HULDRA SILVER INC.

April 29, 2013

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Year Ended December 31, 2012

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For the Year Ended December 31, 2012
(Prepared by Management)

GENERAL

The following discussion of financial performance, financial condition, cash flows and future prospects ("MD&A") should be read in conjunction with the audited consolidated financial statements of Huldra Silver Inc. ("Huldra" or the "Company") and notes thereto for the year ended December 31, 2012.

This MD&A for the year ended December 31, 2012 was prepared as of April 29, 2013. All dollar amounts set out herein are expressed in Canadian dollars. Additional information and filings are available for review on the Company's SEDAR profile at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking statements, which reflect management's expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Company, including statements related to the continued exploration and development of the Treasure Mountain Project, the completion of exploration on the Treasure Mountain Project by the end of 2012, that an additional 60,000 tonnes will be extracted from level 1 and 2 of the Treasure Mountain Project by the end of 2012, the development of future property interests, the mill progressing to full design capacity of 200 tonnes per day in the second quarter of 2013, and 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 the Company 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 MD&A. 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, the Company's ability to manage its property interests and operating costs, and the Company's estimates with respect to concentrate shipments, may prove to be incorrect. A number of risks and uncertainties could cause the Company's actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand for or price of silver and other minerals, (3) delays in the timelines with respect to the Company's projects, (4) unexpected difficulties with the milling and the extraction of minerals from the Company's projects including that such minerals may not be economically mined and extracted, (5) unexpected interruptions and problems encountered in the operation of the milling facility, (6) factors that delay or cause difficulties in timing of shipments of concentrates by the Company, (7) inability to locate and acquire additional property interests, (8) the uncertainty of government regulation and politics in British Columbia regarding mining and mineral exploration, (9) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, (10) inability to secure financing to enable the Company to meet its business objectives, and (11) other factors beyond the Company's 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. The Company disclaims 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" below.

DESCRIPTION OF BUSINESS

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

Overall Performance

Huldra's business is primarily focused on the exploration and development of its Treasure Mountain mine, located northeast of Hope, British Columbia, approximately 3 hours from Vancouver, British Columbia (the "Treasure Mountain Project"). In November, 2011, the Company completed the development of the required infrastructure at the Treasure Mountain Project to begin underground mining on a 10,000 tonne bulk sample permit. The Company also commenced an exploration program that included geochemical testing, surface trenching, underground sampling and surface diamond drilling. The program continued in 2012 with additional underground sampling, an airborne survey, and further geochemical sampling.

In May 2012, the Company received a mining lease covering 335 hectares of active workings out of 7,000 acres of mineral tenures at the Treasure Mountain Project and a Mines Act permit for the Treasure Mountain Project for the removal of 60,000 tonnes per year of silver/lead/zinc mill feed from the underground mine and the transfer of the mill feed offsite for processing. The Company also received an amended permit for its mill site (the "Mill Property"), located in Merritt, British Columbia approximately 70 minutes from the Treasure Mountain Project, allowing for the construction and operation of a 200 tonne per day silver/lead/zinc mineral processing plant.

During 2012, the Company continued construction and installation of a 200 tonne per day mill at the mineral processing facility located at the Mill Property, at which the Company processes mill feed from the Treasure Mountain Project. The commissioning of the mill began in August, 2012 and was substantially completed in November, 2012. The Company is currently working on ramping up production to the nameplate capacity.

On March 26, 2013, the Company announced that it had achieved commercial production of the mill based on the current production levels.

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 in the Company's Annual Information Form for the year ended December 31, 2011 and in its technical report filed on SEDAR on June 12, 2012, 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.

Uncertainty of Economic Viability of Production from the Treasure Mountain Project

The Company has not undertaken any preliminary feasibility study or preliminary economic assessment with respect to the Treasure Mountain Project and does not intend to undertake such a study or assessment. There are significant risks associated with making a production decision without a valid, current, economic analysis and the Company may subsequently determine that continued production from the Project is not economically feasible.

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 the resulting impact on the 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 expenditures towards developing the Treasure Mountain Project, however, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has a significant working capital deficit, 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 Project 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 or the loss of substantial dilution of any of its property interests.

Going Concern Risk

As at December 31, 2012, the Company had an accumulated deficit of $29,188,156 (December 31, 2011- $14,750,436) and a working capital deficiency of $14,566,791 (December 31, 2011 - $3,534,299) including current debt obligations of $13,411,298 (December 31, 2011 - $5,283,228). These factors represent a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. The Company will be required to raise funds through the issuance of equity or debt, or be successful in the development of the Treasure Mountain Mine and Merritt Mill. Realization values may be substantially different from carrying values as shown and the Company's 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.

Regulatory and Permitting

Regulatory and permitting requirements have a significant impact on the Company’s operations and can have a material and adverse effect on future cash flow, results of operations and financial condition. In order to conduct mineral exploration and mining activities the Company must obtain or renew exploration or mining permits and licenses in accordance with the relevant mining laws and regulations required by governmental authorities having jurisdiction over the mineral projects. There is no guarantee that the Company will be granted the necessary permits and licenses, that they will be renewed, or that the Company will be in a position to comply with all the conditions that are imposed. Mining is subject to potential risks and liabilities associated with pollution and the disposal of waste from mineral exploration and mine operations. Costs related to discovery, evaluation, planning, designing, developing, constructing, operating, closing and remediating mines and other facilities in compliance with these laws and regulations are significant. In addition to environmental protection, applicable laws and regulations govern employee health and safety. Not complying with these laws and regulations can result in enforcement actions that may include corrective measures requiring capital expenditures, installation of additional equipment, remedial action and changes to operating procedures resulting in additional costs and temporary or permanent shutdown of operations. The Company may also be required to compensate those parties suffering loss or damage and may face civil or criminal fines or penalties for violating certain laws or regulations. Changes to these laws and regulations in the future could have an adverse effect on the Company's cash flow, results of operations and financial condition. Further, the issuance of permits may be subject to review by third parties who may challenge future permitting and the validity of existing permits based on, among other things, the government's obligation to consult and accommodate.

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 and 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".

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 years ended December 31, 2012 and 2011.

Year Ended December 31, 2012

During the year ended December 31, 2012, the Company incurred a loss of $14,437,720, compared with a loss of $7,758,910 for the comparable period of 2011. The significant fluctuation between the comparative periods resulted from the increase in monies spent on the exploration and development program at the Treasure Mountain Project and the increase in finance expenses associated with its credit facility (the "Credit Facility") established with Waterton Global Value, L.P. ("Waterton") in June 2011, as further described below under the heading "Financing, Liquidity and Capital Resources".

Operating expenses for the year ended December 31, 2012 increased to $9,809,645 from $7,433,775 for the year ended December 31, 2011. The increase in expenses was largely a result of increased activity related to the exploration and development program at the Treasure Mountain Project. Exploration costs increased from $4,997,477 for year ended December 31, 2011 to $7,474,289 for the comparable period in 2012 largely due to the increase in wages expensed as a result of the Company significantly increasing the staffing levels at the Treasure Mountain Project as it continued to explore and develop the property.

For the year ended December 31, 2012, general and administrative costs were slightly lower at $2,335,356 as compared to $2,436,298 for the year ended December 31, 2011.

During the year ended December 31, 2012, the Company granted an aggregate of 1,915,000 stock options of which 1,535,000 stock options were granted with an exercise price of $1.45 per share and 380,000 stock options were granted with an exercise price of $1.40 per share. During the year ended December 31, 2011, the Company granted an aggregate of 1,510,000 stock options of which 90,000 options were granted with an exercise price of $0.95, 280,000 options were granted with an exercise price of $1.40, 1,080,000 options were granted with an exercise price of $1.44 and 60,000 options were granted with an exercise price of $1.35. All stock options are exercisable for five years from the date of grant. Due to increasing the principal borrowed from Waterton and that the 2011 portion of the debt was outstanding for the full year in 2012 as compared to only being outstanding for a portion of the year in 2011, finance costs increased to $4,625,583 (December 31, 2011 – $911,004), the unrealized loss on derivative was $169,845 (December 31, 2011 – gain of $91,701), and the unrealized loss on warrant liability was $133,713 (December 31, 2011 – gain of $139,607), all three of which are attributable to the Credit Facility, as further described below under the heading "Financing, Liquidity and Capital Resources".

Three Months Ended December 31, 2012

During the three months ended December 31, 2012, the Company incurred a loss of $2,001,045, compared with a loss of $1,442,319 for the comparable period of 2011. The significant fluctuations between the comparative periods resulted from the increase in share-based compensation expense as a result of the grant of stock options on November 10, 2012 and also the increased finance costs associated with the Credit Facility.

Operating expenses for the three months ended December 31, 2012 increased from $1,464,417 for the three months ended December 31, 2011, to $1,563,788. The slight increase in expenses was largely due to the above mentioned grant of stock options, offset by a decrease in fourth quarter activity related to the exploration and development program at the Treasure Mountain Project.

For the three months ended December 31, 2012, general and administrative costs were $478,385 as compared to $113,211 for the period ended December 31, 2011. The increase in general and administrative costs was largely a result of administrative related share-based compensation expense in the amount of $170,028 for the three months ended December 31, 2012. During the three months ended December 31, 2012, the Company granted an aggregate of 380,000 stock options with an exercise price of $1.40 per share, as compared to the three months ended December 31, 2011 when the Company granted 60,000 stock options with an exercise price of $1.35 per share of which the share-based compensation was classified as an exploration cost.

Exploration costs decreased from $1,351,206 in the three months ended December 31, 2011 to $1,085,403 in the same period in 2012 due to the Company booking a British Columbia Mineral Exploration Tax Credit for the 2012 year in the amount of $1,055,091 as compared to $831,661 for the same period in 2011. Finance costs increased to $1,275,053 (December 31, 2011 – $488,996), the unrealized gain on derivative increased to $303,461 (December 31, 2011 - $91,701), and the unrealized gain on warrant liability was $279,009 (December 31, 2011 – $64,832), all three of which are attributable to the Credit Facility, as further described below under the heading “Financing, Liquidity and Capital Resources”.

SELECTED ANNUAL INFORMATION

The following table summarizes selected consolidated financial information for the Company’s three most recently completed financial years. All amounts shown are stated in Canadian dollars in accordance with International Financial Reporting Standards (“IFRS”).

	Dec 31, 2012 ($)	**Dec 31, 2011 ($)**	**Dec 31, 2010 ($)**
Net Loss	(14,437,720)	(7,758,910)	(499,039)
Loss from Continuing Operations (basic)	(0.36)	(0.36)	(0.04)
Loss from Continuing Operations (diluted)	(0.36)	(0.36)	(0.04)

SELECTED QUARTERLY RESULTS

The following table provides selected financial information for the most recent eight quarters. All amounts shown are stated in Canadian dollars in accordance with IFRS.

	Dec 31, 2012 ($)	Sept 30, 2012 ($)	Jun 30, 2012 ($) AMENDED[(1)]	Mar 31, 2012 ($)	Dec 31, 2011 ($)	Sep 30, 2011 ($)	Jun 30, 2011 ($)	Mar 31, 2011 ($)
Net loss	(2,001,045)	(6,051,784)	(2,497,063)	(3,887,828)	(1,442,319)	(4,979,952)	(961,360)	(375,280)
Loss from continuing operations (basic)	(0.37)	(0.14)	(0.07)	(0.12)	(0.05)	(0.24)	(0.05)	(0.02)
Loss from continuing operations (diluted)	(0.21)	(0.10)	(0.05)	(0.09)	(0.03)	(0.13)	(0.03)	(0.01)

(1) For further information, see Note 10 to the interim unaudited condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2012, which have been filed under the Company's SEDAR profile at www.sedar.com.

As described above under the heading "Results of Operations and Financial Condition", significant fluctuations between the comparative periods resulted from the increased activity pertaining to the Company's exploration and development program at the Treasure Mountain Project. Additional explanations for certain significant changes in the table above are as follows:

- During the three months ended December 31, 2012, finance costs and other income (loss) decreased as a result of the Credit Facility, as further described below under the heading "Financing, Liquidity and Capital Resources". The losses resulted from the non-cash interest expense associated with the principal amounts of the drawdowns of the first four advances of the Credit Facility, offset by mark to market gains on the derivative portion of the liability and gains on the warrants associated with the drawdowns of the first and third advances under the Credit Facility.

- The substantial increase in administrative expenses in the quarters ended September 30, 2012 and 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.

- During the three months ended December 31, 2012, the Company recorded a receivable for its 2012 British Columbia Mineral Exploration Tax Credit in the amount of $1,055,091. This amount is offset against exploration and evaluation costs.

EXPLORATION AND DEVELOPMENT

Treasure Mountain Project

Since its incorporation in March, 1980, the Company has been engaged in the exploration and development of its wholly owned group of mineral tenures and leases 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 Vancouver Stock Exchange in August, 1987.

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 tonnes 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 Project has included four small drill programs, several geochemical soil surveys, a legal mineral tenure survey by McElhanney and various technical studies by AMEC Earth & Environmental.

Exploration at the Treasure Mountain Project since June, 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 0.8 kilometres from the mine workings.

On April 26, 2012, the Company received a mining lease covering 335 hectares of the Treasure Mountain Project. The existing camp, roads, underground workings and the East Zone exploration area are all covered under this lease area.

On May 18, 2012, the Company received a British Columbia Mines Act permit approving a mine plan and reclamation program for the Treasure Mountain Project. The mine plan for the Treasure Mountain Project calls for the removal of 60,000 tonnes per year of silver/lead/zinc mill feed from the underground mine and the transfer of such material offsite for processing.

On July 10, 2012, the Company announced that Tundra Airborne Surveys Ltd. completed two airborne surveys on the Treasure Mountain Project and the Mill Property. The first survey conducted was for 310 line kilometres of 3-axis magnetic gradiometer and gamma spectrometer mapping of the entire 2,555 hectare Treasure Mountain Project. The second airborne survey was for 896 line kilometres of 3-axis magnetic gradiometer and gamma spectrometer mapping of the entire 8,697 hectare Mill Property. These are the first airborne surveys conducted on either property. Maps were received and interpreted by SJ Geophysics. The report can be viewed on the Company's website at www.huldrasilver.com.

On September 13, 2012, the Company provided geochemical results from the 2012 geophysical and geochemical exploration program at the Treasure Mountain Project. The Company conducted a geochemical sampling program consisting of 1,127 samples focusing on four primary targets: the East Zone, the West soil grid, the NE Zone A soil grid, and the NE Zone B soil grid. The East Zone is an area between the current mine workings and the location of an outcrop that was trenched in 2011, 800 metres away. The original program consisted of 442 samples and was increased by 39 following receipt and review of the geotechnical data. The West soil grid, from which 381 samples were taken, was also added after receiving the initial geotechnical data. The two NE Zone grids were added after the initial report was reviewed.

Current Exploration and Development

The Company has sampled all currently developed drifts and raises from the upper two levels of the underground of the Treasure Mountain Project. All of the results from level 1 and 2 drifts and raises, extending 110 metres to the surface, have been received. The Treasure Mountain Project 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 level 2 drifts and raises are available on the Company's website at www.huldrasilver.com.

The Company is currently conducting an underground drill program which is designed to systematically test for mineralization from level 1 to 20 metres below level 2 at the Treasure Mountain Project, ultimately leading to the generation of a National Instrument 43-101 ("NI 43-101") compliant resource estimate for this area.

The underground drill program will be comprised of 61 holes, for a total program of 4,400 metres of HQ diamond drill core. The drilling will be conducted from two diamond drill platforms, specifically constructed to allow for optimal drilling of the targeted mineralization from the footwall of the vein. An initial interpretation has identified two mineralized structures on level 2. The drill program began in March 2013 with 910 metres over 10 holes completed as of April 22, 2013.

The underground drill program follows up on mineralization identified by the Company's 2011 surface diamond drilling program and encompasses areas adjacent to Holes TM11-26, TM11-9 and TM11-36 which produced the results indicated below. The complete list of results from the 2011 program are available on the Company's website at www.huldrasilver.com.

- 7,013 grams per tonne Ag, 21.82% Pb, 19.63% Zn and 4.9% Mn over 1.2 metres true width in hole TM11-26 that intersected the vein structure approximately 10 metres above the level 2 drift.

- 592.92 grams per tonne Ag, 4.28% Pb, 2.47% Zn and 5.80% Mn over 2.2 metres true width in hole TM11-9 that intersected the vein structure below the level 1 drift, approximately 80 metres east of the level 2 drift.

- 1,565 grams per tonne Ag, 13.47% Pb, 9.92% Zn and 4.76% Mn over 0.8 metres true width in hole TM11-36 that intersected the vein structure approximately 15 metres below the level 2 drift.

The program also builds on the results from 256 chip samples collected along vein exposures on level 2. Highlights from that chip sampling program are presented in the following table:

Sample ID	Ag (ppm)	Pb (%)	Zn (%)	True Width (m)
1582447	1251	19.76	24.16	0.46
1582450	1471	16.66	11.65	0.78
1582492	1253	15.64	3.92	0.12
1582501	3132	18.29	15.27	0.29
1582507	5136	46.33	8.49	0.1
1582562	3589	25.02	8.20	0.44
1582565	1552	3.47	5.25	0.18
1582568	1053	0.55	15.64	0.07
1582571	2929	2.82	33.52	0.06
1582577	4242	2.15	10.47	0.17
1582578	2028	0.92	9.01	0.17
1582589	1002	19.89	1.52	0.22
1582592	1173	20.86	0.28	0.49
1582595	2176	25.29	2.98	0.28
1582598	2291	28.12	6.57	0.27
1614408	3696	56.60	0.58	0.14
1614445	1635	3.64	1.16	0.71
1614459	1538	12.87	2.02	0.06
1614462	1035	2.97	1.42	0.02
1614465	2261	5.54	9.60	0.32
1614467	6624	49.40	8.70	0.3
1614472	6514	36.88	22.11	0.2
1614477	8739	44.32	19.57	0.18
1614480	4986	27.83	12.91	0.04
1614483	3032	22.70	22.51	0.18

* All samples were delivered by truck to ACME Analytical Laboratories ISO 9001 certified facility in Vancouver, British Columbia where the sample was crushed, split and pulverised to -200 mesh. A 0.5g portion of the pulp was digested in hot aqua regia and analyzed for 31 elements by ICP MS method. Ag overlimits were analyzed by fire assay with gravimetric finish, and for Pb and Zn by four digestion and ICP ES finish.

The first underground stope mining at the Treasure Mountain Project commenced in November 2011 and stope 1 and 3 have been completed as of November 2012. The drawdown of stope 1 from level 1 of the mine has been completed. The Company has completed the backfilling of stope 1 as part of the reclamation program. The Company is actively working on the drawdown of stope 3. Transportation of mill feed from the Treasure Mountain Project to the Mill Property is ongoing. As at and during the year ended December 31, 2012, a majority of the Company's mineral resources are inferred whereby the economic viability of such resources cannot be determined. The removal of mill feed from the Company's Treasure Mountain project is considered exploration and evaluation activity, and as such, all costs associated with the removal of this mill feed are expensed as exploration costs. Currently, no value has been assigned to stockpiled mill feed as the removal is considered an exploration and evaluation activity.

On February 1, 2013, the Company provided diluted grade calculations for the recently released raise 4, level 1 chip sampling results at the Treasure Mountain Project. The grades have been diluted over 1.5m mining widths. The table presented below covers 36m of exposed vein structure from the top of the raise, down to where the raise bends away from the “C” Vein and enters footwall stratigraphy.

Location	Width (m)	Ag (g/t)	Pb (%)	Zn (%)
P1R4-1	1.5	1145.4	16.7	0.7
P1R4-2	1.5	1295.6	16.9	1.6
P1R4-3	1.5	3124.9	48.2	3.1
P1R4-4	1.5	363.5	2.1	3.4
P1R4-5	1.5	639.2	6.0	1.9
P1R4-6	1.5	321.9	6.7	0.7
P1R4-7	1.5	107.1	1.0	0.9
P1R4-8	1.5	118.7	1.4	2.2
P1R4-9	1.5	319.1	2.0	1.2
P1R4-10	1.5	457.7	2.7	1.5
P1R4-11	1.5	43.6	0.3	0.8
P1R4-12	1.5	25.6	0.2	0.2
P1R4-13	1.5	20.3	0.3	0.3

Samples were analysed by either ACME Labs or ALS Chemex at their Vancouver laboratories. ACME Labs Vancouver is an ISO 9001:2008 certified lab and ALS Chemex Vancouver is an ISO 9001:2000 certified lab. For samples assayed by ACME Labs, the samples were crushed, split and pulverised with 250g passing 200 mesh. Initial multi-element assaying was completed using an aqua-regia digestion with ICP-MS. Overlimits for Pb or Zn were analysed by 4-acid digestion with ICP-ES. Ag overlimits were determined by 30g fire assay with gravimetric finish. For ALS Chemex, samples were prepared by crushing to 70% less than 2mm, riffle splitting off 250g and then pulverising the split to better than 85% passing 75 microns. A 0.25g sample was then digested using a 4-acid digest and the solution was analysed by multi-element ICP-AES. Pb and Zn overlimits were analysed using the ME-OG62 method. Ag overlimits were analysed by 30g fire assay with gravimetric finish.

As of April 22, 2013, level stope 2 has been mined the stope over 65m in length, with a vertical height of 8.7m and a width of 1.7m. Stope 2 is the third stope to be mined from the uppermost level of the Treasure Mountain Project. The rehabilitation of the remaining historical raises on levels 3 and 4 is nearing completion with sampling of these areas expected to be complete in early May, 2013.

Two diamond drill platforms totaling 174m in size have been constructed. A drill contract for the 4,400m underground diamond drill program has been signed and the program began in March 2013. While driving the western drill drift, a previously unknown mineralized structure was intersected. Two samples of vein material were collected from the structure. The first sample, composed primarily of siderite with lesser amounts of sphalerite graded 110ppm Ag, 0.79% Pb and 1.94% Zn. The second sample consisted of a mix of galena, sphalerite and siderite and graded 530ppm Ag, 6.2% Pb and 2.11% Zn. The width of the structure is variable, ranging from approximately 0.1m up to approximately 0.25m. Mineralization is also variable throughout the structure; however, the presence of this structure highlights the untested nature of the Treasure Mountain Project. The newly identified structure lies 45m into the footwall of the main “C” vein at Treasure Mountain. To date, there has been no drill testing for structures into the footwall of the deposit and the hanging wall side of the deposit remains to be tested at depth.

Merritt Mill Property

The Company purchased all of the shares of Craigmont Holdings Ltd. (now Huldra Properties Inc.) (“Craigmont Holdings”) on May 5, 2011. Huldra Properties Inc. holds real property, mineral claims and mineral leases, covering approximately 8,400 hectares, located in south central British Columbia, approximately 10 kilometers west of Merritt, British Columbia. The Company has constructed a mill facility on the permitted site of the former copper producing mine to process the material from the Treasure Mountain Project, which is located approximately 100 kilometers 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 British Columbia Mines Act mill construction and operation permit was received on May 18, 2012.

The Company began the civil work on the Mill Property in early November 2011 and completed commissioning in November 2012. The first concentrate shipments were made on November 22, 2012 under the previously announced concentrate purchase agreements.

The mill is fully staffed and has been operating 24 hours a day, 7 days a week, since November 12, 2012. There are still minor modifications and adjustments being made to the equipment and processing that require brief stoppages from time to time.

From November 16, 2012 to April 15, 2013, we processed and sold the following concentrates (net of HST):

Lead/Silver - 680.77 dry metric tonnes for approximately US$5,562,594

Zinc/Silver - 572.55 dry metric tonnes for approximately US$267,974

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

CURRENT STATUS OF THE TREASURE MOUNTAIN PROJECT & MERRITT MILL PROPERTY

Current Mineral Tenure (Claim) Holdings at the Treasure Mountain Project

The Company's claim holdings at the Treasure Mountain Project 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), of which 335 hectares are now under a mining lease.

Current Mineral Tenure (Claim) Holdings at Mill Property

The Company's claim holdings at the Mill Property now consist of 20 mineral tenures covering approximately 8,457 hectares (20,898 acres), 10 mineral leases covering approximately 347 hectares (858 acres), and 7 district lots covering approximately 391 hectares (966 acres).

Outlook

The Company expects that mining and exploration will continue at the Treasure Mountain Project through the remainder of the year. The current development plans are to complete mining and exploration activities for the remainder of the upper level of the mine to surface. This is expected to be completed in August 2013. The Company expects that an additional 60,000 tonnes of mill feed will be removed from level 1 and level 2 by the end of 2013. The Company will also continue with underground exploration development of the second level of the mine through the remainder of the year.

The primary objective of the exploration program in 2013 will be defining further resources on the Treasure Mountain Project between level 1 and 3. The program will also consist of surface diamond drilling and expansion of 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 Project for 2013 are expected to be $8,000,000. This includes completion of the extraction of 60,000 tonnes of material from the Treasure Mountain Project as well as exploration on level 2.

The Company expects that the mill will progress to full design capacity of processing 200 tonnes per day in the second quarter of 2013. Monthly operating costs at the Mill Property have been budgeted at $600,000.

As of December 31, 2012, $20,406,917 has been spent on the construction and commissioning of the milling and process facility at the Mill Property.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2012, the Company had a working capital deficiency of $14,566,791 that included cash and cash equivalents of $883,169, as compared to a working capital deficiency of $3,534,299 and cash and cash equivalents of $1,392,916 as at December 31, 2011. The increase in the working capital deficiency can be largely attributable to the current portion of the Mill Property acquisition obligation and the current portion of the debt obligation due under the Credit Facility with Waterton.

Cash used in operating activities for the year ended December 31, 2012 was $7,528,960 compared to $6,535,695 for the year ended December 31, 2011. The increase in cash spent in operating activities was largely due to the increased exploration and development activity at the Treasure Mountain Project with a substantial increase in salaries and wages paid. Exploration salaries and wages expense increased to $3,558,784 in 2012 compared to $1,452,784 for the year ended December 31, 2011.

Cash used in investing activities was $13,160,831 for the year ended December 31, 2012 compared to $8,842,505 for the year ended December 31, 2011. Major expenditures in 2012 related to the ongoing processing facility construction at the Mill Property.

Cash provided by financing activities was $20,179,594 for the year ended December 31, 2012 compared to $14,772,857 for the year ended December 31, 2011. $4,898,520 was the net proceeds from the Credit Facility, $17,935,395 was the net proceeds from private placement financings in 2012, $247,475 was received from the exercise of stock options and $2,502,768 was received from the exercise of warrants. Additionally, the Company repaid $3,000,000 towards the acquisition costs of Craigmont Holdings, the Company borrowed $221,901 under the off-take financing agreement with Waterton, which was subsequently repaid before the end of the year and also made principal repayments on the Credit Facility totaling $2,200,000 plus payments related to the derivative liabilities of $204,500.

The Company had the following major cash obligations as of December 31, 2012:

- repayment of the Credit Facility (as described below) in the amount of $11,443,453; and
- a $3,100,000 obligation to complete the acquisition of Craigmont Holdings (as described in Note 6 to the audited consolidated financial statements);

As at December 31, 2012, the Company had an accumulated deficit of $29,188,156 (December 31, 2011 - $14,750,436) and a working capital deficiency of $14,566,791 (December 31, 2011 - $3,534,299 deficit) including current debt obligations of $13,411,298 (December 31, 2011 - $5,283,228). These factors represent a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern. The Company will be required to raise funds through the issuance of equity or debt, or be successful in the development of the Treasure Mountain Mine and Merritt Mill.

CONTRACTUAL COMMITMENTS

The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations as of December 31, 2012:

	Total	Less than 1 year	1 – 3 years	4 - 5 years	After 5 years
Debt	$14,543,453	$14,543,453	$nil	$nil	$nil
Finance Lease Obligations	$nil	$nil	$nil	$nil	$nil
Operating Leases	$nil	$nil	$nil	$nil	$nil
Accounts payable and liabilities	$2,268,372	$2,268,372	$nil	$nil	$nil
Other Obligations	$400,000	$400,000	$nil	$nil	$nil
Total Contractual Obligations	$17,211,825	$17,211,825	$nil	$nil	$nil

Credit Facility

On June 16, 2011, the Company entered into a credit agreement (the “Credit Agreement”) with Waterton pursuant to which Waterton agreed to make a $10,000,000 Credit Facility available to the Company, which could be drawn down, at the Company’s option, in up to four advances. The Company drew down the first advance of $3,000,000 on June 17, 2011, the second advance of $2,000,000 on July 28, 2011, the third advance of $2,500,000 on January 17, 2012, and the fourth advance of $2,500,000 on May 23, 2012. In connection with the fourth drawdown, the Company paid Waterton a structuring fee of $25,000 and issued 1,000,000 share purchase warrants, each entitling Waterton to purchase one common share of the Company at a price of $1.30 per share until May 22, 2017. The Company also paid Bayfront Capital a placement fee consisting of a cash payment of $25,000 (being 1% of the principal amount of the fourth advance) and the issuance of 38,462 common shares of the Company at a deemed issue price of $1.30 per share.

A full description of the original terms of the Credit Agreement and the Credit Facility are contained in the Company’s Management’s Discussion and Analysis for the year ended December 31, 2011.

On May 16, 2012, the Company entered into an amending agreement with Waterton pursuant to which it amended the terms of the Credit Agreement. Under the terms of this amending agreement, Waterton agreed to extend the first repayment date under the Credit Facility from May 31, 2012 to July 31, 2012, with the maturity date for the Credit Facility remaining as April 30, 2013. The amending agreement also amended the conditions necessary for drawdown of the fourth advance of the Credit Facility such that the Company was entitled to drawdown the fourth advance immediately, as the Company had received a Mining Lease and a British Columbia Mines Act permit approving a mine plan and reclamation program for the Treasure Mountain Project, along with an amended permit approving construction and operation of a process plant at the Mill Property. In consideration of the foregoing, the Company agreed to increase the number of warrants to be issued to Waterton in connection with the drawdown of the fourth advance from 650,000 warrants to 1,000,000 warrants. The terms of the warrants were also amended so that they would have an exercise price of $1.30 throughout the term of the warrant.

On July 30, 2012, the Company entered into a second amending agreement with Waterton pursuant to which it further amended the terms of the Credit Agreement. Under the terms of this amending agreement, Waterton agreed to amend the repayment terms of the Credit Agreement such that the repayment amount owing on July 31, 2012 was $nil, effectively resulting in the first repayment date under the Credit Agreement being the last business day of August 2012, with the maturity date remaining as April 30, 2013. The amending agreement also reduced the amounts of the payments due in August and September 2012 by over fifty percent, however this resulted in an increase in the repayment terms starting October 31, 2012. In consideration for the amendments, the Company (i) issued 180,000 common shares of the Company to Waterton; and (ii) agreed to pay to Waterton a $200,000 cash payment on the last day of the Repayment Period (as defined in the Credit Agreement).

On October 24, 2012, the Company entered into a third amending agreement with Waterton pursuant to which it further amended the terms of the Credit Agreement. Under the terms of this amending agreement, the repayment term for the payments to be made between October 31, 2012 and April 30, 2013 were amended so that the October 31, 2012 and November 30, 2012 repayment amounts have each been reduced by $887,607 with such reduction resulting in a corresponding increase in the March 29, 2013 and April 30, 2013 repayment amounts. The silver adjustment provision was also amended so that the amount payable on each repayment date continued to be based on the debt repayment amount for that date. In consideration for these amendments, the Company agreed to pay Waterton an additional $300,000 cash payment on April 30, 2013 which has been added to the final principal payment amount of the Credit Facility. In addition, the Company has agreed to enter into a legally binding and effective concentrate off-take agreement with Waterton whereby Waterton will purchase concentrate from the Company under terms and conditions acceptable to Waterton, acting reasonably.

On January 29, 2013, the Company entered into a fourth amending agreement with Waterton pursuant to which it has further amended the terms of the Credit Agreement. Under the terms of their amending agreement, Waterton agreed to amend the repayment terms of the Credit Agreement such that the maturity date has been extended from April 2013 to November 2013 and the repayment amounts, other than for January 2013, have been reduced accordingly. As consideration for the amendment, the Company agreed to pay a restructuring fee of $125,000 per month for the remainder of the term subject to a minimum restructuring fee of $750,000. Additionally, the calculation for the monthly derivative liability payable formula was changed so that the amount payable is based on the higher of the settlement price per ounce of silver on the business day preceding the repayment date of $32.00 per ounce. Prior to this amendment, the calculation for the monthly derivative liability payable required the settlement price per ounce of silver on the business day immediately preceding the repayment date to be at a minimum of $27.50 per ounce in order to trigger a derivative liability amount payable and the maximum amount payable in the formula was based on $34.00 per ounce.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, the Company incurred the following expenditures to related parties:

	Year Ended December 31, Months Ended September 30	
	2012 ($)	**2011 ($)**
Management fees paid to a director and a company controlled by a director (1)	96,000	95,000
Consulting fees paid to a director (2)	24,000	19,000
Office rental payments made to a company controlled by a director (3)	30,000	30,000
Office and general expenses paid to a director of the Company (4)	1,440	1,440
Sale of trailer to a company controlled by a director	8,070	-

(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.

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

OUTSTANDING SHARE DATA

- Authorized and issued share capital as at April 29, 2013:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	50,855,859

- As at April 29, 2013, there were 4,566,500 stock options were outstanding.
- As at April 29, 2013, there were 13,231,490 warrants outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements which may affect its current or future operations or conditions.

CHANGES IN ACCOUNTING POLICIES

The following is an overview of accounting standard changes the Company will be required to adopt in future years. Except as otherwise noted below for IFRS 9 and IAS 32, the standards are effective for the Company's annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company will not adopt any of these standards before their effective dates. The adoption of these standards is not expected to have a material impact on the Company's consolidated financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 9 – Financial Instruments Disclosure

IFRS *9 Financial Instruments* introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held with a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payment of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investment are measured at their fair values at the end of subsequent accounting periods.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive earnings (loss).
IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company will continue to evaluate the impact of this standard on its consolidated financial statements.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-*12 Consolidation – Special Purpose Entities* and parts of IAS *27 Consolidated and Separate Financial Statements.*

IFRS 11- Joint Arrangements

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31, *Interest in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers.*

IFRS 12 – Disclosure of Interest in Other Entities

IFRS 12 establishes disclosure requirements for interest in other entities, such as joint arrangements, associates, special purpose vehicles and off statement of financial position vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities.

IFRS 13 – Fair Value Measurement

Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements. IFRS 13 is a more comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

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 in active markets for similar instruments; 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 derivative liabilities associated with the Credit Facility, and the warrant liability as Level 3 on the fair value hierarchy. The accounts receivable from concentrate sales catergorized as Level 2 on the fair value hierarchy.

The Company estimated the fair value of the derivative liabilities issued in connection with the third advance under the Credit Facility to be $139,609 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	$30.26 per ounce
Exercise Price	$27.50 or $34.00 as applicable
Risk Free Rate	1.00%
Discount Rate	1.00%
Expected Life	0.37 years to 1.29 years, as applicable
Number of Options Granted	4,951
Credit Adjustment Factor	20.00%

The Company estimated the change in control option and the prepayment option at $nil on the date of the third advance on the basis that neither of these events are expected to occur.

The Company estimated the fair value of the derivative liabilities issued in connection with the fourth advance under the Credit Facility to be $92,008 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	$27.60 per ounce
Exercise Price	$27.50 or $34.00 as applicable
Risk Free Rate	1.00%
Discount Rate	1.00%
Expected Life	0.19 years to 0.94 years, as applicable
Number of Options Granted	5,942
Credit Adjustment Factor	20.00%

The Company estimated the change in control option and the prepayment option at $nil on the date of the fourth advance on the basis that neither of these events are expected to occur.

The Company estimated the fair value of the derivative liabilities as at December 31, 2012 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	$29.80 per ounce
Exercise Price	$27.50 or $34.00 as applicable
Risk Free Rate	1.00%
Discount Rate	1.00%
Expected Life	0.08 years to 0.33 years, as applicable
Number of Options Granted	31,096
Credit Adjustment Factor	20.00%

The Company estimated the change in control option and the prepayment option at $nil on December 31, 2012 on the basis that neither of these events are expected to occur.

The Company estimated the fair value of the fair value of the warrants issued in connection with the third advance under the Credit Facility at the date of issuance using the Black-Scholes model with the following assumptions:

Share Price	$1.05
Exercise Price	$1.21
Risk Free Rate	0.00%
Discount Rate	1.26%
Expected Life	5 years

The Company estimated the fair value of the warrant liability relating to the warrants issued to Waterton for the first and third advances under the Credit Facility as at December 31, 2012 using the Black-Scholes model with the following assumptions:

Share Price	$1.34
Exercise Price	$1.21 or $1.28 as applicable
Risk Free Rate	0.00%
Discount Rate	1.37%
Expected Life	3.46 years or 4.04 years as applicable

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 twelve months ended December, 2012:

	Liability at December 31, 2011	Drawdown of Waterton Debt	Profit Participation Payments	Mark to market (gain) loss	Liability at December 31, 2012
Waterton derivative liability	$ 208,299	$ 231,616	$ (203,500)	$ 169,845	$ 406,260
Warrant liability	$ 710,726	$ 577,566	$ -	$ 133,713	$ 1,422,005
	$ 919,025	$ 809,182	$ (203,500)	$ 303,558	$ 1,828,265

	Liability at December 31, 2010	Drawdown of Waterton Debt	Profit Participation Payments	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

Overview

The Company has exposures to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal financial risks to which the Company is exposed are credit risk, liquidity risk, metal price risk, and currency risk.

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 September 30, 2012 under its financial instruments was 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 Project.

Management anticipates that, subject to financing, it will make substantial expenditures towards developing the Treasure Mountain Project. However, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has a significant working capital deficit , 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 Project 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 or the loss or substantial dilution of any of its property interests.

The following is a summary of the maturities for the Company's non-derivative financial liabilities as at December 31, 2012:

	Less than 30 days ($)	**30 days to 1 year ($)**	**1 year to 2 years ($)**	**More than 2 years ($)**
Accounts Payable and Accrued Liabilities	2,068,372	200,000	-	-
Waterton Debt Obligation	1,710,271	9,733,182	-	-
Craigmont Obligation	-	3,100,000	-	-
TOTAL:	3,778,643	13,033,182	-	-

OTHER INFORMATION

This MD&A of the financial position and results of operations of the Company is dated as of April 29, 2013 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012. 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.

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 in NI 43-101.

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