

51-102F3  
MATERIAL CHANGE REPORT [F]

**Item 1 Name and Address of Company**

Huldra Silver Inc. (the “Company”)  
610 – 837 West Hastings Street  
Vancouver, BC V6N 3N6

**Item 2 Date of Material Change**

August 8, 2014

**Item 3 News Release**

The news release was issued on August 8, 2014 via Stockwatch and Market News.

**Item 4 Summary of Material Change**

The Company announced that it has developed a Plan of Compromise and Arrangement (the “Plan”) whereby, subject to receipt of the requisite approvals, the Company intends to compromise and settle its outstanding obligations, exit creditor protection under the Companies’ Creditors Arrangement Act (Canada) (“CCAA”), restructure its affairs and focus on recommencing the Company’s business operations. On August 8, 2014, pursuant to the Company’s proceedings under the CCAA (the “CCAA Proceedings”), the Supreme Court of British Columbia (the “Court”) granted an Order authorizing filing of the Plan pursuant to the CCAA and Business Corporations Act (British Columbia) and approving the procedure proposed by the Company for calling and holding a meeting of the creditors of the Company to consider and approve the Plan. The Court also granted an Order further extending the expiry date of the stay of proceedings and period of creditor protection for the Company and its subsidiaries under the CCAA Proceedings from September 2, 2014 to November 7, 2014.

**Item 5 Full Description of Material Change**

*5.1 Full Description of Material Change*

The material change is fully described in the Company’s news release of August 8, 2014 as filed on SEDAR and enclosed herewith.

*5.2 Disclosure for Restructuring Transactions*

Not Applicable

**Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102**

Not Applicable

**Item 7 Omitted Information**

None

**Item 8 Executive Officer**

Garth Braun, Chief Financial Officer  
Telephone: 604.647.0142

**Item 9 Date of Report**

August 11, 2014



TSX.V: HDA  
NEWS RELEASE

## **HULDRA SILVER PROVIDES UPDATE ON CCAA PROCEEDINGS AND RESTRUCTURING PLAN**

VANCOUVER, B.C, August 8, 2014 - Huldra Silver Inc. (“Huldra” or the “Company”) is pleased to announce that it has developed a Plan of Compromise and Arrangement (the “Plan”) whereby, subject to receipt of the requisite approvals, the Company intends to compromise and settle its outstanding obligations, exit creditor protection under the *Companies’ Creditors Arrangement Act* (Canada) (“CCAA”), restructure its affairs and focus on recommencing the Company’s business operations. On August 8, 2014, pursuant to the Company’s proceedings under the CCAA (the “CCAA Proceedings”), the Supreme Court of British Columbia (the “Court”) granted an Order (the “Meeting and Process Order”) authorizing filing of the Plan pursuant to the CCAA and *Business Corporations Act* (British Columbia) (the “BCBCA”) and approving the procedure proposed by the Company for calling and holding a meeting of the creditors of the Company (the “Creditors’ Meeting”) to consider and approve the Plan. The Court also granted an Order (the “Extension Order”) further extending the expiry date of the stay of proceedings and period of creditor protection for the Company and its subsidiaries under the CCAA Proceedings from September 2, 2014 to November 7, 2014. As previously announced in the Company’s news release dated June 10, 2014, in conjunction with the proposed restructuring, the Company seeks to complete a secured convertible debenture financing in several tranches for aggregate gross proceeds of up to \$8 million.

### **Plan of Compromise and Arrangement**

Further to the Company’s news release dated June 10, 2014, the Company entered into a letter agreement dated June 3, 2014 and amended June 24, 2014 (collectively, the “Restructuring Agreement”) with Concept Capital Management Ltd. (“CCM”) and Waterton Global Value, L.P. (“Waterton”), whereby the parties have proposed a restructuring of the affairs of Huldra pursuant to which, among other things: (i) the Company intends to complete a secured convertible debenture financing (the “Financing”) for aggregate gross proceeds of up to \$8 million; (ii) the Company intends to compromise and settle its debt owing to its creditors under the CCAA Proceedings; and (iii) the Company intends to satisfy its obligations to certain creditors outside of the CCAA Proceedings, including the amounts owed to Waterton pursuant to the debtor-in-possession loan (the “DIP Loan”) advanced to the Company in connection with the CCAA Proceedings (collectively, the “Restructuring”).

The Plan sets out the Company’s proposal for compromising and settling the debt owed to the Company’s creditors under the CCAA Proceeding. Under the Plan, the Company has separated its creditors under the CCAA Proceeding into two classes, the creditors (the “Secured Creditors”) who have secured claims against the Company (collectively, the “Secured Creditor Class”) and the creditors (the “Unsecured Creditors”) who have unsecured claims against the Company (collectively, the “Unsecured Creditor Class”). In total, under the CCAA Proceeding, the Company owes approximately \$7,569,741 (unaudited) to its Secured Creditors and approximately \$13,126,703 (unaudited) to its Unsecured Creditors. As noted, the amounts owed under the DIP Loan, estimated to be approximately \$5,088,495 as at September 15, 2014, and such other amounts that are excluded under the provisions of the CCAA, are not being compromised and settled under the Plan.

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

- Secured Creditors may elect to receive: (i) a combination of a cash payment representing approximately 24% of the amounts owed and common shares of the Company (each, a "Share") in settlement of the balance of the amounts owed, or (ii) only Shares of the Company at a deemed price of \$0.05 per Share in settlement of the entire amount owed; and
- Unsecured Creditors may elect to receive: (i) a cash payment in the amount that is the lesser of \$1,000 and the amount owed to such Unsecured Creditor, or (ii) only Shares of the Company at a deemed price of \$0.05 per Share in settlement of the entire amount owed.

The \$0.05 per Share issue price for the Shares to be issued on settlement of the debt owed to creditors is on a post-consolidation basis, and is subject to approval of the TSXV Venture Exchange (the "Exchange").

On closing of the shares for debt settlements contemplated by the Plan, assuming that all Secured Creditors elect to receive a combination of cash at 24.67% of the amount owed to them and Shares for the balance, and that all Unsecured Creditors with claims in the amount of \$5,000 or less accept cash settlements and all other Unsecured Creditors accept Shares, the Company anticipates that, on an undiluted basis, the issued and outstanding Shares of the Company will be held as follows: approximately 7% held by the current shareholders of the Company, approximately 28.3% held by the Secured Creditors, and approximately 64.7% held by the Unsecured Creditors. In addition, the Company expects that the issuance of Shares in settlement of the outstanding debt will result in the creation of both Waterton and CCM as control persons of the Company, with Waterton expected to hold approximately 27% of the total issued and outstanding Shares on an undiluted basis and CCM expected to hold approximately 24% of the total issued and outstanding Shares on an undiluted basis.

### **Approval for Restructuring Plan**

The closing of the transactions contemplated by the Restructuring remains subject to receipt of the requisite approvals, including without limitation approval of the Court, the Secured Creditors, the Unsecured Creditors, the Exchange and, if required, the shareholders of the Company. The successful emergence of Huldra and its subsidiaries from the CCAA Proceedings and full implementation of the Restructuring are expected to be subject to numerous conditions and approvals. There can be no assurance that all required conditions will be met and all required approvals obtained nor that the Company will ultimately exit creditor protection.

Meetings of the creditors in the CCAA Proceedings (the "Creditors' Meetings") will be held on September 23, 2014 at Suite 900 – 885 West Georgia Street, Vancouver, British Columbia at 2:00 p.m. (Vancouver time). In order for the Plan to be approved by the creditors, it needs to be approved by a majority in number of creditors in each class and by creditors having claims amounting to at least 2/3 in dollar value of the total creditor claims in each class.

## **Secured Debenture Financing**

As noted above and in the Company's news release dated June 10, 2014, the Company seeks to complete the Financing for gross proceeds of up to \$8,000,000 by the issuance of secured convertible debentures (each, a "Debenture"), and CCM has agreed to subscribe for, or arrange subscriptions for, such Debentures.

The Company seeks to issue the Debentures, from time to time as funds are required by the Company, and in such number of tranches as agreed upon by the Company and CCM, with the first tranche of Debentures (the "First Tranche") being for Debentures in the minimum aggregate principal amount of \$5,000,000. The First Tranche of the Debentures shall bear interest at a rate of 10% per annum, which interest shall be payable annually, 50% in cash and 50% by the issuance of Shares. The Debentures will be repayable in three years (the "Maturity Date"). For each \$1,000 in principal of Debentures, Huldra will issue 1,000 share purchase warrants (each, a "Warrant"). The Debentures are convertible into Shares at a conversion price of \$0.05 per Share prior to the Maturity Date. Each Warrant is exercisable into one additional Share for four years from the date of issuance at an exercise price of \$0.075 per Warrant Share in the first year after issuance and \$0.10 per Warrant Share thereafter. The Debentures will rank subordinate to the debt owed to Waterton until such time as this debt is repaid in full. In addition, upon repayment by the Company of all amounts owed to Waterton and the cancellation of the 2% net smelter return royalty on the Company's Treasure Mountain mine held by Waterton, the holders of the Debentures issued pursuant to the First Tranche will be granted an aggregate 2% net smelter returns royalty with respect to the Company's Treasure Mountain mine on substantially the same terms as the royalty currently granted to Waterton, provided that each holder of Debentures issued pursuant to the First Tranche shall only be entitled to their pro rata share of such royalty based on their individual investment pursuant to the First Tranche. The conversion price of \$0.05 per Share for the Debentures and the exercise prices of the Warrants of \$0.075 and \$0.10 per Share, as applicable, is on a post-consolidation basis, and is subject to approval of the Exchange.

The terms of the Debentures offered pursuant to subsequent tranches of the Financing, other than the First Tranche, including the interest rate, maturity date, conversion price and exercise price of the underlying warrants have not been determined at this time.

The terms of the Financing, including the First Tranche, and the closing thereof remain subject to approval of the Exchange. The Company has requested certain waivers from the policies of the Exchange with respect to the Financing, including a waiver from the pricing requirement in connection with the conversion price of the Debentures and the exercise price of the Warrants. There is no guarantee that such waivers will be granted by the Exchange, that the securities offered pursuant to the Financing will be offered on the terms set forth in this news release, or that the Financing will close. The Company does not expect to pay any finder's fees in connection with the Financing. All securities issued pursuant to the Financing are expected to be subject to a hold period of four months and one day. In addition, the Exchange may impose additional escrow requirements with respect to certain securities issued to insiders pursuant to the Financing.

## **Repayment of DIP Loan and Waterton Debt**

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

- all amounts advanced to the Company by Waterton under the DIP Loan subsequent to entry into the Restructuring Agreement are to be repaid in cash from the proceeds of the First Tranche;

- additional cash payments in the aggregate amount of \$6,500,000 (the “Waterton Settlement Amount”) are to be paid to Waterton as follows:
  - \$2,500,000 on the closing date of the Restructuring (the “Closing Date”),
  - \$1,500,000 on or before the date that is 6 months from the Closing Date, and
  - \$2,500,000 on or before the date that is 12 months from the Closing Date; and
- the balance of the amounts owing will be settled by the issuance of Shares at a deemed price of \$0.05 per Share.

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

#### **Huldra’s Post-Restructuring Business Plan**

Following completion of the Restructuring, the Company intends to focus on transforming its Merritt Mill Property into a processing facility for mill feed for other gold and silver mining companies as there are significant costs associated with securing land, purchasing and building a processing mill, and a lined tailings facility. Such a facility would provide the opportunity for other companies to avoid the significant capital expenditure requirements necessary to build such a processing facility. In addition, the Company intends to resume exploration activities at its Treasure Mountain Project.

#### **Other Updates**

The Company would like to clarify that other than the proposed Plan, the related letter agreement with CCM and Waterton, which was disclosed in the Company’s news release dated June 10, 2014, and the ancillary dealings with the Company’s creditors, the Company does not have any arrangements or agreements which are currently in effect with any other party with respect to any transactions or financings. In particular, the Company confirms that it is not proceeding with any transaction with Ximen Mining Corp. In addition, the Company confirms that further to its news release dated April 16, 2014, the Company is not proceeding with the sale of its Merritt Mill and related property to CCM in light of the Restructuring Agreement and the Plan.

On behalf of the Board of Directors

“Garth Braun”

Garth Braun  
CFO & Director

For additional information

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***Disclaimer for Forward-Looking Information***

This press release contains projections and forward-looking information that involve various risks and uncertainties regarding future events including: (i) that Huldra will be able to restructure its financial affairs, including completion of the proposed Restructuring, (ii) that Huldra will be able to complete the Financing on the terms described herein, or at all, (iii) that Huldra will be able to compromise and settle its outstanding debt as set out herein or at all, (iv) that Huldra will obtain the necessary approvals from the Court, the Unsecured Creditors, the Secured Creditors, the Exchange and shareholders, as applicable, (v) that the shareholdings of the Company upon completion of the Restructuring will be as stated herein, (vi) that Waterton and CCM will each become control persons of the Company, (vii) that the Creditors' Meeting will be held as stated herein, (viii) that the amount owed by the Company to the Unsecured Creditors, the Secured Creditors and under the DIP Loan will be as stated herein, and (ix) that the Company will be able to carry out its business plan as stated herein. No assurance can be given that any of the events anticipated by the forward-looking statements will occur as planned or at all, or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain expectations, estimates and assumptions which may prove to be incorrect. A number of risks and uncertainties could cause the Company's actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) that Huldra is unable to secure additional financing or make arrangements with its creditors or that it will not be able to complete the Restructuring, including without limitation the offering of the Debentures, (2) that Huldra will be unable to recommence operations at its mine and mill for any reason whatsoever, (3) that the timing and duration under the CCAA Proceeding may be shorter than expected, (4) that the amounts owing to creditors on the Closing Date will be higher than stated herein, and that more creditors than expected will elect to settle in cash thereby reducing the funds available to the Company to carry out its business plan or that more creditors than expected will elect to settle in Shares thereby increasing the dilution to current shareholders of the Company, (5) a downturn in general economic conditions in North America and internationally, (6) volatility and fluctuation in the prices of silver, lead and zinc, (7) volatility and fluctuation in the price of the Company's stock and stock of resource issuers generally, (8) the uncertainty involved in Court proceedings and the implementation of a plan of restructuring under the CCAA Proceeding, and (9) other factors beyond the Company's control. Readers are cautioned that the foregoing list of factors is not exhaustive. These and all subsequent written and oral forward-looking information are based on estimates and opinions of management on the dates they are made and expressly qualified in their entirety by this notice. Except as required by law, the Company assumes no obligation to update forward-looking information should circumstances or management's estimates or opinions change.

***Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.***