HULDRA SILVER INC.

April 2012

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Year Ended December 31, 2011

Website Information: http://www.huldrasilver.com

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For the Year Ended December 31, 2011
(Prepared by Management)

Information as of April 25, 2012

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance, and business prospects and opportunities, including statements related to the development of existing and future property interests, availability of financing and projected costs and expenses. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, estimates and assumptions about current mineral property interests, the global economic environment, the market price and demand for silver and other minerals and our ability to manage our property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand for or price of silver and other minerals, (3) delays in our projects, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America regarding mining and mineral exploration, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond our control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors/Trends" below.

1. DESCRIPTION OF BUSINESS

Huldra Silver Inc. ("Huldra" or the "Company") is a publicly traded junior exploration company engaged in the business of acquiring, exploring and developing mineral and natural resource properties. The Company trades on the TSX Venture Exchange (the "TSX-V") under the symbol "HDA".

This Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2011 is prepared as of April 25, 2012. Additional information and filings are available for review on the SEDAR website located at www.sedar.com.

Overall Performance

The primary focus of Huldra Silver Inc. is the exploration and development of the Treasure Mountain Mine. In 2011 the Company completed the development of all of the required infrastructure at the Treasure Mountain Mine to begin underground mining on a 10,000 tonne bulk sample permit in November 2011. The Company also conducted an exploration program that included geochemical testing, surface trenching, underground sampling, and surface diamond drilling. The program was the largest conducted in a single year of the Company's history. The objective was to move the mine towards full production of 60,000 tonnes per year in 2012.

The Company also made a significant acquisition of all of the shares of Craigmont Holdings Ltd. for total consideration of $8,000,000. The primary intent of this acquisition was to acquire property (the “Mill Property”) owned by Craigmont Holdings Ltd., a permitted mine property and tailings facility, on which to develop a mineral processing facility to process ore from the Treasure Mountain Mine. The Company also entered into a supply and installation contract to purchase a 200 tonne per day mill from Canadian Royal Mining Corp. The mill construction and installation began in November, 2011.

The significant fluctuations between the Company’s results of operations in 2011 and 2010, as described herein, resulted largely from the large exploration and development program that the Company conducted at its Treasure Mountain Project in 2011 and the acquisition and development of the Mill Property. Exploration activities were limited in 2010.

Risk Factors

Mineral Exploration and Development Activities Inherently Risky

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into mineral deposits with significant value. Unusual or unexpected ground conditions, geological formation pressures, fires, power outages, labour disruptions, flooding, earthquakes, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. There are also physical risks to the exploration personnel working on the site of a mineral project. The Company’s exploration properties and any future mining operations will be subject to all the hazards and risks normally incidental to exploration, development and production of silver and other metals, any of which could result in damage to, or destruction of, exploration facilities or mines, damage to life and property, environmental damage and possible legal liability for any or all damage. Although the Company maintains insurance in an amount which 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 condition.

Uncertainty of Mineral Resources

The figures for mineral resources for the Treasure Mountain Project disclosed under the heading “Companies with Mineral Projects – Summary of the Technical Report” in this MD&A are only estimates. Mineral reserves at the Treasure Mountain Project have not been defined, therefore the mineral resources currently cannot be considered ore. There is no certainty that expenditures made in the exploration of the Company’s mineral properties will result in identification of commercially recoverable quantities of ore or that ore reserves will be mined or processed profitably. In addition, substantial expenditures will be required to develop the mining and processing facilities and infrastructure at any site chosen for mining.

Insurance

The mining industry is subject to significant risks that could result in damage to or destruction of property and facilities, personal injury or death, environmental damage and pollution, delays in production, expropriation of assets and loss of title to mining claims. No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company currently maintains insurance within ranges of coverage that it believes to be consistent with industry practice for companies of a similar stage of development, however the insurance the Company has may not be sufficient to cover the full extent of any liabilities that may arise.

Prices, Markets and Marketing of Silver and Metal Prices

World prices for commodities fluctuate and are affected by numerous factors including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of commodities, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

Liquidity and Capital Requirements

Management anticipates that, subject to financing, it will make substantial capital expenditures towards developing the Treasure Mountain Property. However, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has no history of profitable operation and no assurance that additional funding will be available to it for further exploration and development of the Treasure Mountain Property if required. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration and development of the Treasure Mountain Project.

Going Concern Risk

As at December 31, 2011, the Company had an accumulated deficit of $14,750,436 (December 31, 2010 - $6,991,526, January 1, 2010 - $6,573,891) and a working capital deficiency of $3,534,299 (December 31, 2010 - $2,374,416 surplus, January 1, 2010 - $33,209 deficit). These factors raise a significant uncertainty about the Company's ability to continue as a going concern. Continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

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 could be required to manage and operate the Company.

Environmental Risks

All phases of the mineral exploration and development business present environmental risks and hazards and are subject to environmental regulations. Compliance with such legislation and regulations can require significant expenditures and a breach could result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner which may lead to stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of exploration or production, a material increase in the costs of production, development or exploration activities, or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Government Regulation

The natural resource exploration industry is subject to controls and regulations imposed by various levels of government. It is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different than they would affect other natural resource exploration companies of similar size. The current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted.

Competition

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 also competes with other mining companies in the recruitment and retention of qualified employees.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers of, 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 (British Columbia) dealing with conflicts 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 interest and refrain from voting on the matter unless otherwise permitted by the Business Corporations Act (British Columbia). 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 in the best interests of the Company.

No Current Plans to Pay Cash Dividends

The Company has no plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Company's Board of Directors and will depend on, among other things, the Company's financial results, cash requirements, contractual restrictions and other factors that the Board of Directors may deem relevant. In addition, the Company's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness that the Company or its subsidiaries incur. As a result, investors may not receive any return on an investment in the Company's securities unless they sell the securities for a price greater than that which they paid for them.

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 estimated income from prospective mining operations, limit access to capital markets and negatively impact the availability of credit facilities or other financing to the Company.

Price Volatility of Public Stock

The market price of the Company's securities has experienced wide fluctuations which may not necessarily be related to the operating performance, underlying asset values or prospects of the Company. Any market for the Company's securities may be subject to market trends generally and the value of the Company's securities on the TSX-V may be affected by such volatility in response to numerous factors, many of which are beyond the Company's control, including:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;

- the addition or departure of the Company's executive officers or other key personnel;
- release or other transfer restrictions on outstanding Company securities;
- sales or perceived sales of additional Company securities;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- news reports relating to trends, concerns, competitive developments or regulatory changes; and
- other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company's securities may decline even if the Company's operating results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Company's securities by those institutions, which could adversely affect the trading price of the Company's securities. There can be no assurance that fluctuations in price and volume will not occur in the future. If increased levels of volatility and market turmoil occur, the Company's operations may be adversely impacted and the trading price of the Company's securities may be adversely affected.

First Nations

The Company's properties are located within First Nations traditional territories. First Nations rights have two legal sources of authority both recognized by the Constitution Act, 1982, which consist of aboriginal rights and title, and treaty rights. Aboriginal rights and title are derived from pre-contact activities based on historical records, including oral tradition. Treaty rights are based on an agreement between a First Nation and the Crown as represented by the federal government and, more currently, the provincial government. These rights stipulate that companies have a duty to consult or engage First Nations potentially affected by development projects. The purpose of the engagement process is to ascertain and evaluate the impact of a project on First Nation rights, and to identify any mitigation strategies and accommodation to address these impacts. The greatest risk factor associated with the consultation process is the failure of the Company to enter into agreements with respect to consultation and accommodation with the relevant First Nations. This may cause delays or financial hardship (related to resolution measures) to the point where the proposed developments may have to be abandoned. It should be noted that, even if agreements are entered into, the impact of these risk factors on the Company's proposed projects cannot be predicted.

Increased Costs and Compliance Risks as a Result of Being a Public Company

Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. The Company anticipates that costs may continue to increase with corporate governance related requirements, including, without limitation, requirements under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, National Instrument 52-110 – Audit Committees and National Instrument 58-101 – Disclosure of Corporate Governance Practices, and as a result of the conversion to International Financial Reporting Standards.

Forward-Looking Statements may Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements contained in this MD&A. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this MD&A under the heading "Cautionary Note Regarding Forward-Looking Statements".

2. SELECTED ANNUAL INFORMATION

The following selected financial data, presented in Canadian dollars, should be read in conjunction with the Company's audited consolidated financial statements. The comparative annual results for 2009 fiscal year were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the results for the 2010 and 2011 fiscal years were prepared in accordance with International Financial Reporting Standards ("IFRS"). No material differences resulted from the change in accounting principles:

	Year Ended Dec 31, 2011	**Year Ended Dec 31, 2010**	**Year Ended Dec 31, 2009**
Interest and other income	$ (325,135)	$ 8,729	$ -
Exploration cost	4,997,477	84,518	69,672
Administrative expenses	2,436,298	423,250	79,397
Net loss	$ (7,758,910)	$ (499,039)	$ (149,069)
Loss per share (basic and diluted)	($0.36)	($0.04)	($0.02)
Total assets	$ 20,890,886	$ 2,592,694	$ 116,445
Total non-current financial liabilities	6,054,889	25,000	25,000

3. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This review of the Company's results of operations should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2011 and the audited consolidated financial statements of the Company for the year ended December 31, 2010.

Year Ended December 31, 2011

During the year ended December 31, 2011, the Company incurred a loss of $7,758,910, compared with a loss of $499,039 for 2010. The significant fluctuations between the comparative periods resulted largely from the large exploration and development program that the Company conducted at its Treasure Mountain Project in 2011. The large increase in overall general and administrative expenses between the comparative periods is a reflection of the growth of the Company over the past year.

Operating expenses increased from $507,768 for the year ended December 31, 2010 to $7,433,775 for the year ended December 31, 2011. The increase in expenses was largely a result of general and administrative related share-based compensation expense increasing to $1,683,183 (December 31, 2010 - $253,123). The increase in share-based compensation was driven by the increase in the share price at the time of the option grants as a result of the upward trend of the market price for the Company's common shares as between the comparative periods. During the year ended December 31, 2011, the Company granted 1,510,000 options of which 90,000 options, had an exercise price of $0.95, 280,000 options, each having an exercise price of $1.40, 1,080,000 options, had an exercise price of $1.44, and 60,000 options, had an exercise price of $1.35, as compared to the year ended December 31, 2010 when the Company granted a total of 1,520,000 options of which 980,000 options, had an exercise price of $0.25, 340,000 options, had an exercise price of $0.385, and 200,000 options, had an exercise price of $0.66.

Exploration costs increased from $84,518 in 2010 to $4,997,477 in 2011 due to the increased activity related to the Company beginning a large exploration and development program at the Treasure Mountain Property. The increase in professional fees from $70,633 in 2010 to $188,156 in 2011 resulted primarily from higher legal and accounting fees associated with the growing activity of the Company. The increase in consulting fees from $22,000 in 2010 to $92,000 in 2011 was primarily due to the entry into an investor relations agreement in November 2010 pursuant to which the Company pays an external investor relations firm $5,000 per month. The Company had no similar agreements in place during the same period in 2010. The increase in general and administrative related salaries and benefits from $nil in 2010 to $128,200 in 2011 resulted from the addition of three full-time corporate employees to the Company's staff. The Company had no employees during the same period in 2010. Travel expenses increased from $nil in 2010 to $28,787 in 2011 as a result of an increase in travel related to the Company's increased business activities. Rent expense increased from $2,800 in 2010 to $30,000 in 2011 as a result of the Company establishing corporate headquarters at a rate of $2,500 per month. The Company did not maintain a corporate office in the same period in 2010. The flow through share premium increased from $nil in 2010 to $317,005 in 2011 as a result of the Company's issuance of flow-through shares and subsequent renunciation of flow-through expenditures in 2011. There was no such activity in 2010. Finance (income) costs increased from $(8,729) in 2010 to $911,004 in 2011, the unrealized gain on derivative increased from $nil in 2010 to 91,701 in 2011, and the unrealized gain on warranty liability increased from $nil in 2010 to $139,607 in 2011, all three of which were attributable to the credit facility that the Company entered into with Waterton Global Value, L.P. ("Waterton") in June 2011, as further described below under the heading "Financing, Liquidity and Capital Resources".

The loss for the year ended December 31, 2011 included expenditures of $153,605 (December 31, 2010 - $49,049) for transfer agent fees, regulatory, and management fees. In addition, expenses for the year ended December 31, 2011 included office and general expenses of $125,306 (December 31, 2010 - $19,775). These increases were a direct result of the increased growth and activity of the Company.

For the year ended December 31, 2011, general and administrative expenses were $2,436,298 as compared to $423,250 for the year ended December 31, 2010. The increase in general and administrative expenses was largely a result of share-based compensation in the amount of $1,683,183 (December 31, 2010 - $253,123), as described above. Increases in professional fees from $70,633 in 2010 to $188,156 in 2011, in management fees from $34,000 in 2010 to $95,000 in 2011, in salaries and benefits from $nil in 2010 to $128,200 in 2011, and in consulting fees from $22,000 in 2010 to $92,000 in 2011, were all a direct result of the increased growth of the Company.

Three Months Ended December 31, 2011

During the three months ended December 31, 2011, the Company incurred a loss of $1,442,319 compared with a loss of $81,164 for the three months ended December 31, 2010. The significant fluctuations between the comparative periods result largely from the discrepancy in exploration activity performed at the Company's Treasure Mountain Property. Exploration costs incurred for the three months ended December 31, 2011 totaled $1,351,206, compared to a recovery of exploration costs for the three months ended December 31, 2010 of $231,214. The net recovery for the comparable period was a result of receipt of Mining Exploration and Tax Credits in the amount of $262,232.

General and administrative expenses for the three months ended December 31, 2011 were $113,211 compared to $321,107 for the three months ended December 31, 2010. The figure for the three months ended December 31, 2010 included share-based compensation expense of $253,123. There was no such expense for the comparable 2011 period.

4. SELECTED QUARTERLY RESULTS

The following table sets forth a comparison of income and expenses for the previous eight quarters ending with December 31, 2011. The comparative quarterly results were prepared in accordance with IFRS:

	Dec 31 2011 ($)	Sep 30 2011 ($)	Jun 30 2011 ($)	Mar 31 2011 ($)	Dec 31 2010 ($)	Sep 30 2010 ($)	Jun 30 2010 ($)	Mar 31 2010 ($)
Finance costs and other income (loss)	22,098	(236,623)	(116,266)	5,656	8,729	-	(98)	(72)
Administrative expenses	113,211	1,469,796	558,345	294,947	321,107	34,105	43,084	24,784
Exploration costs	1,351,206	3,273,533	286,749	85,989	(231,214)	306,639	6,897	2,196
Net loss	(1,442,319)	(4,979,952)	(961,360)	(375,280)	(81,164)	(340,744)	(50,079)	(27,052)

As described above under the heading "Results of Operations and Financial Condition", significant fluctuations between the comparative periods resulted from the fact that the Company had been essentially dormant until late in 2010, when it began a large exploration and development program at its Treasure Mountain Property. Additional explanations for certain significant changes in the table above are as follows:

a) During the three months ended June 30, 2011, finance costs and other income (loss) increased as a result of the credit facility that the Company entered into with Waterton in June 2011, as further described below under the heading "Financing, Liquidity and Capital Resources". The trend of increased finance costs increased in the third quarter of 2011, when the Company completed a prospectus offering. In the fourth quarter of 2011, the finance costs associated with the Waterton credit facility were offset by the flow through share premium the Company realized as a result of renouncing exploration and evaluation expenses deductible for Canadian income tax purposes of $2,536,039 in respect of flow-through shares issued in 2011.

b) The substantial increase in administrative expenses in the quarter ended September 30, 2011 was largely due to an increase in share-based compensation expense driven by an increase in the number of options issued and the share price at the time of the grants.

c) The trending pattern of increasing exploration expenses in the quarters ended December 31, 2011, September 30, 2011, and June 30, 2011 were the result of the commencement of the exploration and development project at Treasure Mountain. These expenditures included a drill program, labour and camp costs, excavation work, assay costs and assessment work. The exploration cost recovery amount for the quarter ending December 31, 2010 was a result of the exploration expenses for the quarter being offset by the receipt of Mining Exploration and Tax Credits in the amount of $262,232.

5. EXPLORATION AND DEVELOPMENT

Treasure Mountain Mine

Since its incorporation in March 1980, the Company has been engaged in the exploration and development of its wholly owned group of mineral tenures located at Treasure Mountain in the Similkameen Mining Division, British Columbia. After discovering a silver rich vein on the claims in 1985, exposing this vein for a length of 250 meters and testing it by shallow drilling in the summer of 1986, the Company went public in 1987, attaining a listing on the TSX-V in August of that year.

Between 1987 and 1989, the Company explored the vein zone on four underground levels with 9,000 feet of crosscuts, drifts and raises, complemented by 5,500 feet of underground and 10,000 feet of surface drilling. Preceding the underground work, a bulk sample of 407 tons of select high-grade material from the surface vein showings was shipped to Cominco and Asarco smelters for testing. The smelters found the shipments compatible with their regimes and paid a total of $344,265 for the shipments.

Since 1989, work at the Treasure Mountain Property has included four small drill programs, several geo chemical soil surveys, a legal mineral tenure survey by McElhanney and various technical studies by AMEC Earth & Environmental,

On March 31, 2011, the Company made an application for a permit approving the Company's Small Mine Plan and Reclamation Program pursuant to Section 10 of the British Columbia Mines Act for the development and operation of the Treasure Mountain Mine Project. The application allows for up to 60,000 tonnes a year of ore removal.

On June 15, 2011, the Company received a technical report entitled "Project Update Treasure Mountain Property, Tulameen River Area, B.C. Canada (the "Report") prepared by independent consultants and Qualified Persons, Erik Ostensoe, P. Geo., G. H. Giroux, P. Eng., and Jim Cuttle, P.Geo. The purpose of the Report is to provide an update on work done on the Treasure Mountain Property since the Company's last technical report was filed in 2009.

Current Exploration and Development

Exploration at Treasure Mountain since June of 2011 has consisted of 69 diamond drill holes over a total length of approximately 7000 metres, 671 surface soil geochemistry samples, surface sampling, underground sampling on the upper two levels of the mine workings, a 10,000 tonne bulk sample, and a small exploration cut on the East Zone .8km from the mine workings.

51 diamond drill holes were drilled over a total length of 5,073 metres on the main mine development, with the objective of further defining resources on the upper 150 metres of the mine. Highlights of the drill program are presented in the following table with all significant results previously released and available on the Company website www.huldrasilver.com of available on sedar.com.

Hole_ID	FROM	TO	LENGTH	AG_OZ/ton	PB%	ZN%	AG_PPM	MN%
TM11-6	25.25	25.45	0.20	33.75	8.99	0.46	1050	4.04
TM11-7	27.53	27.73	0.20	19.9	6.65	3.53	619	5.67
TM11-9	65.67	68.78	3.11	17.38	4.28	2.47	592.9	5.8
TM11-13	43.55	43.90	0.35	140.18	20.32	4.9	4360	6.28
TM11-14	45.05	45.90	0.85	8.58	0.61	2.57	266.81	4.76
TM11-14	73.86	74.23	0.37	79.67	11.04	12.47	2478	8.5
TM11-15	48.08	48.66	0.58	50.09	5.3	3.97	1558	7.02
TM11-16	51.21	52.06	0.85	7.81	0.59	0.46	243.06	2.45
TM11-17	67.16	67.41	0.25	10.67	12.85	3.13	332	5.56
TM11-18	17.16	17.73	0.57	3.11	0.56	0.88	96.7	5.04
TM11-18	35.75	35.95	0.20	7.97	7.42	0.09	248	3.48
TM11-19	21.02	21.22	0.20	6.94	4.22	8.55	216	1.99
TM11-20	26.19	26.52	0.33	6.82	2.84	3.49	212	3.76
TM11-20	83.23	83.44	0.21	29.03	3.59	2.34	903	8.81
TM11-21	39.81	40.93	1.12	47.05	18.68	1.62	1463.47	1.56
TM11-23	15.37	15.67	0.30	14.37	0.26	0.33	447	6
TM11-23	37.89	41.76	3.87	9.9	0.57	4.91	308.02	2.6
TM11-24	51.28	53.95	2.67	16.33	0.7	6.86	507.83	5.02
TM11-26	66.49	66.66	0.17	10.45	0.31	1.2	325	7.06
TM11-26	122.68	124.05	1.37	225.48	21.82	19.63	7013	4.9
TM11-30	35.33	36.29	0.96	5.22	3.43	0.85	179	9.4
TM11-35	123.12	123.56	0.44	6.94	1	0.31	238.15	1.26
TM11-36	144.51	145.71	1.2	45.62	13.47	9.92	1564.85	4.76
TM11-46	37.06	37.54	0.48	14.94	2.54	3.2	512.29	3.55
TM11-47	34.63	35.09	0.46	50.41	6	5.49	1729	4.02
TM11-48	25.83	26.07	0.24	130.41	49.94	17.55	4473	2.15
TM11-48	35.06	35.48	0.42	31.92	5.22	5.1	1095	6.16
TM11-50	33.31	33.42	0.11	22.24	7.9	3.25	763	2.44

The Company conducted a geochemical sampling program consisting of 671 samples focusing on two primary targets: the MB Zone and the Camp Zone. The MB Zone is approximately 800 metres northwest of the current Treasure Mountain mine workings. Surface samples were taken from an exposed area of fractured argillite in 2010 and assays were reported as high as 9,221g/t Ag (August 25, 2010 press release). The Camp Zone is in an area where a geochemical testing program conducted in 1996 identified a large soil anomaly below the Jensen Portal extending up to 1000m from the existing mine workings. Three of the samples from this program exceeded 100 grams per tonne Ag.

Maps of the geochemical results can be viewed on the Company website at http://www.huldrasilver.com/wp-content/uploads/2011/12/Treasure-Mountain-Geochemistry-Soil-Maps-2011.pdf

The following results were from surface chip samples taken from the D-vein:

Sample#	Width (m)	Ag (ozs/ton)	PB (%)	ZN (%)	Ag (g/tonne)	Mn (%)
DV-1	1.2	0.18	0.02	0.06	5.8	0.72
DV-2	0.5	3.34	0.35	0.29	104	2.68
DV-3	0.6	19.54	7.66	0.89	608	5.71
DV-4	0.18	6.81	2.46	0.09	212	5.37
DV-5	0.38	8.41	0.3	2.47	261	8.63
DV-6	0.4	29.77	9.37	7.93	926	4.8
DV-7	0.3	30.70	12.85	1.08	955	11.42
DV-8	0.33	47.51	33.65	0.78	1478	3.71

The D-vein was previously uncovered 20 metres into the hanging wall of the open cut at the top of Treasure Mountain. However, the surface expression was re-exposed during mechanical scaling. 8 samples were taken across the structure over a total length of 107 metres. The D-vein is not included in the current NI 43-101 resource estimate included in the Report.

The Company sampled all currently developed drifts and raises from the upper two levels of the underground. To date, only the results from the Level 1 drift and raises extending 55 metres to the surface have been received. The mine is developed on 4 levels over a vertical height of 295 metres following the vein down dip.

The tables with the underground chip sampling results from the Level 1 drift and raises are available on the Company's website at www.huldrasilver.com. The samples were taken at 5 metre intervals throughout the drift and raises. Each set of three samples (i.e. P1C1-1, P1C1-2, P1C1-3) represent one sample location at each 5 metre interval. Each sample location includes footwall rock, vein and hangingwall rock.

- Footwall rock samples assays were received up to 3380 g/tonne Ag (98.5 OZ/ton Ag), 3.96 %Pb, 3.74%Zn, and 3.89% Mn over 1.9m.
- Vein sample assays were up to 5097 g/tonne Ag (148.6 OZ/ton Ag), 36.76%Pb, 5.31% Zn, and 6.45% Mn over .6m.

The first underground stope mining commenced in November, 2011 and has currently been mined over a length of 75 metres, a height of 45 metres, with an average width of 1.5 metres. We have estimated that a total of 8,000 tonnes of material has been mined and stockpiled to date. The drawdown of the stope and removal of the crown pillar will provide an additional 12,500 tonnes of material in the summer of 2012. The average grades, to date, of the 43 samples over the mined width are 911 g/tonne Ag, 5.62% Zn, 3.35% Mn, 6.75% Pb.. Currently, no value has been assigned to stockpiled material as the material requires further processing at the Company's Mill facility, once complete, prior to being shipped to a smelter for payment. There are currently no other identified options for processing the material prior to shipment to a smelter.

Since completion of the mining of the first stope, the haulage drift has been extended to a total length of 275 metres and the fourth raise has been completed. There are a total of 7 raises to be developed including the final mine ventilation raise to complete the development on Level 1 of the mine. The haulage drift will be complete at approximately 300 metres.

On February 24, 2011, the Company announced it had acquired 70.7 hectares of additional surface rights on the Treasure Mountain Property. The Company now holds all of the surface rights on its entire 7000 acre claim boundary. Two of the lots were previously home to a former wilderness camp and had been previously logged. This provided the Company with the most suitable location on the entire claim to construct camp facilities.

The Company currently has a completely self-sufficient mining camp constructed on these lots. The camp consists of a 48 man dorm, two sleeping cabins, kitchen and dining facilities, an office complex, and a first aid and mine rescue building. Separately, there is a full workshop, repair facilities, and a fueling station nearby. The entire complex is powered utilizing a diesel generator with propane heating. Water is supplied from a drilled well and a full septic field has been installed. The camp remains operational year round and will have additional roofing installed during the summer of 2012 to reduce maintenance costs.

Merritt Mill Facility

The Company purchased all of the shares of Craigmont Holdings Ltd. (now Huldra Holdings Ltd.) on May 5, 2011. Huldra Holdings holds real property, mineral claims and mineral leases, referred to herein as the Mill Property, covering approximately 8,400 hectares, located in south central British Columbia, approximately 10 kilometers west of Merritt. The purpose of the acquisition was to construct a mill facility on the permitted site of the former copper producing mine to process the ore from the Treasure Mountain Mine, which is located approximately 100 km away.

The Company underwent the necessary engineering and environmental work to file a permit amendment application to the existing Mines Act Permit on October 31, 2011. The permit is currently under final review.

The Company began the civil work on the Mill Property in early November, 2011. All of the necessary mill equipment and building components are now on site. The development to date consists of the following;

- the tailings pond has been excavated with dams and access roads in place;
- hydro power has been connected to the mill building (after the installation of 2.4 km of new hydro lines) and the substation is onsite awaiting final connection;
- the exterior primary and secondary crushing pads, along with structural steel, have been completed;
- the screening plant pad and structural steel have been completed; and
- the main mill building and equipment foundations are 90% complete.

The Company is currently evaluating 65 years of historical exploration data we have received pertaining to the Mill Property. An exploration plan and a NI 43-101 technical report are in progress.

6. CURRENT STATUS OF THE TREASURE MOUNTAIN AND MERRITT MILL PROPERTIES

Current Mineral Tenure (Claim) Holdings at Treasure Mountain

The Company’s claim holdings at Treasure Mountain now consist of 51 mineral tenures, comprising 21 legacy claims, 100 cell units, one crown grant and 5 district lots, for a total of approximately 2,850 hectares (7,000 acres).

Current Mineral Tenure (Claim) Holdings at Merritt Mill Property

The Company’s claim holdings at the Mill Property now consist of 20 mineral tenures covering approximately 8456.948 hectares (20897.573 acres), 10 mineral leases covering approximately 347.35 hectares (858.320 acres), and 7 district lots, covering approximately 391.104 hectares (966.44 acres).

Outlook

Subject to all permits being in place, the Company expects that mining will continue at the Treasure Mountain Mine through the remainder of the year. The current development plans are to complete mining the remainder of the upper level of the mine to surface. The Company expects that an additional 50,000 tonnes of ore will be removed from this level by the end of 2012. The Company will also continue with underground exploration and development of the second level of the mine through the remainder of the year, with the expectation that it will be actively mining from the second level before the end of 2012.

The primary objective of the exploration program in 2012 will be defining further resources on the current underground mine. The Company is currently working towards updating the current NI 43-101 resource estimate.

Exploration outside of the current mine will focus continuing the soil geochemistry programs from 2011. This will consist of an airborne survey and surface diamond drilling. The Company will also be expanding the soil geochemistry grids to include the unexplored gap between the East Zone and the current underground mine workings.

The total exploration and development expenditures for the Treasure Mountain Mine for the remainder of 2012 are expected to be $5,200,000.

The Company expects to have substantially completed the construction of the mill and the tailings facility in Merritt by the end of the second quarter. Upon all of the applicable permitting and engineering requirements being met, the Company will immediately begin commissioning the mill. The Company expects that progressing to full design capacity of processing 200 tonnes per day will occur in the third quarter of 2012.

The mill is designed to produce two concentrates. The primary concentrate is lead-silver and the secondary is zinc-silver. The Company expects to have a final purchase contract in place with a smelter for both concentrates prior to production. The remaining development costs at the Mill Property are approximately $3,200,000, and monthly operating costs at the Mill have been budgeted at $210,000.

7. FINANCING, LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2011, the Company had a working capital deficiency of $3,534,299 that included cash and cash equivalents of $1,392,916, as compared to working capital of $2,374,416 and cash and cash equivalents of $1,998,259 as at December 31, 2010. The working capital deficiency can be largely attributable to the current portion of the Company's mill property acquisition obligation and the current portion of the Waterton debt obligation.

Cash used in operating activities for the year ended December 31, 2011 was $6,535,695 as compared to $363,672 for the year ended December 31, 2010. This included $4,509,282 in direct exploration costs and an increase in general and administrative costs as a result of increased corporate activity due to the growth of the Company.

Cash used in investing activities was $8,842,505 for the year ended December 31, 2011 compared to $373,361 for the year ended December 31, 2010. Major purchases in 2011 totaled $9,122,505 in property, plant and equipment, which included the $500,000 paid for the down payment of the mill property, $6,159,027 in payments on the mill purchase and mill construction, with the remainder of the funds used for the purchase of camp infrastructure, heavy machinery and equipment at the Treasure Mountain Property.

Cash provided by financing activities was $14,772,857 for the year ended December 31, 2011 compared to $2,718,024 for the year ended December 31, 2010. $8,296,503 was the net proceeds from the issuance of the Special Warrants (as defined below), $4,578,732 was the net proceeds from the Waterton credit facility (described below), $110,750 was received from the exercise of stock options and $1,786,872 was received from the exercise of warrants.

The Company had the following major cash obligations as of December 31, 2011:

- repayment of the Waterton Credit Facility (as described below) in the amount of $6,535,948;
- a $6,100,000 obligation to complete the mill property acquisition described in Note 7 to the accompanying financial statements; and
- approximately $1,162,254 owing on the mill purchase contract with Canadian Royal Mining Corporation.

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year.

As at December 31, 2011, the Company had an accumulated deficit of $14,750,436 (December 31, 2010 - $6,991,526, January 1, 2010 - $6,573,891) and a working capital deficiency of $3,534,299 (December 31, 2010 - $2,374,416 surplus, January 1, 2010 - $33,209 deficit). These factors raise a significant uncertainty about the Company's ability to continue as a going concern. Continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Credit Facility

On June 17, 2011, the Company announced that it had entered into a credit agreement dated June 16, 2011 (the "Credit Agreement") with Waterton pursuant to which Waterton agreed to make a $10,000,000 credit facility (the "Credit Facility") available to the Company. The Credit Facility may be drawn down, at the Company's option, in up to four advances, with the first advance consisting of $3,000,000, the second advance consisting of $2,000,000 and each of the third and fourth advances consisting of $2,500,000. The Company drew down the first advance of $3,000,000 on June 17, 2011 and the second advance of $2,000,000 on July 28, 2011. A third advance of $2,500,000 was drawn down on January 17, 2012.

The advances may be drawn down by the Company at any time until May 30, 2012 and all amounts outstanding must be repaid on a monthly basis during the period from May 31, 2012 to April 30, 2013. If the price of silver exceeds $27.50 per ounce on a given repayment date, an additional amount is required to be paid (the "silver adjustment provision"). In addition, the Company may prepay any portion of the amounts borrowed at any time, and, is required to repay the amounts borrowed immediately in the event of a change in control of the Company. Because the silver adjustment provision, the prepayment option, and the change in control requirement are not closely related to the underlying debt instrument, the Company has separately accounted for these features as derivative liabilities on a fair value basis.

In connection with the entry into the Credit Facility, the Company and its wholly-owned subsidiary Huldra Holdings Inc., (formerly 0906262 B.C. Ltd.) ("Huldra Holdings") agreed to grant Waterton security over substantially all of their assets to secure their repayment obligations under the Credit Facility. The Credit Facility is secured by guarantees provided by each of the Company and Huldra Holdings; general security agreements with the Company and Huldra Holdings pursuant to which Waterton holds a security interest in all present and after-acquired personal property of the Company and Huldra Holdings; and a debenture pursuant to which Waterton holds a charge over the real property and mineral claims comprising the Treasure Mountain Property.

The Credit Agreement requires the Company to satisfy certain covenants so long as any amount owing under the Credit Facility remains unpaid or the Company has any obligation under the Credit Agreement, which include that:

a) the Company shall not dispose of any asset (including, without limitation, any securities other than securities issued directly from the Company's treasury) other than (i) bona fide sales of inventory (including tailings produced at the Company's mining properties) in the ordinary course of business for the purposes of carrying on business and at fair market value, (ii) the sale of any asset (other than securities) which has no material economic value to the Company’s business and is obsolete, provided the fair value of such asset does not exceed, when aggregated with the fair market value of all other assets sold, $100,000, and (iii) any disposal to the extent that the related disposal proceeds are applied in repayment of any advances made under the Credit Facility, with the exception of certain assets as set out in the Credit Agreement; and

b) the Company shall not declare, make or pay any dividend or other distribution on issued shares of the Company or any of its subsidiaries.

In connection with the Credit Agreement, the Company agreed to pay a one-time fee to Waterton of $100,000 and to reimburse Waterton $125,000 for costs it incurred in connection with the Credit Facility. In addition, the Company incurred costs of $65,268 in connection with the Credit Facility. These costs have been accounted for as part of the transaction costs associated with the drawdown of the first advance of the Credit Facility.

In addition, the Company agreed to pay Waterton a structuring fee in an amount equal to 1% of the principal amount of any advance. The Company has also agreed to issue Waterton a total of 2,200,000 share purchase warrants if all four advances are drawn. In connection with the drawdown of the first advance, 900,000 warrants were issued. Each warrant issued as part of the first advance is exercisable into one common share of the Company at a price of $1.28 per share until June 16, 2016 unless, at the third anniversary of the warrant, the Company has produced at least 1,250,000 ounces of silver in the previous full fiscal year and the price of silver exceeds $35 per ounce, in which case, the exercise price increases to $1.54 per share. The value associated with such warrants of $850,333 was included as part of the transaction costs associated with the first advance. Warrants issued in connection with the drawdown of future advances will be accounted for as transaction costs relating to the particular advance. The exercise price of any additional warrants issued will be based on the market price of the Company’s common shares on the day prior to such issuance and will also be subject to adjustment based on the same conditions as are in effect for the warrants issued in connection with the first advance. Because the future exercise price is dependent, in part, on the future price of silver, the warrants are classified as derivative liabilities. No warrants were issued in connection with the second advance on July 28, 2011. 650,000 warrants with an exercise price of $1.21 were issued in connection with the third advance on January 17, 2012.

Bayfront Capital Partners Ltd. (“Bayfront”) acted as placement agent in connection with the Credit Facility in consideration for a placement fee equal to 1% of the principal amount of any advance drawn down and Common Shares of the Company having an aggregate value of $200,000, with shares having a market value of $100,000 being issued in connection with the drawdown of the first advance and shares having a market value of $50,000 to be issued with each drawdown of the third and fourth advances, if applicable.

Special Warrant Financing

On July 14, 2011, the Company announced that it raised aggregate gross proceeds of $9,336,763 by way of a brokered private placement offering (the “Offering”) of 6,476,880 special warrants (the “Special Warrants”) at a price of $1.05 per Special Warrant and 2,113,366 flow-through special warrants (the “FT Special Warrants”) at a price of $1.20 per FT Special Warrant. Details of the Offering were disclosed in the Company’s press release dated July 14, 2011. The Company used the proceeds of the Offering to advance its Treasure Mountain project towards production, for mill design and construction and for general working capital purposes. The Company used the gross proceeds of the sale of the FT Special Warrants to incur expenses that qualify as “Canadian exploration expenses” and “flow-through mining expenditures” for purposes of the Income Tax Act (Canada), and renounced an amount equal to such gross proceeds of the sale of the FT Special Warrants in favour of the holders of the FT Special Warrants, with an effective date of no later than December 31, 2011.

In connection with the Offering, the Company agreed to prepare and file a prospectus and all other necessary documents in order to qualify the securities issuable upon conversion of the Special Warrants and FT Special Warrants to subscribers resident in Canada, or otherwise subject to Canadian securities laws, and the securities issuable upon exercise of the securities issued to brokers in connection with the Offering. The Company received a receipt for this prospectus on September 8, 2011. The Special Warrants and FT Special Warrants, and related special broker warrants, were deemed to be exercised on September 12, 2011, being the first business day after the third day following the date the Company received the final receipt for the prospectus.

Share Based Payment Plan

On July 18, 2011, the Board of Directors approved a new Stock Option Plan (the "2011 Plan"). The 2011 Plan was ratified, confirmed, and approved by the shareholders of the Company at the Annual General Meeting held on August 18, 2011. Under the 2011 Plan, the aggregate number of shares reserved for issuance, including any other plan or arrangement of the Company, shall not exceed ten (10%) percent of the total number of issued shares of the Company (calculated on a non-diluted basis) at the time an option is granted. The 2011 Plan complies with the current policies of TSX-V for Tier 2 issuers.

On January 28, 2011, the Company announced that it had granted 90,000 stock options to officers, directors, consultants and employees of the Company. Each option is exercisable into one common share at a price of $0.95 per share for a period of five years. The options are subject to the terms of the Company's old 2009 stock option plan (the "2009 Plan").

On May 2, 2011, the Company announced that it had granted 280,000 stock options to officers, directors, consultants and employees of the Company. Each option is exercisable into one common share at a price of $1.40 per share for a period of five years. The options are subject to the terms of the 2009 Plan.

On July 18, 2011, the Company announced that it had granted 1,080,000 stock options to officers, directors, consultants and employees of the Company. Each option is exercisable into one common share at a price of $1.44 per share for a period of five years. The options are subject to the terms of the 2009 Plan.

On November 18, 2011, the Company announced that it had granted 60,000 stock options to certain employees of the Company. Each option is exercisable into one common share of the Company at a price of $1.35 per share for a period of five years. The options are subject to the terms of the 2011 Plan.

8. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Company incurred the following expenditures to related parties:

	Year Ended December 31,	
	2011 ($)	**2010 ($)**
Management fees paid to a director and a Company controlled by a director(1)	95,000	59,000
Consulting fees paid to a director(2)	19,000	12,000
Office Rental payments made to a Company controlled by a director(3)	30,000	—
Office and general expenses paid to a director of the Company(4)	1,440	1,440

(1) The Company paid a company controlled by Ryan Sharp, the Company's President and Chief Executive Officer, $8,000 per month pursuant to a consulting agreement for provision of services as President and Chief Executive Officer of the Company.

[2] The Company paid Magnus Bratlien, a director of the Company, a consulting fee of $2,000 per month pursuant to an unwritten agreement for provision of services as a director. Until June 2011, this consulting fee was $1,000 per month.

[3] The Company paid rent in the amount of $2,500 per month for the leasing of the Company's corporate headquarters, which lease is in the name of a company controlled by Ryan Sharp.

[4] The Company provided Mr. Bratlien with $120 per month for miscellaneous office and general expenses related to the operation of a home office.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consist of its directors, the Chief Executive Officer and the Chief Financial Officer. Key management personnel remuneration during the year included $1,281,474 in share-based compensation expense (December 31, 2010: $212,699).

All related party transactions are in the normal course of business and are measured at the exchange amount

9. OUTSTANDING SHARE DATA AS OF APRIL 25, 2012

(a) Authorized and issued share capital

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	33,861,200

(b) As at April 25, 2012, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
540,000	540,000	$0.25	March 29, 2015
150,000	150,000	$0.25	May 5, 2015
290,000	290,000	$0.385	June 28, 2015
133,334	133,334	$0.66	December 22, 2015
70,000	70,000	$1.35	January 28, 2016
270,000	270,000	$1.40	May 2, 2016
1,050,000	1,050,000	$1.44	July 28, 2016
60,000	60,000	$1.35	November 16, 2016
2,563,334	**2,563,334**		

(c) As at April 25, 2012, the Company had the following warrants outstanding:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
599,623	599,623	$0.75	June 22, 2012
125,000	125,000	$0.75	December 22, 2012
6,476,880	6,476,880	$1.35	July 14, 2013
500,189	500,189	$1.05/$1.35	July 14, 2013
169,070	169,070	$1.05	July 14, 2013
900,000	900,000	$1.28	June 16, 2016
650,000	650,000	$1.21	January 16, 2017
9,420,762	**9,420,762**		

(d) The Company had no escrowed or pooled shares as of April 25, 2012.

10. ACCOUNTING POLICIES AND ESTIMATES

Adoption of International Financial Reporting Standards ("IFRS)

The Company has adopted IFRS with a transition date of January 1, 2010.

The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information for the year ended December 31, 2010, and the preparation of an opening IFRS statement of financial position on the transition date, January 1, 2010.

In preparing its opening IFRS statement of financial position and comparative information for the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP with respect to share-based compensation expense that was not previously recognized.

An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the tables included on the following pages.

The guidance for the first time adoption of IFRS is set out in IFRS 1 *'First-time Adoption of International Financial Reporting Standards'*. Under IFRS 1 the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

a) *Share-based Payment*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010.

b) *Estimates*

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, some differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statement of operations and comprehensive loss for the three and twelve months ended December 31, 2010, statement of financial position for the year ended December 31, 2010 and statement of cash flows for the year ended December 31, 2010, has been reconciled to IFRS, with the resulting differences explained, below.

Reconciliation of Statements of Financial Position

	January 1, 2010			December 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS						
Current						
Cash and cash equivalents	$ 17,268	-	$ 17,268	$ 1,998,259	$ -	$ 1,998,259
Short term investments	-	-	-	300,000	-	300,000
Amounts receivable	272	-	272	108,687	-	108,687
Prepaid expenses and other receivables	1,795	-	1,795	18,857	-	18,857
	19,335	-	19,335	2,425,803	-	2,425,803
Non- Current						
Property, Plant & Equipment	673	-	673	20,454	-	20,454
Mineral Interests	86,437	-	86,437	86,437	-	86,437
Restricted Cash	10,000	-	10,000	60,000	-	60,000
TOTAL ASSETS	$ 116,445	-	$ 116,445	$ 2,592,694	-	$ 2,592,694

Reconciliation of Statements of Financial Position

		January 1, 2010			December 31, 2010		
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
LIABILITIES							
Current							
Accounts payable and accrued liabilities		$ 47,182	-	$ 47,182	$ 51,323	-	$ 51,323
Due to directors		5,362	-	5,362	64	-	64
		52,544	-	52,544	51,387	-	51,387
Non-Current							
Site Restoration Liability		25,000	-	25,000	25,000	-	25,000
TOTAL LIABILITIES		77,544	-	77,544	76,387	-	76,387
SHAREHOLDERS' EQUITY							
Share Capital		6,531,388	-	6,531,388	9,165,723	-	9,165,723
Share-based payments reserve		81,404	-	81,404	419,684	(77,574)	342,110
Accumulated Deficit		(6,573,891)	-	(6,573,891)	(7,069,100)	77,574	(6,991,526)
TOTAL EQUITY		38,901	-	38,901	2,516,307	-	2,516,307
TOTAL EQUITY AND LIABILITIES		$ 116,445	-	$ 116,445	$ 2,592,694	-	$ 2,592,694

Reconciliation of Statements of Operations and Comprehensive Loss

	Note	Year ended December 31, 2010		
		Canadian GAAP	Effect of Transition to IFRS	IFRS
Operating Expenses				
Exploration Costs		$ 84,518	-	$ 84,518
Share-based compensation expense		249,293	3,830	253,123
Professional fees		70,633	-	70,633
Management fees		34,000	-	34,000
Consulting fees		22,000	-	22,000
Office and general		19,775	-	19,775
Regulatory fees		8,873	-	8,873
Transfer agent fees		6,176	-	6,176
Rent		2,800	-	2,800
Vehicle expenses		2,290	-	2,290
Depreciation		3,580	-	3,580
		503,938	3,830	507,768
Operating income (loss) before other items		$ (503,938)	$ (3,830)	$ (507,768)
Other Income (Expenses)				
Finance Income (Costs)		8,729	-	8,729
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		$ (495,209)	$ 3,830	$ (499,039)

Reconciliation of Statements of Cash Flows

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
		Year ended December 31, 2010		
OPERATING ACTIVITIES				
Net loss		$ (495,209)	$ (3,830)	$ (499,039)
Adjustments for non-cash items:				
Depreciation of property, plant, and equipment		3,580	-	3,580
Finder fee warrants		93,444	-	93,444
Share-based compensation		249,293	3,830	253,123
Changes in non-cash working capital items				
Amounts receivable		(108,415)	-	(108,415)
Prepaid expenses and other		(17,062)	-	(17,062)
Accounts payable and other accrued liabilities		4,141	-	4,141
Net Cash Used in Operating Activities		(270,228)	-	(270,228)
INVESTING ACTIVITIES				
Reclamation deposits		-	-	-
Purchase of property, plant, and equipment		(23,361)	-	(23,361)
Purchase of GIC investments		(350,000)	-	(350,000)
Net Cash Used in Investing Activities		(373,361)	-	(373,361)
FINANCING ACTIVITIES				
Due to directors		(5,298)	-	(5,298)
Issuance of share capital, net of share issuance costs		2,454,032	-	2,454,032
Proceeds from exercise of warrants		175,846	-	175,846
Net Cash Provided by Financing Activities		2,624,580	-	2,624,580
Increase in cash and cash equivalents		1,980,991	-	1,980,991
CASH AND CASH EQUIVALENTS, Beginning		17,268	-	17,268
CASH AND CASH EQUIVALENTS, Ending		$ 1,998,259	-	$ 1,998,259

Notes on GAAP – IFRS Reconciliations

a) IFRS requires an entity to present, for each equity component, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change.

IFRS also permits a transfer of reserves arising from share-based transactions. During the year ended December 31, 2010, 100,000 options outstanding at January 1, 2010 were canceled, and therefore a transfer of the fair value attributed to these cancelled options, was made to accumulated deficit, for the year ended December 31, 2010 ($81,404) so that the balance of "share-based payments reserve" reflected only the fair value of options and warrants outstanding as of that date. Previously under Canadian GAAP, these amounts remained in contributed surplus.

b) Previously under Canadian GAAP, the Company recognized an expense related to their share-based payments on a straight-line basis through the date of full vesting and did not incorporate a forfeiture rate; however under IFRS 2, for each award tranche maintaining graded vesting features, the Company is required to treat each tranche as a separate grant with a different vesting date and fair value. As a result, share-based payments reserve and share-based compensation expense increased by nil at January 1, 2010, (December 31, 2010 - $3,830). This adjustment did not have an impact on the statement of financial position as at December 31, 2010 and January 1, 2010 and the statement of operations and comprehensive loss for the year ended December 31, 2010 and January 1, 2010.

11. FINANCIAL INSTRUMENTS

Fair Value

The Company records its financial instruments at fair value using various techniques. These include estimates of fair values based on prevailing market prices (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal and external valuation models, such as discounted cash flow analyses, using, to the extent possible, observable market-based inputs.

The financial instruments have been characterized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

Level 1 – quoted prices in active markets for identical instruments

Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company has categorized the Waterton debt, the Waterton derivative liabilities, and the warrant liability as Level 3 on the fair value hierarchy. The Company's other financial instruments have not been categorized on the hierarchy because their carrying amount is a reasonable approximation of fair value due to their short term nature.

The Company estimated the fair value of the derivative liabilities as at December 31, 2011 as the sum of the fair value of a series of call options on silver with an exercise price of $27.50 per ounce and expiring on each repayment date minus the sum of the fair value of a series of call options on silver with an exercise price of $34.00 per ounce and expiring on each repayment date. The fair value of each option was estimated using the Black Scholes model with the following assumptions:

Spot Price of Silver	$28.18 per ounce
Exercise Price	$27.50 or $34.00 as applicable
Risk Free Rate	1.00%
Discount Rate	1.00%
Expected Life	0.42 years to 1.33 years, as applicable
Number of Options Granted	9,903

The Company estimated the change in control option and the prepayment option at nil on December 31, 2011 on the basis that neither of these events are expected to occur.

The Company estimated the fair value of the warrant liability relating to the warrants issued to Waterton as at December 31, 2011 using the Black-Scholes model with the following assumptions:

Share Price	$0.97
Exercise Price	$1.28
Risk Free Rate	0.00%
Discount Rate	2.19%
Expected Life	4.46 years

The following table presents the changes in the fair value of the Company's Level 3 financial instruments that are carried at fair value during the year ended December 31, 2011:

	Liability at December 31, 2010	Drawdown of Waterton Debt	Mark to market (gain) loss	Liability at December 31, 2011
Waterton derivative liability	$ -	$ 300,000	$ (91,701)	$ 208,299
Warrant liability	$ -	$ 850,333	$ (139,607)	$ 710,726
	$ -	$ 1,150,333	$ (231,308)	$ 919,025

Risk Exposure and Management

Credit Risk

Credit risk is the risk of financial loss to the Company. If a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the balance sheet date under its financial instruments is approximately $3.6 million.

All of the Company's cash and cash equivalents are held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are primarily receivables. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the parties from whom the receivables are due, including government organizations.

Liquidity Risk

Liquidity is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations as well as the development of its Treasure Mountain Property.

Management anticipates that, subject to financing, it will make substantial capital expenditures towards developing the Treasure Mountain Property. However, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has no history of profitable operation and no assurance that additional funding will be available to it for further exploration and development of the Treasure Mountain Property if required. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration and development of the Treasure Mountain Property.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to any significant currency risk.

b) Interest rate risk

Interest rate risk concerns the exposure of the Company to the future changes in the prevailing level of interest rate. The Company is not exposed to interest rate risk as there are no assets or liabilities subject to interest charges.

The following is a summary of the maturities for the Company's non-derivative financial liabilities as at December 31, 2011:

	Less than 30 days	30 days to 1 year	1 year to 2 years	More than 2 years
Accounts Payable and Accrued Liabilities	$ 1,103,842	$ 245,000	$ -	$ -
Waterton Debt Obligation	$ -	$ 4,357,298	$ 2,178,649	$ -
Craigmont Obligation	$ -	$ 3,000,000	$ 3,100,000	$ -
	$ 1,103,842	$ 7,602,298	$ 5,278,649	$ -

The Company also has $5,000,000 available to draw down on the Waterton Credit Facility, as described above under the heading "Financing. Liquidity and Capital Resources". The Company is working towards transitioning from exploration and development into production prior to the obligations beyond year one in the table above becoming due. In the event that the Company is unable to transition into production prior to such time, the Company may require additional financing to meet its financial obligations.

Management of Capital

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the continued development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid investments that are readily convertible into cash with maturities of three months or less from the original date of acquisition or when it is needed, selected with regard to the expected timing of expenditures from continuing operations.

The properties in which the Company currently has an interest are at the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned project related activities and pay for administrative costs, the Company will spend its existing working capital and plans to raise additional funds as needed. The Company will be open to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended December 31, 2011.

12. OTHER INFORMATION

This discussion and analysis of the financial position and results of operation as of April 25, 2012 should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011. Additional information relating to the Company, including the Company's Annual Information Form, can be accessed through the Company's public filings on SEDAR at www.sedar.com.

All samples are delivered by truck to Acme Analytical Laboratories' facility in Vancouver, BC, where the sample is crushed, split and pulverized to -200 mesh. A 0.5 gram portion of the pulp is then digested in hot aqua regia and analyzed for 31 elements by ICP MS method. Over limits for Ag are by fire assay with gravimetric finish, and over limits for Pb, Zn and Mn are by multi-acid digestion and ICP ES finish.

This MD&A has been reviewed and approved by Al Beaton, P.Eng (Mining), under whose direction the Company's operations are being carried out. Al Beaton is a Qualified Person as defined by National Instrument 43-101.

The Company's website address is www.huldrasilver.com.

13. BOARD APPROVAL

The board of directors of the Company has approved this MD&A.