



HULDRA SILVER INC.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011 and 2010

Notice of disclosure of non-auditor review of interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying financial statements of the Company for the period ended March 31, 2011 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or review of these condensed consolidated interim financial statements.

HULDRA SILVER INC.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

| | Note | March 31, 2011 | December 31, 2010 | January 1, 2010 |
|--|------|---------------------|---------------------|-------------------|
| Assets | | | (Note 12) | (Note 12) |
| Current assets | | | | |
| Cash and cash equivalents | | \$ 289,307 | \$ 1,998,259 | \$ 17,268 |
| Short term investments | 4 | 1,200,000 | 300,000 | - |
| Amounts Receivable | | 139,626 | 108,687 | 272 |
| Prepaid expenses and other receivables | | 18,244 | 18,857 | 1,795 |
| | | 1,647,177 | 2,425,803 | 19,355 |
| Non-current assets | | | | |
| Property, Plant, & Equipment | 5 | 380,000 | 20,454 | 673 |
| Mineral Interests | 6 | 86,437 | 86,437 | 86,437 |
| Restricted Cash | 7 | 560,000 | 60,000 | 10,000 |
| Total assets | | \$ 2,673,614 | \$ 2,592,694 | \$ 116,445 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | | \$ 140,899 | \$ 51,323 | \$ 47,182 |
| Due to directors | | 64 | 64 | 5,362 |
| | | 140,963 | 51,387 | 52,544 |
| Non-current liabilities | | | | |
| Asset retirement obligation | | 25,000 | 25,000 | 25,000 |
| Total Liabilities | | 165,963 | 76,387 | 77,544 |
| Equity | | | | |
| Shareholders' equity | | | | |
| Share capital | 8a | 9,408,403 | 9,165,723 | 6,531,388 |
| Share-based payments reserve | 8b | 466,054 | 342,110 | 81,404 |
| Accumulated Deficit | | (7,366,806) | (6,991,526) | (6,573,891) |
| Total Equity | | 2,507,651 | 2,516,307 | 38,901 |
| Total liabilities and equity | | \$ 2,673,614 | \$ 2,592,694 | \$ 116,445 |

Ryan Sharp (signed)

Director

Garth Braun (signed)

Director

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

HULDRA SILVER INC.**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Unaudited)
(Expressed in Canadian dollars)**

| | | Three Months Ended March 31, | |
|---|------|------------------------------|-------------|
| | Note | 2011 | 2010 |
| Operating Expenses | | | |
| Exploration Costs | 6 | \$ 85,989 | \$ 2,196 |
| Salaries and benefits | | 11,065 | - |
| Share-based compensation expense | 9b | 155,624 | - |
| Professional fees | | 29,679 | 11,477 |
| Management fees | 10 | 23,000 | 3,000 |
| Consulting fees | | 31,000 | 4,000 |
| Office and general | | 14,699 | 469 |
| Travel | | 9,362 | - |
| Regulatory fees | | 7,739 | 5,000 |
| Transfer agent fees | | 2,346 | 860 |
| Rent | | 7,500 | - |
| Vehicle expenses | | 1,384 | - |
| Depreciation | | 1,549 | 50 |
| | | 380,936 | 27,052 |
| Operating Loss Before Other Items | | 380,936 | 27,052 |
| Other Items | | | |
| Finance Income | | 5,656 | - |
| Net Loss and Comprehensive Loss for the Period | | \$ (375,280) | \$ (27,052) |
| Loss Per Share – Basic and Diluted | | \$ (0.02) | \$ (0.00) |
| Weighted Average Number of Common Shares Outstanding | | 17,369,138 | 9,314,519 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

HULDRA SILVER INC.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

| | | Three Months Ended March 31 | |
|---|------|-----------------------------|------------------|
| | Note | 2011 | 2010 |
| Operating Activities | | | |
| Net loss for the period | | \$ (375,280) | \$ (27,052) |
| Adjustments for: | | | |
| Share-based compensation expense | | 155,624 | - |
| Depreciation | | 1,549 | 50 |
| Changes in non-cash working capital items | | | |
| Amounts receivable | | (30,939) | (2,426) |
| Prepaid expenses and other receivables | | 613 | 1,428 |
| Accounts payable and other accrued liabilities | | 89,576 | 19,317 |
| Cash Used in Operating Activities | | (158,857) | (8,683) |
| Investing Activities | | | |
| Acquisition of land | 5 | (203,500) | - |
| Deposit in escrow for the share purchase of Craigmont Holdings Ltd. | 11c | (500,000) | - |
| Purchase of property, plant, and equipment | | (7,595) | - |
| Purchase of short term investment | | (1,200,000) | - |
| Redemption of short term investment | | 300,000 | - |
| Cash Used in Investing Activities | | (1,611,095) | - |
| Financing Activities | | | |
| Due to directors | | - | 13,360 |
| Proceeds from exercise of stock options | | 50,000 | - |
| Proceeds from exercise of warrants | | 11,000 | - |
| Cash Provided by financing activities | | 61,000 | 13,360 |
| Net change in Cash and Cash equivalents for the Period | | (1,708,952) | 4,677 |
| Cash and cash equivalents, Beginning of period | | 1,998,259 | 17,268 |
| Cash and Cash equivalents, End of period | | \$ 289,307 | \$ 21,945 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

HULDRA SILVER INC.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in Canadian dollars)

| | Number of Common Shares | Share Capital | Share-based payments reserve | Accumulated Deficit | Total Equity |
|---|-------------------------------|---------------------|------------------------------------|------------------------|---------------------|
| Balance, January 1, 2010 | 9,314,519 | 6,531,388 | 81,404 | (6,573,891) | 38,901 |
| Net loss for the period | - | - | - | (27,052) | (27,052) |
| Balance, March 31, 2010 | 9,314,519 | 6,531,388 | 81,404 | (6,600,943) | 11,849 |
| Balance, January 1, 2011 | 17,228,499 | \$ 9,165,723 | \$ 342,110 | (\$ 6,991,526) | \$ 2,516,307 |
| Common shares issued for cash: | | | | | |
| Stock options exercised | 200,000 | 50,000 | - | - | 50,000 |
| Warrants exercised | 55,000 | 11,000 | - | - | 11,000 |
| Transfer to share capital on exercise of warrants | - | 9,258 | (9,258) | - | - |
| Transfer to share capital on exercise of stock options | - | 22,422 | (22,422) | - | - |
| Common shares issued for land purchase | 130,765 | 150,000 | - | - | 150,000 |
| Share-based compensation | - | - | 155,624 | - | 155,624 |
| Net loss for the period | - | - | - | (375,280) | (375,280) |
| Balance, March 31, 2011 | 17,614,264 | \$ 9,408,403 | \$ 466,054 | (\$ 7,366,806) | \$ 2,507,651 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

HULDRA SILVER INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2011 and 2010
(Unaudited)
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Huldra Silver Inc. (the “Company” or “Huldra”) is a junior mining company engaged in the business of identification, acquisition and exploration of mineral property interests. The Company’s head office is located at # 610 - 837 West Hastings Street, Vancouver, B.C.

Huldra is a publicly listed company registered under the Business Corporation Act of British Columbia. The Company is listed on the TSX Venture Exchange and trades under the symbol “HDA.V”.

2. BASIS OF PRESENTATION

i) Statement of compliance and conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) will replace Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) for publicly accountable enterprises for financial periods beginning on and after January 1, 2011.

These condensed consolidated interim financial statements for the three month period ended March 31, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”). They do not include all of the information required for full annual financial statements.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of June 27, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on change-over to IFRS.

These condensed consolidated interim financial statements should be read in conjunction with the Company’s 2010 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Company is provided in Note 12.

ii) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, 0906262 B.C. Ltd. All inter-company balances and transactions are eliminated on consolidation.

iii) Basis of measurement

These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency and have been prepared on a historical cost basis.

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(Unaudited)
(Expressed in Canadian dollars)

iv) Use of Estimates and Judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the assessment for impairment and useful life of mineral interests, property, plant, and equipment, asset retirement obligations, and the assumptions used in determining the fair value of non-cash share-based compensation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in preparing the opening balance sheet at January 1, 2010 for purposes of transition to IFRS.

i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and all highly liquid investments that are readily convertible into cash with maturity dates not exceeding 90 days from the date of issuance.

ii) Short Term Investments

The Company holds a Guaranteed Investment Certificate ("GIC") maturing on January 12, 2012 which bears interest at a rate of prime minus 1.95%.

iii) Property, plant and equipment

On initial recognition, property, plant and equipment ("PPE") are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. .

Property, plant and equipment is subsequently stated at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations and comprehensive income or loss during the financial period in which they are incurred.

The Company allocates the amount initially recognized in respect of an item of property, plant, and equipment to its significant parts and depreciates separately each part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposal of an item of property, plant, and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized within other gains and losses in the statement of operations and comprehensive income or loss.

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Property, plant and equipment are depreciated at the following annual rates (in the year or acquisition one-half of the calculated depreciation is recognized):

| | |
|--|-----|
| Automotive equipment | 30% |
| Office fixtures and computer equipment | 20% |

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

iv) Impairment of non-financial assets

At each financial position reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of operations and comprehensive income or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of operations and comprehensive income or loss.

v) Mineral Interests

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

vi) Restricted Cash

Cash is considered to be restricted as it either subject to rights of a government agency or is held in trust pursuant to entering a definitive strategic agreement with Craigmont Holdings Ltd. (see note 11 c)).

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vii) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures (“E&E”) excluding mineral interest acquisition costs are charged to the statement of operations and comprehensive income or loss as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized. Any recoveries received that relate to exploration costs are recorded as a recovery of such costs.

viii) Financial Instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

Financial assets

Financial assets are classified into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive income or loss. .

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. They are carried at amortized cost using the effective interest rate method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company's cash and cash equivalents, and accounts receivable are included in the category of financial assets.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive income or loss. At March 31, 2011, the Company has not classified any financial assets as held-to-maturity investments.

Available-for-sale investments - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized as other comprehensive income and classified as a component of equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations and comprehensive income or loss. When financial assets classified as available-for-sale are sold, the accumulated fair-value adjustments recognized in other comprehensive income are included in the statement of operations and comprehensive income or loss. At March 31, 2011, the Company has not classified any financial assets as available-for sale.

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Transactions costs in respect of financial instruments at fair value through profit or loss recognized in the statement of operations and comprehensive income or loss immediately, while transaction costs associated with all other financial instruments assets are included in the initial measurement of the financial instrument.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive income or loss. At March 31, 2011, the Company has not classified any financial liabilities in this category.

Other financial liabilities: This category includes due to directors and accounts payables and accrued liabilities, all of which are recognized at amortized cost using the effective interest method.

ix) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds.

x) Share-based payments

The Company has a share option plan that is described in note 9 a). The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Options issued to Employees

The fair value of employee options are measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a Black-Scholes option pricing model.

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(Unaudited)
(Expressed in Canadian dollars)

xi) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations and comprehensive income or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also directly recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset, and they relate to the income taxes levied by the same tax authority and the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and tax liabilities will be realized simultaneously.

xii) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as finance costs in the statement of operations and comprehensive income or loss.

xiii) Asset retirement obligation

The Company's provision for asset retirement obligations result from liabilities related to environmental protection and rehabilitation due to statutory, contractual, constructive, or legal obligations. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates are calculated using a pre-tax rate that reflects the time value of money. These costs are charged against the statement of operations and comprehensive income or loss over the economic life of the related asset, through depreciation. Over time, the discounted liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against the statement of operations and comprehensive income or loss as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

HULDRA SILVER INC.
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(Unaudited)
(Expressed in Canadian dollars)

xiv) Loss per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. For all periods presented, the loss available to common shareholders equals the reported loss.

Diluted loss per share is calculated using the treasury stock method. Diluted loss per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. As the Company incurred net losses in all periods presented, the stock options and stock warrants as disclosed in Notes 8 and 9 respectively, were not included in the computation of loss per share as their inclusion would be anti-dilutive.

xv) New accounting standards and interpretations not yet adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

IFRS 9 “Financial Instruments” replaces the current standard IAS 39: Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 10, “Consolidated Financial Statements”, builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included with the consolidated financial statements of the parent company.

IFRS 11, “Joint Arrangements”, established the principles for financial reporting entities when they have an interest in arrangements that are jointly controlled.

IFRS 12, “Disclosure of Interest in Other Entities”, provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off-balance sheet entities.

IFRS 13, “Fair Value Measurement, defines fair value and requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards;

4. SHORT TERM INVESTMENTS

| | March 31, 2011 | December 31, 2010 |
|---|----------------|-------------------|
| Guaranteed Investment Certificate, Bank of Montreal | \$1,200,000 | \$300,000 |

HULDRA SILVER INC.**Notes to the Condensed Consolidated Interim Financial Statements**

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(Unaudited)

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

| | Land | Automotive Equipment | Office Fixtures & Computer Equipment | TOTAL |
|----------------------------------|----------------|-------------------------|--|----------------|
| | \$ | \$ | \$ | \$ |
| Cost | | | | |
| Balance at January 1, 2010 | - | - | 1,615 | 1,615 |
| Additions | - | 20,020 | 3,341 | 23,361 |
| Balance at December 31, 2010 | - | 20,020 | 4,956 | 24,976 |
| Additions | 353,500 | 5,168 | 2,427 | 361,095 |
| Balance at March 31, 2011 | 353,500 | 25,188 | 7,383 | 386,071 |
| Accumulated Depreciation | | | | |
| Balance at January 1, 2010 | - | - | 942 | 942 |
| Depreciation for the period | - | 2,958 | 622 | 3,580 |
| Balance at December 31, 2010 | - | 2,958 | 1,564 | 4,522 |
| Depreciation for the period | - | 1,260 | 289 | 1,549 |
| Balance at March 31, 2011 | - | 4,218 | 1,853 | 6,071 |
| Carrying Amounts | | | | |
| At January 1, 2010 | - | - | 673 | 673 |
| At December 31, 2010 | - | 17,062 | 3,392 | 20,454 |
| At March 31, 2011 | 353,500 | 20,970 | 5,530 | 380,000 |

On February 24, 2011, the Company under a purchase and sale agreement completed the acquisition of four district lots located at Treasure Mountain, British Columbia for a total consideration of \$350,000 consisting of \$200,000 cash and 130,765 common shares of the Company having a total value of \$150,000. The 130,765 common shares are subject to a four month restricted period under applicable securities laws expiring June 25, 2011. Additionally, property transfer tax paid of \$3,500 was added to the cost base.

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(Unaudited)

(Expressed in Canadian dollars)

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

| | 3 months ended Mar 31, 2011 | 3 months ended Mar 31, 2010 |
|--|--|--|
| EXPLORATION COSTS, beginning of period | \$ <u>5,884,240</u> | \$ <u>5,799,722</u> |
| Costs incurred during the period | | |
| Engineering Costs | 3,960 | 1,890 |
| Insurance | 314 | 306 |
| Construction Planning | 24,750 | - |
| Fuel | 1,603 | - |
| Meals and Travel Living Allowance | 452 | - |
| Vehicle | 709 | - |
| Property tax | 158 | - |
| Permitting | 53,356 | - |
| Assessment work | 687 | - |
| Total costs incurred during the period | <u>85,989</u> | <u>2,190</u> |
| CUMULATIVE EXPLORATION COSTS, end of period | <u>\$5,970,229</u> | <u>\$5,801,912</u> |

7. RESTRICTED CASH

The Company has in place deposits amounting to \$60,000 as at March 31, 2011 (December 31, 2010 - \$60,000) registered in the name of the British Columbia Ministry of Finance as security for its mining permit and for reclamation clean up. Additionally, the Company has a deposit in escrow in the amount of \$500,000 as at March 31, 2011 (December 31, 2010 – nil) pursuant to entering a strategic definitive agreement with Craigmont Holdings Ltd. (see note 11 c)).

8. SHARE CAPITAL AND RESERVES**(a) Common Shares****Authorized, Issued and Outstanding**

During 2010, the authorized capital stock of the Company was changed from 50,000,000 common shares without par value to unlimited number of common shares without par value.

(b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2010 to March 31, 2011:

| | Number of Warrants | Weighted Average Exercise Price |
|-------------------------------------|-----------------------|------------------------------------|
| Balance at January 1, 2010 | 700,000 | \$ 0.30 |
| Issue of warrants | 7,705,600 | \$ 0.2758 |
| Exercised warrants | (594,980) | \$ 0.2955 |
| Expired warrants | <u>(131,500)</u> | \$ 0.30 |
| Balance at December 31, 2010 | <u>7,679,120</u> | |
| Exercised warrants | <u>(55,000)</u> | \$ 0.20 |
| Balance at March 31, 2011 | 7,624,120 | |

HULDRA SILVER INC.

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As at March 31, 2011, the Company had outstanding warrants as follows:

| <u>Security</u> | <u>Number</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|-----------------|---------------|-----------------------|--------------------|
| Warrants | 3,895,000 | \$0.35 | November 4, 2011 |
| Warrants | 183,320 | \$0.20 | November 4, 2011 |
| Warrants | 1,799,000 | \$0.75 | June 22, 2012 |
| Warrants | 1,625,000 | \$0.75 | December 22, 2012 |
| Warrants | 61,800 | \$0.75 | June 22, 2012 |
| Warrants | 60,000 | \$0.75 | December 22, 2012 |
| | 7,624,120 | | |

9. SHARE-BASED PAYMENTS

a) Stock Option Plan

The Company's Board of Directors approved the adoption of a Stock Option Plan (the "Plan") in accordance with the policies of the TSX Venture Exchange. The Board of Directors is authorized to grant options to directors, officers, consultants or employees. The exercise price of options granted under the Stock Option Plan shall be as determined by the Board of Directors when such options are granted, subject to any limitations imposed by any relevant stock exchange or regulatory authority.

The Company shall not grant options under the Plan which will, when exercised, exceed 10% of the issued and outstanding shares, and further subject to the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the TSX Venture Exchange, provided that the number of Shares reserved for issuance, within any twelve month period;

- a) to any one option holder shall not exceed 5% of the total number of issued Shares;
- b) to any one consultant shall not exceed 2% in the aggregate of the total number of issued Shares, and
- c) to all persons employed or engaged to provide investor relations activities shall not exceed 2% in the aggregate of the total number of issued Shares. In addition, options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than $\frac{1}{4}$ of the options vesting in any three month period.

If any option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares which would have been acquired on the exercise of such option shall again be available for the purposes of the Plan.

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The following is a summary of changes in options from January 1, 2010 to March 31, 2011:

| Grant Date | Expiry Date | Exercise Price | Opening Balance | During the Period | | | | Closing Balance | Vested and Exercisable | Unvested |
|---------------------------------|-------------|----------------|-----------------|-------------------|-----------|-----------|-----------|-----------------|------------------------|----------|
| | | | | Granted | Exercised | Cancelled | Forfeited | | | |
| 08/16/2006 | 08/16/2011 | \$ 0.95 | 100,000 | - | - | (100,000) | - | - | - | - |
| 03/29/2010 | 03/29/2015 | \$ 0.25 | - | 830,000 | (200,000) | - | - | 630,000 | 630,000 | - |
| 05/15/2010 | 05/15/2015 | \$ 0.25 | - | 150,000 | - | - | - | 150,000 | 150,000 | - |
| 06/28/2010 | 06/28/2015 | \$ 0.385 | - | 340,000 | - | - | - | 340,000 | 340,000 | - |
| 12/22/2010 | 12/22/2015 | \$ 0.66 | - | 200,000 | - | - | - | 200,000 | 50,000 | 150,000 |
| Balance as at December 31, 2010 | | | 100,000 | 1,520,000 | (200,000) | (100,000) | - | 1,320,000 | 1,170,000 | 150,000 |
| 01/28/2011 | 01/28/2016 | \$ 0.95 | - | 90,000 | - | - | - | 90,000 | 90,000 | - |
| Balance as at March 31, 2011 | | | 100,000 | 1,610,000 | (200,000) | (100,000) | - | 1,410,000 | 1,260,000 | 150,000 |
| Weighted Average Exercise Price | | | \$ 0.95 | \$ 0.37 | \$ 0.25 | \$ - | \$ - | \$ 0.39 | \$ 0.35 | \$ 0.66 |

b) Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period ended March 31, 2011 was \$0.87 per option (year-ended December 31, 2010: \$0.27).

Options issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options issued to Non-Employees

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a Black-Scholes option pricing model.

The model inputs for options granted during the period ended March 31, 2011 included:

| Grant Date | Expiry Date | Share Price at Grant Date | Exercise Price | Risk-Free Interest Rate | Expected Life | Volatility Factor | Dividend Yield |
|------------|-------------|---------------------------|----------------|-------------------------|---------------|-------------------|----------------|
| 01/28/2011 | 01/28/2016 | \$ 1.00 | \$ 0.95 | 2.56% | 60 months | 130.66% | 0% |

The Company expensed \$155,624 during the three months ended March 31, 2011 (March 31, 2010: nil).

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10. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related transactions during the period:

| | March 31, 2011 | March 31, 2010 |
|---|-------------------|-------------------|
| Management fees paid to a director and a Company controlled by a director | \$ 23,000 | \$ 3,000 |
| Consulting fees paid to a director | 3,000 | - |
| Office Rental payments made to a Company controlled by a director | 7,500 | - |
| Office and general expenses paid to a director of the Company | 360 | 360 |

11. SUBSEQUENT EVENTS

Subsequent events to March 31, 2011:

- a) The Company announced on April 1, 2011 that it has 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 being developed by Huldra. The application allows for up to 75,000 tonnes a year of ore removal, however, the maximum the Company expects to remove is 60,000 tonnes per year.
- b) Huldra granted 280,000 stock options to directors, consultants and employees of the Company. Each option is exercisable into one common share at \$1.40 per share for a period of five years. The options are subject to the terms of the Company's stock option plan.
- c) The Company announced on May 5, 2011 that it has closed the definitive strategic acquisition agreement dated March 30, 2011 with Craigmont Holdings Ltd. ("Craigmont") and a wholly-owned subsidiary of the Company whereby the Company acquired 100% of the shares of Craigmont for a cash consideration of \$7,500,000 and the issuance of 372,000 common shares of the Company having a value equal to \$500,000. Craigmont holds real property, mineral claims and mineral leases. The share purchase of Craigmont will be treated as an asset acquisition in the second quarter of 2011. Upon entry into the agreement, the Company made a cash payment of \$500,000 to the shareholders of Craigmont which was deposited in escrow and was treated as restricted cash as at March 31, 2011. At closing, the Company issued to the Craigmont shareholders 372,000 shares at a deemed price of \$1.34. On or prior to January 31, 2012, the Company will make a second cash payment of \$3,000,000. The balance of \$4,000,000 will be payable by the Company on or prior to January 31, 2013.
- d) Effective June 6, 2011, the Company appointed Kathleen Nosek as Corporate Secretary.
- e) On June 17, 2011, the Company announced that it has entered into a credit agreement dated June 16, 2011 (the "Credit Agreement") with Waterton Global Value, L.P. ("Waterton") pursuant to which Waterton has 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. A closing fee of \$100,000 was paid to Waterton upon execution of the Credit Agreement. Provision of any advances under the Credit Facility by Waterton will be subject to the satisfaction or waiver of certain conditions as set out in the Credit Agreement.

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The advances may be drawn down by the Company at any time until May 31, 2012 and all amounts outstanding must be repaid by April 30, 2013. Repayment amounts are subject to adjustment based on the spot price of silver as set out in the Credit Agreement.

In connection with each advance, the Company has agreed to pay Waterton a structuring fee in an amount equal to 1% of the principal amount of such advance. The Company has also agreed to issue Waterton up to 2,200,000 share purchase warrants in connection with the first, third, and fourth advances. 900,000 warrants were issued June 17, 2011 in connection with the first tranche and an additional 650,000 will be issued upon each of the third and fourth advances, if drawn down. Each of the 900,000 warrants issued to Waterton on June 17, 2011 is exercisable into one common share of the Company at a price of \$1.28 per share until June 16, 2016, subject to certain price adjustments. The exercise price of any additional warrants issued will be tied to the market price of the Company's common shares on the date prior to such issuance.

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 first advance and shares having a market value of \$50,000 to be issued with each of the third and fourth advances, if applicable.

- f) On June 21, 2011, the Company announced that it has entered into a Purchase and Service Agreement with Canadian Royal Mining Corporation of Chilliwack, B.C., to acquire a two hundred (200) ton per day modular silver, lead, zinc process plant. The mill is expected to be delivered to the Company's milling property in Merritt, B.C., in the third quarter of 2011 and will take approximately three months to commission and assemble.

The Company also announced as of June 20, 2011 that David Chong had resigned as a director of the Company.

A 48 man modular camp has been installed in the Treasure Mountain mining camp. All services are expected to be connected before the end of the month. A small crew, situated at a temporary camp, has been working on road maintenance and camp construction. Once the full camp is installed, the Company expects that full exploration and development programs will commence.

- g) On June 22, 2011, the Company announced that it has entered into an agreement with a syndicate of agents (the "Agents"), to undertake a best efforts private placement financing of special warrants (the "Special Warrants") and flow-through special warrants (the "Flow-Through Special Warrants") to raise gross proceeds of up to \$10,000,000, including up to \$3,000,000 in Flow-Through Special Warrants (the "Offering"). The Special Warrants and the Flow-Through Special Warrants will be offered at a price to be determined in the context of the market.

Upon exercise or deemed exercise thereof, each Special Warrant will entitle the holder thereof to receive one unit (a "Unit") without payment of any additional consideration. Each Unit will consist of one common share of the Company (a "Common Share") and one Common Share purchase warrant of the Company (a "Warrant"). Each Warrant will entitle the holder to acquire one Common Share at a price to be determined in the context of the market for a period of twenty-four months following the date of closing of the Offering, subject to adjustment as described below. Each Flow-Through Special Warrant will entitle the holder thereof to receive one flow-through common share (a "Flow-Through Common Share") without payment of any additional consideration.

The Special Warrants and Flow-Through Special Warrants will be exercisable by the holders thereof for no additional consideration and all unexercised Special Warrants and Flow-Through

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Special Warrants will be deemed to be exercised on the earlier of (a) the date that is four months and a day following the Closing Date, and (b) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities in each of the Provinces of Canada where the Special Warrants and Flow-Through Warrants are sold qualifying the securities to be issued upon the exercise of the Special Warrants and Flow-Through Special Warrants (the "Prospectus").

12 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first condensed financial statements for the period covered by the first annual condensed financial statements prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied in preparing the condensed interim financial statements for the three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010, the statement of financial position as at 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.

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 following tables.

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.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated 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

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comprehensive loss or income, statement of financial position and statement of cash flows for the quarter ended March 31, 2010 and the years ended December 31, 2009 and 2010 have been reconciled to IFRS, with the resulting differences explained, below.

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12. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)
Reconciliation of Statements of Financial Position

| | January 1, 2010 | | March 31, 2010 | | December 31, 2010 | |
|--|-------------------|------------------------------|-------------------|------------------------------|---------------------|------------------------------|
| | Canadian GAAP | Effect of Transition to IFRS | Canadian GAAP | Effect of Transition to IFRS | Canadian GAAP | Effect of Transition to IFRS |
| ASSETS | | | | | | |
| Current | | | | | | |
| Cash and cash equivalents | \$ 17,268 | - | \$ 21,945 | - | \$ 1,998,259 | \$ - |
| Short term investments | - | - | - | - | 300,000 | - |
| Amounts receivable | 272 | - | 2,698 | - | 108,687 | - |
| Prepaid expenses and other receivables | 1,795 | - | 367 | - | 18,857 | - |
| | 19,355 | - | 25,010 | - | 2,425,803 | - |
| Non- Current | | | | | | |
| Property, Plant & Equipment | 673 | - | 623 | - | 20,454 | - |
| Mineral Interests | 86,437 | - | 86,437 | - | 86,437 | - |
| Restricted Cash | 10,000 | - | 10,000 | - | 60,000 | - |
| TOTAL ASSETS | \$ 116,445 | - | \$ 122,070 | - | \$ 2,592,694 | \$ - |

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12. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of Statements of Financial Position

| | Note | January 1, 2010 | | March 31, 2010 | | December 31, 2010 | |
|--|------|-------------------|------------------------------|-------------------|------------------------------|---------------------|------------------------------|
| | | Canadian GAAP | Effect of Transition to IFRS | Canadian GAAP | Effect of Transition to IFRS | Canadian GAAP | Effect of Transition to IFRS |
| LIABILITIES | | | | | | | |
| Current | | | | | | | |
| Accounts payable and accrued liabilities | | \$ 47,182 | - | \$ 66,499 | - | \$ 51,323 | - |
| Due to directors | | 5,362 | - | 18,722 | - | 64 | - |
| | | 52,544 | - | 85,221 | - | 51,387 | - |
| Non-Current | | | | | | | |
| Site Restoration Liability | | 25,000 | - | 25,000 | - | 25,000 | - |
| TOTAL LIABILITIES | | 77,544 | - | 110,221 | - | 76,387 | - |
| SHAREHOLDERS' EQUITY | | | | | | | |
| Share Capital | | 6,531,388 | - | 6,531,388 | - | 9,165,723 | - |
| Share-based payments reserve | 12a | 81,404 | - | 81,404 | - | 419,684 | (77,574) |
| Accumulated Deficit | | (6,573,891) | - | (6,600,943) | - | (7,069,100) | 77,574 |
| TOTAL EQUITY | | 38,901 | - | 11,849 | - | 2,516,307 | - |
| TOTAL EQUITY AND LIABILITIES | | \$ 116,445 | - | \$ 122,070 | - | \$ 2,592,694 | - |

HULDRA SILVER INC.**Notes to the Condensed Consolidated Interim Financial Statements**

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12. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**Reconciliation of Statements of Operations and Comprehensive Loss**

| | Note | For the three months ended March 31, 2010 | | | Year ended December 31, 2010 | | |
|--|------|---|------------------------------|--------------------|------------------------------|------------------------------|---------------------|
| | | Canadian GAAP | Effect of Transition to IFRS | IFRS | Canadian GAAP | Effect of Transition to IFRS | IFRS |
| Operating Expenses | | | | | | | |
| Exploration Costs | | \$ 2,196 | - | \$ 2,196 | \$ 84,518 | - | \$ 84,518 |
| Share-based compensation expense | 12b | - | - | - | 249,293 | 3,830 | 253,123 |
| Professional fees | | 11,477 | - | 11,477 | 70,633 | - | 70,633 |
| Management fees | | 3,000 | - | 3,000 | 34,000 | - | 34,000 |
| Consulting fees | | 4,000 | - | 4,000 | 22,000 | - | 22,000 |
| Office and general | | 469 | - | 469 | 19,775 | - | 19,775 |
| Regulatory fees | | 5,000 | - | 5,000 | 8,873 | - | 8,873 |
| Transfer agent fees | | 860 | - | 860 | 6,176 | - | 6,176 |
| Rent | | - | - | - | 2,800 | - | 2,800 |
| Vehicle expenses | | - | - | - | 2,290 | - | 2,290 |
| Depreciation | | 50 | - | 50 | 3,580 | - | 3,580 |
| | | 27,052 | - | 27,052 | 503,938 | 3,830 | 507,768 |
| Operating loss before other items | | \$ (27,052) | - | \$ (27,052) | \$ (503,938) | \$ 3,830 | \$ (507,768) |
| Other Income (Expenses) | | | | | | | |
| Interest Income | | - | - | - | 8,729 | - | 8,729 |
| NET LOSS AND COMPREHENSIVE LOSS | | \$ (27,052) | - | \$ (27,052) | \$ (495,209) | \$ 3,830 | \$ (499,039) |

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(Unaudited)

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12. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**Reconciliation of Statements of Cash Flows**

| | Note | For the three months ended March 31, 2010 | | | Year ended December 31, 2010 | | |
|--|------|---|------------------------------|------------------|------------------------------|------------------------------|---------------------|
| | | Canadian GAAP | Effect of Transition to IFRS | IFRS | Canadian GAAP | Effect of Transition to IFRS | IFRS |
| OPERATING ACTIVITIES | | | | | | | |
| Net loss | | \$ (27,052) | - | \$ (27,052) | \$ (495,209) | \$ (3,830) | \$ (499,039) |
| Adjustments for non-cash items: | | | | | | | |
| Depreciation of property, plant, and equipment | | 50 | - | 50 | 3,580 | - | 3,580 |
| Finder fee warrants | | - | - | - | 93,444 | - | 93,444 |
| Share-based compensation | 12b | - | - | - | 249,293 | 3,830 | 253,123 |
| Changes in non-cash working capital items | | | | | | | |
| Amounts receivable | | (2,426) | - | (2,426) | (108,415) | - | (108,415) |
| Prepaid expenses and other | | 1,428 | - | 1,428 | (17,062) | - | (17,062) |
| Accounts payable and other accrued liabilities | | 19,317 | - | 19,317 | 4,141 | - | 4,141 |
| Net Cash Used in Operating Activities | | (8,683) | - | (8,683) | (270,228) | - | (270,228) |
| INVESTING ACTIVITIES | | | | | | | |
| 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 | | 13,360 | - | 13,360 | (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 | | 13,360 | - | 13,360 | 2,624,580 | - | 2,624,580 |
| Increase in cash and cash equivalents | | 4,677 | - | 4,677 | 1,980,991 | - | 1,980,991 |
| CASH AND CASH EQUIVALENTS, Beginning | | 17,268 | - | 17,268 | 17,268 | - | 17,268 |
| CASH AND CASH EQUIVALENTS, Ending | | \$ 21,945 | - | \$ 21,945 | \$ 1,998,259 | - | \$ 1,998,259 |

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12. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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 three months ended March 31, 2010 (nil) and 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 March 31, 2010 and January 1, 2010 and the statement of operations and comprehensive loss for the period ended March 31, 2010 and January 1, 2010.