods in 2012. The decrease in the net loss for the three and nine months ended September 30, 2013 primarily reflects reduced stock based compensation expense and an overall reduced level of corporate activity. The decrease in the loss for the nine months ended September 30, 2013 is also because the 2012 comparatives include costs associated with the departure of the Company's former President and CEO.

The decrease in stock based compensation expense in both periods of 2013 compared to 2012 primarily reflects the impact of the grant of stock options to the Company's non-executive directors, which vest 50% on the date of the grant and 50% one year from the grant date. The stock options granted in June 2011 and March 2012 when the Company's share price was higher resulted in a higher Black-Scholes valuation compared to the options granted to the non-executive directors in March 2013 when the share price was lower. The higher valued options would have been expensed in the 2012 periods and the lower valued options expensed in 2013. This would also apply with respect to the stock based compensation expense of options granted to officers and employees of the Company.

The decrease in the salary and benefits expense in the nine months ended September 30, 2013 compared to 2012 is primarily due to the 2012 comparatives including the severance costs associated with the departure of the Company's former President and CEO, as noted above. The decrease in the

three months ended September 30, 2013 reflects the decreased allocation of shared employee salary as a result of reduced corporate activity.

As a consequence of the previously discussed acquisition of Riva, the Company recorded an unrealized permanent impairment loss of \$49,588 in the income statement in the three months ended March 31, 2013 with respect to the mark-to-market of the one million Riva shares the Company held at that time. The Company also transferred the unrealized loss of \$239,866 previously recorded in accumulated other comprehensive loss to the income statement. After taking account of the transfer of this unrealized loss and the loss on the translation of the financial statements into US dollars that were both reported through other comprehensive income, there was a comprehensive loss of \$2,086,323 in the nine months ended September 30, 2013 compared to a comprehensive loss of \$3,508,136 in the same period of 2012.

### **Liquidity, Capital Resources and Going Concern**

At September 30, 2013, the Company had cash and cash equivalents of \$1,181,947 compared to \$1,136,193 at December 31, 2012. Expenditures on exploration and associated activities on the Company's Hermosa project and general corporate costs during the period approximated the cash acquired with the acquisition of Riva during the second quarter, the loan from Riva received prior to its acquisition and funding from non-controlling interests.

Operating activities used cash in the amount of \$246,033 in the three months and \$1,857,594 in the nine months ended September 30, 2013 compared to a use of cash of \$434,552 and \$2,525,270 in the same periods of 2012. The decreased use of cash in the three month period is primarily attributable to changes in working capital items. The decreased use of cash in the nine month period is primarily attributable to the lower corporate cash costs as discussed under "Costs Expensed, Net Loss and Comprehensive Loss" above, partially offset by the use of cash for working capital purposes.

Cash inflow from financing activities of \$245,138 for three months and \$8,635,915 for the nine months ended September 30, 2013 compares to inflows of \$205,265 and \$1,032,533 in the comparative periods of 2012. Cash inflow for the first nine months of 2013 primarily reflects the closing of the acquisition of Riva on May 6, 2013 that contributed \$7,068,311 less associated cash transaction costs of \$188,487 and also includes the loan the Company obtained from Riva prior to its acquisition of C\$1.0 million. Following the closing of the acquisition of Riva, the loan eliminated on the consolidation of Riva with the Company. The Company also received funding from non-controlling interests of \$278,121 in the three months and \$782,760 in the nine months ended September 30, 2013 with respect to its share of costs incurred on the Hermosa project. Cash inflow from financing activities for the comparable periods of 2012 primarily relates to funding from non-controlling interests.

Investing activities for the three and nine months ended September 30, 2013 used cash of \$1,910,912 and \$6,696,925, respectively compared to \$2,222,370 and \$8,954,544 in the same periods of 2012. The decreased use of cash in both periods compared to the same periods of 2012 reflects the overall decrease in expenditures on the Company's Hermosa project, as previously discussed under "Project Costs Capitalized", above. The use of cash of \$227,002 for other assets in the third quarter of 2013 relates to the Company's share of deposits and other costs with respect to offices that it shares with certain related companies.

At September 30, 2013 the Company had cash and cash equivalents of \$1,181,947, working capital of \$237,887 excluding the provision for estimated withholding taxes and a deficit of \$26,574,148.

In October 2013, the Company received \$1,531,233 with respect to 117,246 common shares of Ventana Gold Corp. ("Ventana") held by the Company. The shares were held in connection with a Plan of Arrangement by the Company in 2006 under which it spun out Ventana, which was until that time a wholly owned subsidiary. Shares held by non-resident shareholders of the Company that did not obtain the required clearance certificate from Canada Revenue Agency were held in the Company's name pending subsequent receipt of the documentation. In the spring of 2011, Ventana was acquired in an all cash transaction at C\$13.06 per share. The \$1,531,233 will be utilized by the Company for general corporate purposes. Subject to a decision in the Supreme Court of British Columbia with respect to a similar case

but with a different fact pattern, there could be the potential for a claim or claims against the funds should an affected shareholder subsequently submit the appropriate documentation.

Taking into consideration the receipt of the \$1,531,233 just discussed, the Company expects it will require financing during the first quarter of fiscal 2014 to meet its ongoing requirements. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. The Company has historically raised funds principally through the sale of securities. The Company expects that it will obtain funding through equity financing, debt financing or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms.

At September 30, 2013 the Company had cash flow commitments as follows (\$000's):

	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Accounts payable and accrued liabilities	\$ 1,181	\$ -	\$ -	\$ -	\$ 1,181
Other liabilities	1,609				1,609
Due to related parties	13	-	-	-	13
Operating lease obligations	207	404	355	-	966
	<u>\$ 3,010</u>	<u>\$ 404</u>	<u>\$ 355</u>	<u>\$ -</u>	<u>\$ 3,769</u>

### Quarterly Review of Financial Information

The following table is a summary of the Company's results for the eight most recently completed quarters.

Unaudited (\$000s, unless otherwise stated)	Year ending December 31, 2013			Year ended December 31, 2012				Six months ended December 31, 2011 <sup>(1)</sup>
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q2
Net loss	\$ (469)	\$ (579)	\$ (1,112)	\$ (637)	\$ (894)	\$ (1,524)	\$ (1,321)	\$ (1,066)
Foreign exchange gain (loss)	\$ 6	\$ 12	\$ 3	\$ 15	\$ (99)	\$ 108	\$ (171)	\$ (221)
Exploration and evaluation additions	\$ 1,936	\$ 2,426	\$ 2,373	\$ 2,135	\$ 2,482	\$ 2,240	\$ 4,022	\$ 4,227
US\$ to C\$ Exchange rate - period end	\$ 1.0285	\$ 1.0512	\$ 1.0156	\$ 0.9949	\$ 0.9837	\$ 1.0191	\$ 0.9991	\$ 1.0170
Basic and diluted net income (loss) per share	\$ -	\$ -	\$ (0.01)	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

(1) The Company changed its fiscal year end to December 31.

The most significant factors influencing the Company's quarterly results over the last eight quarters are:

- The loss of \$289,454 on the impairment of the Company's one million shares in Riva recorded in the first quarter of 2013.
- The foreign exchange loss of \$221,403 in the quarter ended December 31, 2011 primarily arising on the parent company's holdings of US dollars. An approximately offsetting amount arising on the translation of the parent company's books for reporting purposes is included in other comprehensive income.
- The increase in salaries and benefits expense associated with severance paid on the departure of the Company's former President and Chief Executive Officer in the second quarter of 2012.
- The timing of stock option grants on stock based compensation expense including the higher expense where a portion of the grant vests immediately.



- The impact on additions to exploration and evaluation expenditures of the drilling exploration program. The drilling was initiated in late 2010 and completed in the first quarter of 2012 and the final assays completed in the second quarter of 2012.
- Additions to exploration and evaluation expenditures in the second and third quarters of 2012 primarily reflect engineering and metallurgical work associated with the updated PEA and environmental base-line studies. Additions for the fourth quarter of 2012 forward primarily reflect engineering and metallurgical work with respect to the ongoing pre-feasibility study work and environmental base-line studies.

### **Objectives and Outlook**

The Company's immediate priority is on completing the prefeasibility study, which is expected before the end of 2013. Once complete, the Company's focus will be on moving the project forward to the feasibility stage and into permitting. In the short-term, the Company will continue to manage its expenditures in an effort to conserve cash yet keep the project on schedule as it seeks to secure additional financing to support these activities. In addition to completing the prefeasibility study, tasks currently underway or proposed include:

- Continuing to work with the US Forest Service to obtain approval for an approximately 48-hole drill program to generate geotechnical, groundwater and in-pit exploration information that will be required to complete a feasibility study for the Hermosa project.
- Advancing the environmental base-line studies. These studies are necessary for both the permitting of the 48-hole drill program discussed above, and the National Environmental Protection Act ("NEPA") Environmental Impact Statement that will be required for the potential construction and operation of a mine on the Hermosa property.
- Obtaining a representative bulk sample of the ore for metallurgical testing and analysis to assist in the process plant design criteria.

In addition to the work program to advance the Hermosa project highlighted above, the Company is also evaluating other opportunities and strategies to increase shareholder value.

### **Share Capital Information**

As at November 14, 2013, the Company had an unlimited number of common shares authorized for issuance with 143,399,836 issued and outstanding and an unlimited number of preferred shares authorized with nil outstanding. Also at November 14, 2013, the Company had outstanding 6,904,075 stock options held by directors, officers, consultants and employees.

### **Proposed Transactions**

There are no undisclosed proposed transactions that will materially affect the performance of the Company.

### **Off-Balance Sheet Arrangements**

The Company does not have any material off-balance sheet arrangements.

### **Related Party Transactions**

In addition to the related party transactions or balances disclosed elsewhere in this MD&A, the Company had the following related party transactions.

Non-controlling interest represents the 20% interest in the common shares of Arizona Minerals held by 5348 Investments, a wholly-owned subsidiary of Diamond Hill.

Pursuant to a shareholders' agreement (the "Shareholders' Agreement") governing the affairs of Arizona Minerals, the Company controls the affairs of Arizona Minerals and acts as the operator of the Hermosa

property. Funding expenditures on the property are in accordance with the Shareholders' Agreement, which provides 5348 Investments with a 10% carried interest in the approximately 152 acres of patented claims and approximately 3,100 acres of the unpatented claims on the Hermosa property. The Shareholders' Agreement provides for dilution of 5348 Investments' equity interest in the event it fails to fund its share of any equity funding for approved programs. Non-controlling interest increased by \$673,594 in the nine months ended September 30, 2013 (September 30, 2012 - \$874,187) as a result of \$688,045 (September 30, 2012 - \$887,802) of contributions less the non-controlling interest share of Arizona Minerals loss for the period of \$14,451 (September 30, 2012 - \$13,615). Accounts receivable includes \$25,736 (December 31, 2012 - \$120,451) outstanding from 5348 Investments, which was subsequently received by the Company.

The Company shares office space, equipment, personnel and various administrative services with other companies related by virtue of certain common directors and management. These services have been mainly provided through a management company equally owned by the related companies. Costs incurred by the management company are allocated between the related companies based on time incurred and use of services and are charged at cost. In addition, certain other professional administrative services have been provided by other related companies and charged at cost. During the three and nine months ended September 30, 2013 the Company was charged \$449,758 and \$1,272,005, respectively (September 30, 2012 - \$276,595 and \$986,271) and charged out \$24 and \$1,089 (September 30, 2012 - \$nil and \$2,899) in connection with these arrangements. Included in these amounts is \$10,182 and \$42,378, respectively (September 30, 2012 - \$26,979 and \$85,819) with respect to office space owned by Diamond Hill. At September 30, 2013, accounts receivable includes a balance due from related companies of \$47,266 (December 31, 2012 - \$49,921) and there is an amount due to related companies of \$12,732 (December 31, 2012 - \$8,559) with respect to these arrangements. Amounts are due on demand, unsecured, and have no terms of repayment.

Other assets of \$385,027 (December 31, 2012 - \$92,710) relate to the Company's share of jointly owned assets (primarily security deposits, leasehold improvements, and furniture and equipment) held by the management company.

### **Critical Accounting Policies and Estimates**

The Company's accounting policies are described in note 3 to its consolidated financial statements for the year ended December 31, 2012. The preparation of its consolidated financial statements requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continually evaluated. However, actual outcomes could materially differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about critical judgements and estimates in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are as follows:

#### Judgements:

- Mineral properties and exploration and evaluation expenditures – consideration for impairment. The Company uses its judgement to determine first, whether a triggering event has occurred that may require it to consider if a mineral property should be subject to impairment testing and second, if this is the case, to determine the applicable factors relevant in determining the value of the property.

#### Estimates:

- Accounts payable and accrued liabilities – estimation of ultimate withholding tax liability with respect to the Company's acquisition of 80% of the common shares of Arizona Minerals.
- Mineral property and exploration and evaluation expenditures impairment estimation – If it has been determined that a triggering event has occurred requiring the Company to calculate whether an

impairment charge is required against its mineral properties and exploration and evaluation expenditures, the Company may consider the resource estimates for that mineral property, if applicable in its calculations. The Company calculates its resources based on information compiled by qualified persons as defined by NI 43-101. There are numerous uncertainties inherent in estimating resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of the resource and result in it being revised.

### Changes in Accounting Policies

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning on or after January 1, 2013, except for IAS 36, which is effective for years beginning on or after January 1, 2014, and IFRS 9, which the IASB tentatively agreed in July, 2013 should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment and classification and measurement requirements. 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: Classification and Measurement* is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss. The Company has not yet assessed the impact of this standard on its financial reporting.
- IFRS 10, *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance where it is difficult to assess. IFRS 10 replaces the consolidated requirements in SIC-12, *Consolidated-Special Purpose Entities*, and IAS 27, *Consolidated and Separate Financial Statements*. The Company determined that the adoption of IFRS 10 did not result in any change in the consolidation status of its subsidiary.
- IFRS 11, *Joint Arrangements* provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The Company has determined that the adoption of IFRS 11 did not result in any changes in the disclosure in its financial statements.
- IFRS 12, *Disclosures of Interest in Other Entities* provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint agreements, associates and consolidated structured entities. This standard will require additional disclosures by the Company with respect to its 80% owned subsidiary, Arizona Minerals, primarily as a result of the 20% non-controlling interest. The Company adopted IFRS 12 effective January 1, 2013. The adoption of IFRS 12 will result in incremental disclosures in our annual consolidated financial statements.
- IFRS 13, *Fair Value Measurement* provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. The Company assessed its financial instruments on January 1, 2013 and determined that the adoption of IFRS 13 did not result in any significant changes in the disclosure of its financial statements.

- IAS 36, *Impairment of Assets* provides for additional disclosures that may be required in the event the Company recognises an impairment loss or the reversal of an impairment loss.

### Financial Instruments

The Company's financial instruments are classified into the following categories of financial assets and liabilities (shown at carrying value):

Category	Measurement	September 30, 2013	December 31, 2012
Cash and cash equivalents	Loans and receivables	\$ 1,181,947	\$ 1,136,193
Accounts receivable	Loans and receivables	\$ 137,805	\$ 310,891
Due from related party	Loans and receivables	\$ 1,451,000	\$ 1,427,000
Investment in marketable securities	Available for sale	\$ -	\$ 180,923
Accounts payable and accrued liabilities	Other financial liabilities	\$ 1,181,235	\$ 684,008
Other liabilities		\$ 1,451,000	\$ 1,427,000
Due to related parties	Other financial liabilities	\$ 12,732	\$ 8,559

The carrying values of the Company's financial instruments in the table above approximate their fair values as a result of their short-term nature except for the investment in marketable securities at December 31, 2012, which were carried at fair value and were classified as Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

### Financial Risk Management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure and attempts to manage the risk, where possible. These risks include market risk, liquidity risk and credit risk.

#### a) Market risk

Market risk represents the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in market prices. In particular:

##### *Foreign exchange risk*

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Company incurs expenditures in Canadian and US dollars with the majority of the expenditures being incurred in US dollars exploring on its Hermosa property. The parent company has adopted a policy of converting the majority of its cash balances into US dollars, except to the extent Canadian dollars are required to fund corporate operations. As the functional currency of the parent company is Canadian dollars, foreign exchange risk arises because the amount of the US dollar cash and cash equivalents will vary in Canadian dollar terms due to changes in exchange rates. However, to the extent the US dollar balances will be used to fund future exploration expenditures on the Hermosa property the risk is negated and provides more certainty in terms of the funds available for that purpose. At September 30, 2013, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars held by the parent company:

	September 30, 2013	December 31, 2012
Cash and cash equivalents	US\$ 5,287	US\$ 281,688
Accounts receivable	-	8,125
Due from related party	1,476,736	1,547,451
Other liabilities	(1,451,000)	(1,434,565)
	US\$ 31,023	US\$ 402,699

As at September 30, 2013, based on the above net exposures a 10% change in the Canadian-US dollar exchange rate would impact the Company's earnings by approximately \$3,000 (December 31, 2012 – \$40,000). As the Company reports in US dollars this amount would be offset by an approximately equivalent amount as part of other comprehensive income.

*Price and Interest rate risk*

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate and currency risk. The Company is not materially exposed to price rate risk at this time.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not materially exposed to interest rate risk at this time.

b) Liquidity risk

Liquidity risk represents the risk that the Company will be unable to meet its obligations associated with its financial liabilities. The Company endeavours to manage its liquidity risk by maintaining sufficient readily available cash in order to meet its liquidity requirements at any point in time.

c) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk arises for the Company from cash and cash equivalents held with banks and financial institutions, as well as credit exposure on outstanding accounts receivable and amounts due from a related party. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company manages its exposure to credit risk by holding its cash and cash equivalents through Canadian or US chartered banks, with short-term investments held in high-interest bank accounts and GIC's.

**Risks and Uncertainties**

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should invest in the Company's common shares. An investor should carefully consider the risks referred to below and the other information filed with the Canadian securities regulators before investing in the Company's common shares. Wildcat's business is subject to a number of risks and uncertainties including those described in the Company's Annual Information Form and Management's Discussion and Analysis for the year ended December 31, 2012, which are available on the Company's website at [www.wildcatsilver.com](http://www.wildcatsilver.com) and SEDAR at [www.sedar.com](http://www.sedar.com). Any of the risks and uncertainties described in the above-noted documents could have a material adverse effect on the Company's business and financial condition and accordingly, should be carefully considered in evaluating the Company's business.

**Disclosure Controls and Procedures and Internal Control over Financial Reporting**

The Company's management, under the supervision of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has designed disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, based on the control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission.

The DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO, particularly during the period in which the interim filings are prepared and the information required to be disclosed by the Company is recorded, processed,

summarized and reported in a timely and appropriate manner. The ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with international financial reporting standards. Due to the inherent limitations associated with any such controls and procedures, management recognizes that, no matter how well designed and operated, they may not prevent or detect misstatements on a timely basis.

### **Changes in Internal Control over Financial Reporting**

NI 52-109 also requires Canadian public companies to disclose any changes in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to internal controls in the three months ended September 30, 2013.

### **Assays and Quality Assurance/Quality Control**

To ensure reliable sample results, the Company has a rigorous QA/QC program in place that monitors the chain-of-custody of samples and includes the insertion of blanks, duplicates, and certified reference standards in each batch of samples. Core is photographed and split in half with one-half retained in a secured facility for verification purposes. Sample preparation (crushing and pulverizing) is performed at Skyline Laboratories, an ISO/IEC accredited lab located in Tucson, Arizona. Skyline Laboratories prepares two pulps of all samples and completes analysis of one pulp sample by ICP for Cu% (copper), Pb% (lead), Zn% (zinc) and Mn% (manganese). The second pulp is shipped to Inspectorate Labs, an ISO: 9001-2008 accredited laboratory in Reno, Nevada, where the duplicate pulp is analyzed for Au (gold) and Ag (silver). Silver values are determined by gravimetric fire assay (1 AT) with gold values determined by an AA finish from the same dore bead: Final silver value is the weight of the dore bead minus the AA gold value. In certain drill holes Skyline completes analyses of pulps for gold (FA-1AT/AA) and silver is determined by multi-acid digestion/AA finish. If the silver value is greater than 150 gpt the sample is redone by gravimetric FA (1AT) with the gravimetric gold value subtracted. At both labs if the FA/AA Au value is greater than 3 gpt the Au assay is repeated by FA gravimetric methods. Certain duplicate pulps have gold-silver QA/QC checks run at Skyline by the above methods. Also certain duplicate pulps also have Cu, Pb, Zn, Mn QA/QC checks using ICP/AA methods and 30 element spectral ICP determined at Inspectorate after 4-acid digestion.

### **Qualified Persons**

The updated mineral resource estimate released on August 9, 2012 was prepared under the guidance of Scott Wilson, President of Scott E. Wilson Consulting, Inc., an independent Qualified Person as defined by National Instrument 43-101. Mr. Wilson is a Certified Professional Geologist and member of the American Institute of Professional Geologists (CPG #10965) and a Registered Member (#4025107) of the Society of Mining, Metallurgy and Exploration, Inc., a professional association and designation recognized by the Canadian regulatory authorities.

The results of the updated Hermosa PEA, which were released on October 1, 2012 were prepared by an integrated team led by M3 Engineering and Technology Corporation ("M3") of Tucson, Arizona, under the supervision of Joshua Snider, PE. Other significant contributors to the PEA include Tetra Tech Inc., NewFields, Scott E. Wilson Consulting Inc, and Easton Process Consulting. In addition, pilot plant test-work was completed by Hazen Research Inc. in Golden, Colorado. Joshua Snider, PE, an independent Qualified Person under the standards set forth by NI 43-101, reviewed the information in relation to the PEA contained in the October 1, 2012 press release and included in this MD&A. Mr. Snider is a Civil Engineer with M3 and has over 15 years of experience in the engineering and mining industry. Metallurgical test results were reviewed, verified, and interpreted by Christopher Easton, BSc., a Qualified Person under the standards set forth by NI 43-101. Mr. Easton is the President of Easton Process Consulting Inc. has 23 years of mineral processing and metallurgical engineering experience, and is a Qualified Professional Member in Metallurgy of MMSA.

WILDCAT SILVER CORPORATION  
Corporate Information

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<b>Directors</b>	R. Stuart Angus Gilmour Clausen (Vice Chairman) Robert P. Wares Richard W. Warke (Chairman) Donald Young
<b>Officers</b>	Richard W. Warke – Chief Executive Officer Donald R. Taylor – President and Chief Operating Officer Paul J. Ireland – Chief Financial Officer Letitia Cornacchia – Vice President, Investor Relations and Corporate Communications Gregory F. Lucero – Vice President, Sustainable Development Charles J. Magolske – Vice President, Corporate Development Purni Parikh – Vice President, Corporate Secretary
<b>Registrar and Transfer Agent</b>	Computershare Investors Services Inc. #401 - 510 Burrard Street Vancouver, BC V6C 3B9
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