

**HULDRA SILVER INC.**  
**(a development stage company)**

**QUARTERLY REPORT**

**FINANCIAL INFORMATION**

**SEPTEMBER 30, 2010**

**(Unaudited)**

### **NOTICE TO READER**

Management has compiled the unaudited interim financial statements of Huldra Silver Inc. consisting of the interim balance sheet as at September 30, 2010 and the statements of operations and deficit and cash flows for the nine months ended September 30, 2010. All amounts are stated in Canadian dollars. An accounting firm has not reviewed or audited this interim financial statement.

**HULDRA SILVER INC.**  
(a development stage company)

**BALANCE SHEET**

**September 30, 2010**

**(Unaudited)**

**ASSETS**

	<u>Sep 30 2010</u> (Unaudited)	<u>Dec 31 2009</u> (Audited)
<b>CURRENT</b>		
Cash and cash equivalents	\$ 523,438	\$ 17,268
Accounts receivable	36,641	272
Prepaid expenses	<u>9,743</u>	<u>1,795</u>
	569,822	19,335
<b>PROPERTY, PLANT &amp; EQUIPMENT</b> , net (Notes 3 & 5)	20,445	673
<b>MINERAL INTERESTS</b> (Note 6)	86,437	86,437
<b>RESTRICTED CASH</b> (Note 4)	<u>60,000</u>	<u>10,000</u>
	<u>\$ 736,704</u>	<u>\$ 116,445</u>

**LIABILITIES**

<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 168,713	\$ 47,182
Due to directors (Note 8)	<u>25,225</u>	<u>5,363</u>
	193,938	52,544
<b>SITE RESTORATION OBLIGATION</b> (Note 4)	<u>25,000</u>	<u>25,000</u>
	<u>218,938</u>	<u>77,544</u>

**SHAREHOLDERS' EQUITY**

<b>SHARE CAPITAL</b> (Note 7)	7,428,128	6,531,388
<b>CONTRIBUTED SURPLUS</b> (Note 7)	81,404	81,404
<b>DEFICIT</b>	<u>(6,991,766)</u>	<u>(6,573,891)</u>
	<u>517,766</u>	<u>38,901</u>
"On Behalf of the Board"	<u>\$ 736,704</u>	<u>\$ 116,445</u>

"Magnus Bratlien" Director

"David Chong" Director

**HULDRA SILVER INC.**  
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**STATEMENT OF OPERATIONS AND DEFICIT**

**For the Nine Month Period Ended September 30, 2010**

**(Unaudited)**

	<b>3 mths ended Sep 30 <u>2010</u></b>	<b>9 mths ended Sep 30 <u>2010</u></b>	<b>3 mths ended Sep 30 <u>2009</u></b>	<b>9 mths ended Sep 30 <u>2009</u></b>
<b>REVENUE</b>				
Interest	\$ -	\$ -	\$ -	\$ -
<b>EXPLORATION COSTS</b>	<u>306,639</u>	<u>315,732</u>	<u>47,788</u>	<u>68,042</u>
<b>EXPENSES</b>				
Vehicle	2,007	2,007	-	-
Consulting fees	-	16,000	-	-
Professional fees	8,499	38,005	6,222	11,930
Office and general	4,340	11,502	881	2,551
Management fees	15,000	21,000	3,000	9,000
Transfer agent	2,864	5,828	3,113	8,132
Regulatory fees	162	6,298	3,763	8,763
Bank charges and interest	-	170	65	358
Amortization	<u>1,233</u>	<u>1,333</u>	<u>72</u>	<u>216</u>
	<u>34,105</u>	<u>102,143</u>	<u>17,116</u>	<u>40,950</u>
<b>NET LOSS FOR THE PERIOD</b>	(340,744)	(417,875)	(64,904)	(108,992)
<b>DEFICIT AT BEGINNING OF PERIOD</b>	( <u>6,651,022</u> )	( <u>6,573,891</u> )	( <u>6,468,910</u> )	( <u>6,424,822</u> )
<b>DEFICIT AT END OF PERIOD</b>	\$ ( <u>6,991,766</u> )	\$ ( <u>6,991,766</u> )	\$ ( <u>6,533,814</u> )	\$ ( <u>6,533,814</u> )

**HULDRA SILVER INC.**  
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**STATEMENT OF CASH FLOWS**

For the Nine Month Period Ended September 30, 2010

(Unaudited)

	3 mths ended Sep 30 <u>2010</u>	9 mths ended Sep 30 <u>2010</u>	3 mths ended Sep 30 <u>2009</u>	9 mths ended Sep 30 <u>2009</u>
<b>CASH FLOWS FROM (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Cash receipts from operations	\$ 5,141	\$ 5,414	\$ -	\$ 3,872
Cash paid out to suppliers	<u>(26,846)</u>	<u>(118,279)</u>	<u>(12,384)</u>	<u>(58,634)</u>
	<u>(21,705)</u>	<u>(112,865)</u>	<u>(12,384)</u>	<u>(54,762)</u>
<b>INVESTMENT ACTIVITIES</b>				
Exploration costs	<u>(140,305)</u>	<u>(160,938)</u>	<u>(31,411)</u>	<u>(68,610)</u>
<b>FINANCING ACTIVITIES</b>				
Purchase of assets	(19,414)	(19,414)	-	-
Due to directors	(41,991)	(47,353)	(13,225)	36,800
Issuance of shares	170,550	896,290	80,000	80,000
Loan payable	-	-	5,000	5,000
Restricted cash	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
	<u>109,145</u>	<u>779,523</u>	<u>71,775</u>	<u>121,800</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(52,865)	505,720	27,980	(1,572)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>575,853</u>	<u>17,268</u>	<u>884</u>	<u>30,436</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ <u><u>522,988</u></u>	\$ <u><u>522,988</u></u>	\$ <u><u>28,864</u></u>	\$ <u><u>28,864</u></u>

**HULDRA SILVER INC.**  
**(a development stage company)**

**NOTES TO FINANCIAL STATEMENTS**

**For the Nine Month Period Ended September 30, 2010**

**(Unaudited)**

**1. DISCLOSURE**

These interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for the annual audited financial statements and should be read in conjunction with the most recent annual financial statements.

**2. NATURE AND CONTINUANCE OF OPERATIONS**

The Company's common shares are listed on the TSX Venture Exchange as a junior resource company. The Company is in the process of exploring its mineral properties in British Columbia, Canada. The amounts shown as mineral interests represent costs incurred and do not necessarily represent present or future values. The underlying value of the mineral interests is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to continue exploration, complete development, and future profitable production.

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and the liquidation of liabilities in the normal course of business. The Company has experienced recurring losses which causes uncertainty as to the Company's ability to continue as a going concern. If the going concern presumption is not appropriate then assets may be realized at amounts significantly lower than the current carrying value. The application of the going concern concept is dependent on the Company's ability to generate future profitable operations, acquire additional working capital and arrange adequate additional financing. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these financial statements are as follows:

**Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

**HULDRA SILVER INC.**  
**(a development stage company)**

**NOTES TO FINANCIAL STATEMENTS**

**For the Nine Month Period Ended September 30, 2010**

**(Unaudited)**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of balances with banks and securities held with maturity dates less than 90 days from the date of the original purchase and are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. As at September 30, 2009 there were no cash equivalents.

**Property, Plant & Equipment**

Amortization is provided at the following annual rates:

Computer equipment	30% declining balance basis
Equipment	20% declining balance basis
Vehicle	30% declining balance basis

Amortization is calculated at one-half of the annual rate in the year of acquisition.

**Mineral Interests**

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition are capitalized by project, net of recoveries received. The amounts shown as mineral interests represent costs incurred to date less amounts written off, and do not necessarily represent present or future values. These costs will be amortized against revenue from future production or written off if the interest is abandoned or sold. The carrying values of mineral interests, on a property-by-property basis, are reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral interests is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various mineral interests have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future writedowns of capitalized property carrying values.

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**NOTES TO FINANCIAL STATEMENTS**

**For the Nine Month Period Ended September 30, 2010**

**(Unaudited)**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Site Restoration Liability**

The Company recognizes the fair value of liabilities for asset retirement obligations (referred to as "site restoration obligations") in the period in which they incur and/or in which a reasonable estimate of such costs can be made. Liabilities include those liabilities related to environmental protection and rehabilitation due to environmental law or contracts. The site restoration obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset.

Subsequently, the costs of site restoration are allocated to expenses using a systematic and rational method and are adjusted to reflect period-to-period changes in the liability resulting from passage of time and/or revisions to either timing or the amount of the original estimate.

Management has estimated that the amount of site restoration obligation at September 30, 2010 totals \$25,000, which amount has been added to the capitalized cost of the mineral property, and recognized as site restoration liability.

**Financial Instruments**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and due to a director. Unless otherwise noted it is management's opinion that the Company is not exposed to significant interest, currency, credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

**Stock-based Compensation**

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.



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**NOTES TO FINANCIAL STATEMENTS**

**For the Nine Month Period Ended September 30, 2010**

**(Unaudited)**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent Accounting Pronouncements**

**International Financial Reporting Standards (“IFRS”)**

In February 2008, the Canadian Accounting Standards Board announced that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The IFRS standards will be effective for the Company for interim and fiscal period reporting commencing January 1, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended December 31, 2011 and earlier where applicable. The Company is developing an IFRS changeover plan which will address the key areas such as accounting policies, financial reporting, information systems, education and training, and other business activities.

**4. RESTRICTED CASH**

The Company has in place deposits amounting to \$60,000 as at September 30, 2010, registered in the name of the Ministry of Finance as security for its mining permit and for reclamation clean up.

**5. PROPERTY, PLANT & EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Sept 30, 2010 Net</u>	<u>Dec 31, 2009 Net</u>
Vehicle	\$ 19,120	\$ 1,069	\$ 18,051	\$ -
Computer equipment	2,700	1,173	1,527	673
Equipment	<u>900</u>	<u>33</u>	<u>867</u>	<u>-</u>
	<u>\$ 22,720</u>	<u>\$ 2,275</u>	<u>\$ 20,445</u>	<u>\$ 673</u>

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**NOTES TO FINANCIAL STATEMENTS**

**For the Nine Month Period Ended September 30, 2010**

**(Unaudited)**

**6. MINERAL INTERESTS**

Upon incorporation in 1980, the Company acquired from two directors in consideration of 750,000 vendor's shares, 100% interest in 38 mineral claims at Treasure Mountain, located 27 km east of Hope, B.C. These 38 mineral claims, or their subsequent conversions, covering the area of the developed vein deposit, the projected vein extensions and several other exploration targets, have been maintained in continuous good standing since 1980.

The Treasure Mountain group of claims consist of the following:

	<u><b>2010</b></u>	<u><b>2009</b></u>
(a) The Company acquired from its directors the Treasure Mountain group of claims located in the Similkameen Mining Division of British Columbia for a cash consideration of \$7,500.	\$ 7,500	\$ 7,500
(b) The Company acquired a Crown Grant mineral claim to Lot 1210 in the Yale Mining Division contiguous to the Treasure Mountain Claims known as the "Eureka" for a cash consideration of \$14,437.	14,437	14,437
(c) The Company acquired the surface rights to Lot 1209 located in the Yale Mining Division of British Columbia known as the "Whynot Fraction" for a consideration of \$39,500.	39,500	39,500
(d) Provisions for reclamation	<u>25,000</u>	<u>25,000</u>
	<u>\$ 86,437</u>	<u>\$ 86,437</u>

The realization of the costs of the mineral interests aggregating \$86,437 is dependent upon the future commercial success of the properties or proceeds from disposition thereof.

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**NOTES TO FINANCIAL STATEMENTS**

**For the Nine Month Period Ended September 30, 2010**

**(Unaudited)**

**6. MINERAL INTERESTS (continued)**

Cumulative exploration costs incurred on the Treasure Mountain group of claims are as follows:

	<b>9 mths ended Sep 30, 2010</b>	<b>9 mths ended Sep 30, 2009</b>
<b>EXPLORATION COSTS, beginning of period</b>	<b>\$ <u>5,799,722</u></b>	<b>\$ <u>5,730,050</u></b>
<b>COSTS INCURRED DURING THE PERIOD</b>		
Geotechnical	\$ -	\$ 9,657
Drill program	92,065	-
Assay	10,801	-
Fieldwork	43,491	-
Labour	33,500	-
Exclavation	41,877	-
Fuel	10,704	-
Camp fees	28,323	-
Engineering	12,138	49,667
Metallurgical services	-	658
Travel and meals	1,287	469
Insurance	951	856
Property taxes	267	305
Consulting	-	1,000
Mapping and assessment	11,105	5,430
Recording fees	500	-
Supplies	<u>28,723</u>	<u>-</u>
	<u>315,732</u>	<u>68,042</u>
<b>CUMULATIVE EXPLORATION COSTS, end of period</b>	<b>\$ <u>6,115,454</u></b>	<b>\$ <u>5,798,092</u></b>

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**NOTES TO FINANCIAL STATEMENTS**

**For the Nine Month Period Ended September 30, 2010**

**7. SHARE CAPITAL**

(a) Authorized: 50,000,000 common shares without par value.

(b) Issued:

	<u>Number of Shares</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, December 31, 2007 and 2008- Non-brokered private placement At \$0.20 per share, net of costs	8,614,519	\$ 6,391,388	\$ 81,404
	<u>700,000</u>	<u>140,000</u>	<u>-</u>
Balance, December 31, 2009	9,314,519	\$ 6,531,388	\$ 81,404
Non-brokered private placement At \$0.20 per unit, net of costs	3,895,000	725,740	-
Exercise of warrants at \$0.30	<u>570,000</u>	<u>171,000</u>	<u>-</u>
Balance, September 30, 2010	<u>13,779,519</u>	<u>\$ 7,428,128</u>	<u>\$ 81,404</u>

On September 10, 2009, the Company completed a non-brokered private placement of 700,000 units at a price of \$0.20 per unit for net proceeds of \$140,000. Each unit consists of one share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.30 per share not later than August 31, 2010.

During the period, 570,000 of the above warrants were exercised at \$0.30 per share to net the Company \$171,000. The remaining 130,000 warrants have expired.

The Company has applied the residual approach and allocated total net proceeds of \$140,000 to common shares and a nil value to the attached warrants.

On May 5, 2010, the Company completed a non-brokered private placement of 3,895,000 units at a price of \$0.20 per unit for gross proceeds of \$779,000. Each unit is comprised of one common share and one warrant, with each warrant exercisable into one common share until November 4, 2011 at an exercise price of \$0.35 per share. A finder's fee was paid in connection with the offering, consisting of a cash payment of \$52,960 and the issuance of 264,800 warrants, exercisable at \$0.20 per share until November 4, 2011. The shares and warrants are subject to a hold period expiring on September 5, 2010. Net proceeds to the Company after other administrative fees amounted to \$725,740.

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**NOTES TO FINANCIAL STATEMENTS**

**For the Nine Month Period Ended September 30, 2010**

**7. SHARE CAPITAL (continued)**

(c) Stock Options

Stock option plan

The Company's Board of Directors approved the adoption of a stock incentive plan (the "2004 Stock Option Plan") in accordance with the policies of the TSX Venture Exchange. The Board of Directors is authorized to grant options to directors, officers, consultants or employees. The exercise price of options granted under the 2004 Stock Option Plan shall be as determined by the Board of Directors when such options are granted, subject to any limitations imposed by any relevant stock exchange or regulatory authority. The maximum number of options that may be granted to any one person in any twelve month period must not exceed 5% of the common shares outstanding at the time of the grant. Any options granted under the 2004 Stock Option Plan shall vest at the discretion of the Board of Directors or its designate who will have the authority to determine the time during which options shall vest and the method of vesting or that no vesting restriction shall exist.

During the 2006 fiscal year, the Company granted stock options to a director to purchase an aggregate of 100,000 common shares at a price of \$0.95 per share to be exercised within a 5 year period. During the period, the stock options have been cancelled.

The fair value of each option granted was estimated as of the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 4.01%, dividend yield of 0%, volatility of 107.84% and expected life of 5 years. The Company recognized compensation of \$53,178 during the year related to the granting of these options.

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide reliable measures of the fair value of the Company's stock options.

The Company granted 830,000 stock options on March 29, 2010 to directors and consultants of the Company exercisable at a price of \$0.25 for a period of five years. The options are subject to the Company's stock option plan.

On June 28, 2010 the Company granted a further 340,000 stock options to directors and consultants of the Company exercisable at a price of \$0.385 per share for a period of five years. The options are subject to the terms of the Company's stock option plan.

**HULDRA SILVER INC.**  
**(a development stage company)**

**NOTES TO FINANCIAL STATEMENTS**

**For the Nine Month Period Ended September 30, 2010**

**7. SHARE CAPITAL (continued)**

A summary of the weighted average fair value of stock options granted as at September 30, 2009 is as follows:

<u>Exercise Price</u>	<u>Number Outstanding and Exercisable</u>	<u>Weighted Average Remaining Contractual Life (yr)</u>	<u>Weighted Average Exercise Price</u>	<u>Expiry Date</u>
\$0.25	830,000	4.75	\$0.25	March 29, 2015
\$0.25	150,000	4.83	\$0.25	May 5, 2015
\$0.385	340,000	5.00	\$0.385	June 28, 2015

A summary of warrants outstanding as at September 30, 2010 is as follows:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
264,000	\$0.20	November 4, 2011
3,895,000	\$0.35	November 4, 2011

**8. RELATED PARTY TRANSACTIONS**

During the period the Company incurred the following expenditures to directors and to a company controlled by a director:

Office and general	\$ 1,080
Management fees	\$ 21,000
Consulting	\$ 16,000

The amount of \$25,225 due to directors is unsecured, non-interest bearing and has no stated terms of repayment.

**9. LOSS PER SHARE**

Loss per share has not been calculated as it would not provide meaningful information during this period.