VALTERRA RESOURCE CORPORATION

(An Exploration Stage Company)

Interim Financial Statements

Three Months Ended March 31, 2008

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements of the Company for the three months ended March 31, 2008 were prepared by management and have not been reviewed or audited by the Company's auditors.

VALTERRA RESOURCE CORPORATION
(An Exploration Stage Company)
Balance Sheets as at March 31, 2008 and December 31, 2007
Expressed in Canadian Dollars

		March 31 2008	December 31 2007
Assets			
Current			
Cash and cash equivalents		$ 279,665	$ 800,455
Receivables		20,633	42,725
Prepaid expenses		6,890	9,903
		307,188	853,083
Investments	note 5	4	4
Reclamation Bonds		35,000	35,000
Equipment		4,025	4,237
Mineral Properties	note 6	863,040	688,201
		$ 1,209,257	$ 1,580,525
Liabilities			
Current			
Bank indebtedness	note 7	$ 200,017	$ 199,246
Accounts payable and accrued liabilities		92,484	357,106
Due to related parties		105,381	40,678
		397,882	597,030
Shareholders' Equity			
Share Capital	note 8	6,490,513	6,779,211
Contributed surplus		282,280	282,280
Deficit		(5,961,418)	(6,077,996)
		811,37	983,495
		$ 1,209,257	$ 1,580,525

Nature of Operations and Going-Concern (note 1)
Contingencies (note 10)

Approved on behalf of the Board:

Robert Liverant .... Director
Robert Liverant

Derek Page .... Director
Derek Page

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

VALTERRA RESOURCE CORPORATION
(An Exploration Stage Company)
Statements of Operations And Deficit
Expressed in Canadian Dollars
Unaudited

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Expenses		
Amortization	$ 212	$ 0
Consulting	13,215	0
Directors' fees	12,031	0
General exploration	2,050	0
Insurance	2,842	0
Interest and exchange	5,282	3,773
Investor relations	13,799	1,971
Office and administration	42,529	20,875
Professional fees	64,332	29,891
Regulatory fees	4,651	10,900
Transfer agent	1,292	4,187
Travel and promotion	17,385	107
Loss Before Other Items	(179,620)	(71,704)
Future income tax recovery	288,698	0
Write off of Debt	7,500	0
Net Loss for the Period	116,578	(71,704)
Deficit, Beginning of the period	6,077,996	5,391,435
Deficit, End of the Period	$ 5,961,418	$ 5,463,139
Earnings (loss) Per Share	$ 0.01	$ (0.01)
Weighted Average Number of shares outstanding	17,746,439	11,170,439

The accompanying notes are an integral part of these financial statements. The interim financial statements and accompanying notes have not been reviewed by the Company's auditors.

VALTERRA RESOURCE CORPORATION
(An Exploration Stage Company)
Statements of Cash Flows
Expressed in Canadian Dollars
Unaudited

	Three Months Ended March 31 2008	2007
Operating Activities		
Net income (loss)	$ 116,579	$ (71,704)
Items not involving cash		
Amortization	212	0
Future income tax recovery	(288,697)	0
	(171,906)	(71,704)
Changes in Non-Cash Working Capital		
Receivables	22,091	100
Prepaid expenses	3,013	(403)
Accounts payable and accrued liabilities	(264,622)	(47,375)
Due to related parties	64,703	25,457
Cash Used in Operating Activities	(174,815)	(22,221)
	(346,721)	(93,925)
Investing Activities		
Expenditures on mineral properties	(174,840)	(14,699)
Financing Activities		
Shares issued for cash, net of share issue costs	0	17,500
Inflow (outflow) of Cash	(521,561)	(91,124)
Cash and cash equivalents, beginning of the period	601,210	(20,687)
Cash and cash equivalents, end of the period	$ 79,649	$ (111,811)
Consisting of the following:		
Cash	$ 279,665	$ 88,486
Bank indebtedness	(200,017)	(200,297)
	$ 79,648	$ (111,811)

The accompanying notes are an integral part of these financial statements. The interim financial statements and accompanying notes have not been reviewed by the Company's auditors.

1. NATURE OF OPERATIONS AND GOING CONCERN

Valterra Resource Corporation (the "Company"), previously known as Valterra Wines Ltd., is an exploration stage enterprise incorporated under the laws of Alberta. The Company's shares were subject to cease trade orders made by the British Columbia Securities Commission on June 3, 2003 and the Alberta Columbia Securities Commission on July 18, 2003 (collectively know as "CTOs"). The CTOs were fully revoked on August 3, 2007.

The Company is engaged in the acquisition, exploration and development of precious metal properties and do not have any mineral properties in production. The Company has not determined whether these mineral properties contain ore reserves that are economically recoverable. The ability of the Company to meet its commitments as they become due, including completion of the acquisition, exploration and development of its mineral properties, is dependent on the Company's ability to obtain the necessary financing. The Company's shares trade on the New Stock Exchange ("CNQ") under the symbol VALT.

These unaudited interim financial statements were prepared on a “going-concern” basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business and not through a process of forced liquidation. As at March 31, 2008 the Company had a working capital deficiency of $320,613, of which $229,920 is restricted to flow-through expenditures on Canadian mining properties resulting in a net working capital deficit of $90,693 compared to a working capital of $256,053 as at December 31, 2007. As at March 31, 2008, the Company had a capital of $811,376 compared to a capital of $983,495 as at December 31, 2007. The Company does not currently hold any revenue generating properties. As a result, the Company continues to incur losses and has an accumulated deficit of $5,961,418 as at March 31, 2008 (December 31, 2007 - $(6,077,996)).

2. ACCOUNTING POLICIES AND ACCOUNTING CHANGES

The CICA has issued two new standards that may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008.

Section 3862 describes the required disclosures related to the significance of financial instruments on the Company’s financial position and performance and the nature and extent of risks arising for financial instruments to which the Company is exposed and how the entity manages those risks. The company adopted the requirements of this standard effective January 1, 2008.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, continued

Section 1535 establishes standards for disclosing information about a company's capital and how it is managed to enable users of financial statements to evaluate the company's objectives, policies and procedures for managing capital. The Company adopted the requirements of this standard effective January 1, 2008.

3. FINANCIAL INSTRUMENTS

(a) Fair value

The Company's financial instruments comprise cash and cash equivalents.

The carrying values of cash and cash equivalents, prepaid expenses, bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties are a reasonable estimate of the fair values due to the relatively short time period to maturity.

The value of investments is based on its carrying value as there is no quoted market price in an active market for the investments.

(b) Interest risk

The Company is exposed to interest rate cash flow risk on bank indebtedness, as the payments fluctuate with changes in interest rates.

(c) Credit risk

The Company is not exposed to significant credit risk on its financial assets due to cash being placed with a major financial institution.

(d) Derivatives - mineral properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter return royalties ("NSR"), the value of which is derived from future events and commodity prices. These rights are derivative instruments; however, the mineral properties to which they relate are not sufficiently developed to reasonably determine their value.

Expressed in Canadian Dollars

4. EQUIPMENT

					Net Book value as at	
	Cost		**Amortization**		**March 31, 2008**	**December 31, 2007**
Equipment	$	4,708	$ 683	$	4,025	$ 4,237

5. INVESTMENTS

(a) Hester Creek Estate Winery

The Company holds 1,200 shares (0.12%) of HCEW's issued and outstanding 1,001,200 shares, the remainder of which is owned by a third party. The Company carries its investment at $1, being the exercise price of the third party's option to purchase the Company's 1,200 shares of HCEW.

(b) Abridean Inc.

The Company acquired for $400,000 554,046 Class B preferred shares of Abridean, with each Class B preferred share convertible into one common share of Abridean. At December 31, 2002, the Company wrote down its investment in Abridean to $1.

(c) BioVan Inc.

The Company acquired for $750,000 a minority interest in BioVan. At December 31, 2001, the Company recognized an other-than-temporary decline in the recoverable amount of this investment and, accordingly, wrote down the investment to $1.

(d) Cardiovascular Solutions Inc.

The Company acquired for $1,200,000 preferred shares of CSI, which are redeemable and retractable, are not entitled to a vote at shareholders' meetings, and are not convertible to common shares. At December 31, 2002, the Company wrote down its CSI shares to $1.

Expressed in Canadian Dollars

6. MINERAL PROPERTIES

A summary of capitalized acquisition and exploration expenditures on the Company's properties for the three months ended March 31, 2008 is as follows:

	Swift Katie	Gus	Other	Total
Acquisition costs:				
Balance as at December 31, 2007	$ 93,295	$ 3,642	$ 0	$ 96,937
Additions during the period	19,747	0	2,047	21,794
Balance as at March 31, 2008	113,042	3,642	2,047	118,731
Exploration costs:				
Balance as at December 31, 2007	591,064	200	0	591,264
Additions during the period:				
Assays and surveys	17,163	0	0	17,163
Drilling	4,798	0	0	4,798
Equipment rental	4,785	0	0	4,785
Geological services	70,274	0	0	70,274
General expense	17,500	0	0	17,500
Project support	35,270	2,507	0	37,777
Travel and other	748	0	0	748
Total additions during the period	150,538	2,507	0	153,045
Balance as at March 31, 2008	741,602	2,707	0	744,309
Total mineral properties costs as at March 31, 2008	$ 854,644	$ 6,349	$ 2,047	$ 863,040

Expressed in Canadian Dollars

6. MINERAL PROPERTIES (continued)

A summary of capitalized acquisition and exploration expenditures on the Company's properties for the year ended December 31, 2007 is as follows:

	Swift Katie	Gus	Total
Acquisition costs:			
Balance as at December 31, 2006	$ 36,000	$ 0	$ 36,000
Additions during the year	57,295	3,642	60,937
Balance as at **December 31, 2007**	93,295	3,642	96,937
Exploration costs:			
Balance as at December 31, 2006	13,593	0	13,593
Additions during the year:			
Assays and surveys	9,397	200	9,597
Camp supplies	3,893		3,893
Drilling	271,336	0	271,336
Equipment rental	9,089		9,089
Geological services	164,361	0	164,361
General expense	71,547	0	71,547
Project support	14,950	0	14,950
Travel and other	10,823	0	10,823
Stock based compensation	22,075	0	22,075
Total additions during the period	577,471	200	577,671
Balance as at December 31, 2007	591,064	200	591,264
Total mineral properties costs as at December 31, 2007	$ 684,359	$ 3,842	$ 688,201

Expressed in Canadian Dollars

6. MINERAL PROPERTIES (continued)

(a) Swift Katie Property, BC

Under an agreement dated July 21, 2006 (the "Option Agreement") as amended, Manex Resource Group Inc. ("Manex"), a private company controlled by the President of the Company, acquired an option from the Optionors to purchase the Swift Katie Property located near Salmo in the Nelson Mining District of southern British Columbia. The option was assigned by Manex to the Company in consideration for $2,500.

The Company can earn a 60% interest in the Swift Katie property by making cash payments, incurring exploration expenditures and issuing shares to the Optionors as follows:

Date	Cash	Work	Shares
Signing	$ 12,500*	$ 0	0
Upon approval of agreement by a recognized stock exchange	0	0	55,000 [B]
December 31, 2006	12,500*	0	55,000 [B]
June 30, 2007	12,500*	35,000 [A]	0
December 31, 2007	12,500*	115,000 [A]	110,000 [B]
December 31, 2008	35,000	200,000	110,000
December 31, 2009	35,000	250,000	110,000
	120,000	600,000	440,000

* Payments have been made
[A] Required expenditures have been incurred
[B] Shares have been issued

Expressed in Canadian Dollars

6. MINERAL PROPERTIES (continued)

To earn the remaining 40% interest in the Swift Katie property, the Company must make cash payments, incur exploration expenditures and issue shares to the Optionors as follows:

Date		Cash		Work	Shares
December 31, 2010	$	60,000	$	350,000	225,000
December 31, 2011		60,000		350,000	225,000
	$	120,000	$	700,000	450,000

The Optionors of the property retain a 2% net smelter return royalty ("NSR") on the property if the Company earns a 60% interest and a 3% NSR if the Company earns a 100% interest in the property. The Company has the option to purchase one-half of the royalty for $1,000,000 per 1% at any time prior to the commencement of commercial production.

The Company has posted reclamation deposits totaling $35,000 as security for any future reclamation costs.

(b) Gus Property, BC

On December 3, 2007, the Company acquired an option to purchase the Gus Mineral Claims gold/copper property located near Salmo in the Nelson Mining District of southern British Columbia.

The Company can earn a 100% interest in Gus Property by making cash payments and incurring exploration expenditures as follows:

Date		Cash		Work
December 3, 2008	US$	20,000	C$	100,000
December 3, 2009	US$	25,000	C$	100,000
December 3, 2010	US$	25,000	C$	100,000
December 3, 2011	US$	30,000	C$	100,000
December 3, 2012	US$	40,000	C$	0
December 3, 2013	US$	40,000	C$	0
December 3, 2014	US$	40,000	C$	0
December 3, 2015	US$	50,000	C$	0
December 3, 2016	US$	30,000	C$	0
Total	US$	300,000	C$	400,000

6. MINERAL PROPERTIES (continued)

(b) Gus Property, BC (continued)

The Optionors of the property retain a 3% NSR on the property if the Company earns a 100% interest in the property. The Company has the option to purchase one-half of the royalty for $2,000,000 at any time prior to and including the commencement of commercial production.

Although management has taken steps to verify title to mineral properties in which the Company has an interest, in accordance with industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or not be in compliance with regulatory requirements.

7. BANK INDEBTEDNESS

Bank indebtedness is due on demand, bears interest at prime plus 1% per annum and is secured by a letter of credit from Schroders (C.I.) supported by a guarantee by a company owned by a shareholder of the Company. During 2006, the Company issued 200,000 shares at an agreed price of $0.20 per share, as consideration for the guarantee.

8. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value
Unlimited preference shares without par value

Expressed in Canadian Dollars

8. SHARE CAPITAL

(b) Issued and outstanding

As at March 31, 2008, there were 17,726,439 common shares issued and outstanding. Share capital and contributed surplus transactions for the three months ended March 31, 2008 and for the fiscal year ended January 1, 2008 are summarized as follows:

	Number of shares	Value of Shares
Balance as at December 31, 2006	11,170,439	$5,092,049
Shares issued for cash:		
Private placement (note8(c))	6,466,000	1,660,762
Shares issued for mineral property acquisition (note8(g))	110,000	26,400
Balance as at December 31, 2007	17,746,439	6,779,211
	-	-
Income tax recovery	-	(288,698)
Balance as at March 31 2008	17,746,439	$6,490,513

(c) Private placements

During 2007

On September 27, 2007, the Company completed a non-brokered private placement of 3,055,000 flow-through shares at $0.30 per share and 3,320,000 non flow-through shares at $0.25 per share for total gross proceeds of $1,476,500 (the "Private Placement"). In connection with the Private Placement, the Company incurred share issuance costs of $59,245, issued 91,000 shares to finders (fair value of $27,125), and issued share purchase warrants to finders entitling the holders to purchase up to 392,000 common shares at $0.30 per share (fair value of $25,871), until September 28, 2008.

During 2008

In January 2008, the Company renounced to investors eligible exploration expenditures of $916,500 resulting in a future income tax recovery of $288,698.

Expressed in Canadian Dollars

8. SHARE CAPITAL (continued)

(d) Stock Options

(i) Stock-based compensation plan

The Company has a stock-based compensation plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount.

(ii) Summary of stock option transactions

All options outstanding as at March 31, 2008 (1,510,000 as at December 31, 2007) were vested.

The Company applies the fair value method of accounting for stock options and, accordingly, the fair value of stock options is expensed in the statements of operations and deficit or capitalized to mineral properties as appropriate. The fair value of options granted in 2007 was estimated at the date of grant based on the Black-Scholes option pricing model using the following weighted average assumptions:

Fair Value Assumptions (Weighted Average)	**Year ended December 31, 2007**
Expected share price Volatility	82.04%
Expected life in years	5
Risk free interest rate	4.00%
Expected dividend yield	$0.00

No stock options were granted or exercised during the three months ended March 31**,** 2008**.**

Expressed in Canadian Dollars

8. SHARE CAPITAL (continued)

(d) Stock Options

A summary of the Company's stock option transactions for the fiscal year ended December 31, 2007 and as at March 31, 2008 follows:

Expiry Date	Exercise Price	Balance December 31, 2006	Number of Options Granted	Exercised/ Cancelled	Balance December 31 2007	Balance March 31 2008
October 9, 2012	$ 0.25	0	1,500,000	0	1,500,000	1,500,000
October 19, 2012	$ 0.28	0	10,000	(10,000)	0	0
December 4, 2012	$ 0.28	0	10,000	0	10,000	10,000
Total		0	1,520,000	(10,000)	1,510,000	1,510,000
Weighted average exercise price		0	$ 0.25	0	$ 0.25	$ 0.25

(e) Share Purchase Warrants

The Company applies the fair value method of accounting for warrants and, accordingly, the fair value of warrants is included in share issuance costs at the time of issuance of the warrants. The fair value of warrants issued during 2007 was estimated based on the Black-Scholes option-pricing model, using the following assumptions:

Fair Value Assumptions (Weighted Average)	**Year Ended December 31, 2007**
Expected share price Volatility	80.55%
Expected life in years	1
Risk free interest rate	4.17%
Expected dividend yield	$0.00

No share purchase warrants were issued or exercised during the three months ended March 31, 2008.

Expressed in Canadian Dollars

8. SHARE CAPITAL (continued)

(e) Share Purchase Warrants (continued)

A summary of the Company's share purchase warrant transactions for the fiscal year ended December 31, 2007 and as at March 31, 2008 follows:

		Number of Warrants				
Expiry Date	**Exercise Price**	**Balance December 31, 2006**	**Granted**	**Exercised/ Cancelled**	**Balance December 31 2007**	**Balance March 31 2008**
September 26, 2008	$ 0.30	0	392,000	0	392,000	392,000
Weighted average exercise price		0	$ 0.30	0	$ 0.30	$ 0.30

(f) Contributed surplus

	Year ended December 31, 2006 $	Year ended December 31 2007 $	Three months ended March 31, 2008 $
Opening balance	0	0	282,280
Stock based compensation	0	256,409	0
Fair value of warrants issued	0	25,871	0
Ending balance	0	282,280	282,280

(g) Shares Issued for Mineral Property

In connection with the option for the Swift Katie Property, the Company issued during 2007 110,000 common shares at a fair value of $0.24 per share ($26,400).

9. RELATED PARTY TRANSACTIONS

(a) Under a service agreement, as amended, between the Company and a company controlled by the President of the Company, the Company is charged a $8,000 basic fee per month (January to September, 2007: $5,000), fees in respect of corporate, geological, and property acquisition and maintenance services, and a 15% markup (January to September, 2007: 10%) on out-of-pocket expenses.

9. RELATED PARTY TRANSACTIONS (continued)

During three months ended March 31, 2008, the Company incurred:

- $26,250 in respect of the basic monthly fees and office space (January to March, 2007:$15,000)
- $119,082 in respect of corporate, geological, and property acquisition and maintenance services (January to March, 2007: $15,994)
- $2,523 in respect of the mark-up on out-of-pocket expenses (January to March, 2007: $1,001)

Amounts payable under the agreement at March 31, 2008 were $85,069 (2007: $85,481)

(b) Fees in the amount of $20,370 (2007 - $12,314) were charged by a company controlled by the President of the Company and included in professional fees, share issue costs and mineral property acquisition. As at March 31, 2008, $6,573 (2007 - NIL) was payable to this company.

(c) Under a services agreement with a company controlled by an officer of the Company, the Company was charged $3,250 per month in January for services of a Chief Financial Officer and $2,000 in February and March for services of a VP Administration. Total fees incurred by the Company during the three months ended March 31, 2008 were $7,250 (2007 - NIL). As at March 31, 2008 $2,100 (2007 - NIL) was payable to this company.

(d) The Company incurred $11,235 of independent directors fees during the three months ended March 31, 2008. As at March 31, 2008, $11,639 (2007 - NIL), was payable to independent directors.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. CONTINGENCIES

During 2007, the Company wrote off $96,365 in accounts payable, resulting in a recovery of expenses. Management believes these amounts are not liabilities of the Company; however, there is no assurance that these amounts will not be claimed in the future by the Company's creditors. The likelihood of the Company having to pay these amounts in the future is not known at this time.

VALTERRA RESOURCE CORPORATION

(An Exploration Stage Company)

Management Discussion and Analysis

Three Months Ended March 31, 2008

Dated: May 14, 2008

1. Introduction

This management discussion and analysis ("MD&A") of the financial condition and results of the operations of Valterra Resource Corporation (the "Company"), analyses the three months ended March 31, 2008 and is dated May 14, 2008. The MD&A was prepared in conformity with National Instrument 51-102 F1, and approved by the Board of Directors prior to release.

This MD&A should be read in combination with the Company's most recent audited annual financial statements and MD&A for the year ended December 31, 2007 and the Company's unaudited interim financial statements for the three months ended March 31, 2008.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles. All notes referenced herein may be found in the financial statements.

All dollar amounts are in Canadian dollars unless otherwise indicated. Certain forward-looking statements are discussed in the MD&A with respect to the Company's activities and future financial results. These are subject to significant risks and uncertainties that may cause actual results or events to differ materially from projected results or events.

Valterra was incorporated on September 1, 1996 as Boltons Capital Corp. under the Business Corporations Act (Alberta). Boltons Capital Corp. was continued under the Business Corporations Act (Yukon) on May 8, 1997 and, on February 5, 2002, effected a one new for ten old share consolidation and was renamed Valterra Wines Ltd. On April 20, 2005, Valterra was renamed Valterra Resource Corporation.

The BC Securities Commission (BCSC) issued a cease trade order (CTO) on June 3, 2003 and the Alberta Securities Commission (ASC) issued a CTO on July 18, 2003. Both CTO’s were issued for failure to file the Annual Financial Statements for Year Ended December 31, 2002 and Interim Financial Statements for first quarter ended March 31, 2003 (the Delinquent Financial Statements). The CTOs were partially revoked by the BCSC on November 7, 2006 and by the ASC on December 13, 2006 and were fully revoked by both the ASC and the BCSC on August 3, 2007.

On September 28, 2007 the Company’s shares began trading on the Canadian Trading and Quotation Systems Inc. (“CNQ”) under the trading symbol VALT.

2. Overall Performance

The Company's principal business activity is the acquisition and exploration of mineral properties. The Company is focused on exploring for gold and copper and has two prospective exploration projects located near Salmo in the Nelson Mining district of southern British Columbia. The Company has options to acquire:

- up to a 100% interest in the Swift Katie mineral claims (the "Swift Katie Property").
- a 100% interest in the Gus property (the "Gus Property").

Robert W. J. Macdonald, P. Geo., is the qualified person responsible for the technical information with respect to the Swift Katie and the Gus properties.

(a) Financial Condition

	Three Months Ended March 31		Year Ended
	2008	**2007**	**December 31, 2007**
Current assets	$ 307,188	$ 96,198	$ 853,083
Investments	4	4	4
Mineral properties	863,040	58,792	688,201
Reclamation Bonds	35,000	-	35,000
Equipment	4,025	-	4,237
Total assets	**$ 1,209,257**	**$ 154,994**	**$ 1,580,525**

The Company's current assets consist of cash and cash equivalents of $279,665, prepaid expenses in the amount of $6,890 and receivables of $20,633. For the three months ended March 31, 2008, the Company invested a total of $174,839 on the mineral properties.

Other investments are comprised of 1,200 shares of Hester Creek Estate Winery, 554,046 Class B preferred shares of Abridean Inc., and minority interests in Biovan Inc. and Cardiovascular Solutions Inc. Each of these investments is carried at $1.

The Company's asset structure changed at March 31, 2008 as compared with the same period 2007, due to a private placement completed in September 2007 comprised of 3,055,000 flow-through shares at $0.30 per share and 3,320,000 non flow-through shares at $0.25 per share for total gross proceeds of $1,746,500, and continuing exploration of the mineral property.

2. Overall Performance

(a) Financial Condition (continued)

	Three Months Ended March 31				Year Ended	
		2008		**2007**	**December 31, 2007**	
Bank indebtedness	$	200,017	$	200,297	$	199,246
Accounts payable and accrued liabilities		92,4834		205,718		357,106
Due to related party		105,381		126,193		40,678
Total liabilities	**$**	**397,882**	**$**	**532,208**	**$**	**597,030**

Established in December 2003, the Issuer's bank indebtedness is guaranteed by a third party and secured by a letter of credit from a third party lender acceptable to the Issuer's bank. The Issuer's bank indebtedness bears interest at prime plus 1% per annum and is due on demand.

3. Description of Mineral Properties

The Company has interests in two mineral properties: the Swift Katie Property and the Gus Property, both located near the town of Salmo in the Nelson Mining Division of south-eastern British Columbia. The properties occur within a highly metallogenic area of the province that historically has hosted several important mining districts. The properties are underlain by rocks considered very favourable for the discovery of polymetallic mineralization.

3. Description of Mineral Properties (continued)

Details of option agreements by property are disclosed in the notes to the audited financial statements. A summary of capitalized acquisition costs and exploration expenditures in the Company's properties for the three months ended March 31, 2008 follows:

		Additions	
All Properties	**Balance as at December 31, 2007**	**Q1**	**Balance as at March 31, 2008**
Acquisition costs:	-		
Acquisitions land and property	$ 96,937	$ 21,794	$ 118,731
	96,937	21,794	118,731
Exploration costs:			
Assays and surveys	9,597	17,163	26,760
Camp supplies	3,893	0	3,893
Drilling	271,336	4,798	276,134
Equipment rental	9,121	4,785	13,906
Geological services	177,923	70,274	248,197
General expense	71,547	17,500	89,047
Project support	14,950	37,777	52,727
Travel	10,822	748	11,570
Stock-based compensation	22,075	0	22,075
	591,264	153,045	744,309
Total	$ 688,201	$ 174,839	$ 863,040

As to:

		March 31, 2008	
	Acquisition costs	**Exploration costs**	**Total**
Swift Katie	$ 113,042	$ 741,602	$ 854,644
Gus	3,642	2,707	6,349
Other	2,047	0	2,047
	$ 118,731	**$ 744,309**	**$ 863,040**

3. Description of Mineral Properties (continued)

A summary of capitalized acquisition costs and exploration expenditures of the Company's properties for the year ended December 31, 2007 follows:

		Additions				
All Properties	**Balance as at December 31, 2006**	**Q1**	**Q2**	**Q3**	**Q4**	**Balance as at December 31, 2007**
Acquisition costs:	-					
Acquisitions land and property	$ 36,000	$ 888	$ 15,256	$ 0	$ 50,293	$ 102,437
Shares returned to treasury	0	(5,500)	0	0	0	(5,500)
	36,000	(4,612)	15,256	0	50,293	96,937
Exploration costs:						
Assays and surveys	0	214	0	0	9,383	9,597
Camp supplies	0	0	0	0	3,893	3,893
Drilling	0	0	0	0	271,336	271,336
	31	415	249	479	7,946	9,120
Geological services	13,562	9,626	8,255	3,400	143,082	177,925
General expense	0	2,329	1,959	1,139	66,120	71,547
Project support	0	0	0	0	14,950	14,950
	0	1,227	0	141	9,453	10,821
Stock-based compensation	0	0	0	0	22,075	22,075
	13,593	13,811	10,463	5,159	548,238	591,264
Total	$ 49,593	$ 9,199	$ 25,719	$ 55,452	$ 598,531	$ 688,201

(a) Swift Katie Mineral Property

Staking in the fall of 2007 increased the Swift Katie property to 13 mineral claims for a total area of 7,064 hectares. The property is located seven kilometres southwest of Salmo and is near a developed transportation and communication network, a developed power and gas grid and a professional population base on which to draw.

3. Description of Mineral Properties (continued)

(a) Swift Katie Mineral Property (continued)

A National Instrument 43-101 ("NI 43-101") compliant Technical Report entitled "Swift Katie Copper-Gold Property" (available on www.sedar.com) was prepared to review the exploration history and document the results of several geological, geochemical and geophysical surveys, including the drilling of 65 core holes for a total of 14,866 metres, which resulted in the identification of several exploration targets, the most significant of which being the Katie, the 17 and the Swift zones. A success contingent phased exploration program was recommended to first verify earlier work and then focus on expanding and further delineating the known zones of mineralization.

In October 2007, crews were mobilized for a planned drill program designed to offset copper-gold mineralization in both the main Katie zone and the adjacent 17 zone. A total of 1126 metres in three core drill holes were completed as part of the first phase of drilling on the property which finished in mid-December 2007. Assays from this work are pending. In January 2008, an approximately 505 line-kilometre Airborne DIGHEM geophysical survey was completed over the property. The survey, which covered the entire property, was designed to trace out major lithological variations and structural breaks associated with the mineralization.

Management of the Company believes that the Swift Katie Property warrants further exploration, and activities over the ensuing year will focus on this property. Drilling will continue to test the extension of deeper mineralization in the Main Zone target and the on-strike potential of high-grade mineralization in the 17 Zone target. In addition, further drilling is planned to allow for the incorporation of the existing 14,866 metres of historical drill data into a NI 43-101 compliant resource.

3. Description of Mineral Properties (continued)

(a) Swift Katie Mineral Property (continued)

To earn a 60% interest in Swift Katie claims, the Company must make cash payments, incur exploration expenditures and issue shares as follows:

Date		Cash		Work	Shares
Signing	$	12,500*	$	0	0
Upon approval of agreement by a recognized Stock Exchange		0		0	55,000[B]
Dec. 31, 2006		12,500*		0	55,000[B]
June 30, 2007		12,500*		35,000[A]	0
Dec. 31, 2007		12,500*		115,000[A]	110,000[B]
Dec. 31, 2008		35,000		200,000	110,000
Dec. 31, 2009		35,000		250,000	110,000
Total	$	120,000	$	600,000	440,000

* Payments have been made
[A] Expenditures incurred to March 31, 2008: $741,602
[B] Shares issued

To earn the remaining 40% interest in the Swift Katie Claims, the Company must make cash payments, incur exploration expenditures and issue shares as follows:

Date		Cash		Work	Shares
Dec. 31, 2010	$	60,000	$	350,000	225,000
June 30, 2011		60,000		350,000	225,000
Total	$	120,000	$	700,000	450,000

3. Description of Mineral Properties (continued)

(b) Gus Mineral Property

The Gus property is located 17 kilometres south of Salmo and comprises two mineral claims for a total area of 635 hectares.

The claims contain three historic mines, all of which have produced small amounts of high grade gold/silver ore from shallow workings and reflect the greater potential for significantly larger structurally and stratigraphically controlled deposits. Decalcification textures and mineralized dolomitic limestone breccias show some analogy to Carlin-type systems and the property is in close proximity to Irish-type carbonate hosted deposits at the nearby Remac and Jersey properties.

The Company anticipates commencing surface exploration and an approximately 1,000 metre diamond drill program during 2008. The program will focus on a series of high-grade veins and replacements associated with a 1.8 kilometre long section of the Black Bluff Thrust Fault.

To earn 100% interest in Gus claims, the Company must make the following cash payments and incur exploration expenditures as follows:

Date	Cash	Work
December 3, 2008	US$ 20,000	C$ 100,000
December 3, 2009	US$ 25,000	C$ 100,000
December 3, 2010	US$ 25,000	C$ 100,000
December 3, 2011	US$ 30,000	C$ 100,000
December 3, 2012	US$ 40,000	C$ 0
December 3, 2013	US$ 40,000	C$ 0
December 3, 2014	US$ 40,000	C$ 0
December 3, 2015	US$ 50,000	C$ 0
December 3, 2016	US$ 30,000	C$ 0
Total	US$ 300,000	C$ 400,000

4. Results of Operations

No revenue was generated during the three month period ended March 31, 2008.

A summary of results of operations for the three months ended March 31, 2008 is as follows:

	Three Months Ended March 31, 2008		Change ($)	Change (%)
	2008	**2007**		
Amortization	$212	$0	$212	N/A
Consulting	13,215	0	13,215	N/A
Directors' fees	12,031	0	12,031	N/A
General exploration	2,050	0	2,050	N/A
Insurance	2,842	0	2,842	N/A
Interest and exchange	5,282	3,773	1,509	40%
Investor relations	13,799	1,971	11,828	600%
Office and administration	42,529	20,875	21,654	104%
Professional fees	64,332	29,891	34,441	115%
Regulatory fees	4,651	10,900	(6,249)	-57%
Transfer agent	1,292	4,187	(2,895)	-69%
Travel and promotion	17,385	107	17,278	16148%
Loss Before Other Items	(179,620)	(71,704)	(107,916)	151%
Future income tax recovery	288,698	0	288,698	N/A
Gain on Write Off of Debt	7,500	0	7,500	N/A
Net Loss for the Period	116,578	(71,704)	188,282	-263%

Comparison of the three months ended March 31, 2008 and 2007.

For the three months ended March 31, 2008, the Company had a net income of $116,578 compared to a net loss of $71,704 for the three months ended March 31, 2007. The most significant change relates to $288,698 of the future income tax recovery arising from tax benefits renounced to flow-through subscribers in January 2008.

The Company was unable to locate the debtor and consequently a debt of $7,500 was written off.

4. Results of Operations (continued)

Other major changes were in professional fees which increased by $34,441 for the three month period ended March 31, 2008 compared to the same period ended March 31, 2007. The increase of legal fees and accounting fees relates to the increased operations of the Company. The increase in consulting and travel and promotion and investor relation expenses were the result of the Company's efforts in expanding investor awareness about the Company and its mineral projects.

Independent director fees were $12,031 for the three month period ended March 31, 2008 compared to NIL in the same period ended March 31, 2007 as a result of the Company’s new practice of paying its independent directors.

5. Summary of Quarterly Results

The following table sets forth a comparison of information for the previous eight quarters ending with March 31, 2008.

	Three Month Period Ended							
	Mar 31 2008	Dec 31 2007	Sep 30 2007	Jun 30 2007	Mar 31 2007	Dec 31 2006	Sep 30 2006	Jun 30 2006
Operating expenses	$179,620	$459,531	$159,514	$92,177	$71,704	$159,211	$48,557	$78,443
Loss before the following items	179,620	459,531	159,514	92,177	71,704	159,211	48,557	78,443
Write off of debt	(7,500)	-	(96,365)	-	-	-	-	-
Future income tax recovery	288,698	-	-	-	-	-	-	-
Gain on settlement of debt	-	-	-	-	-	(250,000)	(1,178,115)	(362)
Net (gain) loss for the period	116,578	459,531	63,149	92,177	71,704	(90,789)	(1,129,558)	78,081
Loss (gain) per share basic and diluted	$ 0.01	$ 0.03	$ 0.01	$ 0.01	$ 0.01	$ (0.01)	$ (0.17)	$ 0.04

5. Summary of Quarterly Results (continued)

Significant increase in expenses incurred during the quarter ended September 30, 2007 mainly relate to legal fees paid and consulting fees pertaining to a private placement closed in September 2007. Significant increase in operating expenses in the last quarter of 2007 is the result of the company being fully active and issuing stock options to directors, officer, employees and consultants. During the quarter ended March 31, 2008 the Company continued it's regular operations.

6. Liquidity and Capital Resources

The Company has limited financial resources and finances its operations by raising capital in the equity markets. For the foreseeable future, the Company will need to rely on the sale of such securities to provide working capital and to finance its mineral property acquisition and exploration activities. Since the Company does not generate any revenue from operations, its long-term profitability will be directly related to the success of its mineral property acquisition and exploration activities.

The Company had a working capital deficiency of $90,693 as at March 31, 2008, compared to a working capital of $256,053 at December 31, 2007.

a) Cash used in operating activities

Cash used in operations for the three months ended March 31, 2008 was net $346,721 compared to cash used in operations of $93,925 for the same period ended March 31, 2007.

	Three Months Ended March 31	
	2008	**2007**
Cash provided by (used for)		
Operating activities	$ (346,721)	$ (93,925)
Investing activities	(174,840)	(14,699)
Financing activities	0	17,500
Decrease in cash for the period	$ (521,561)	$ (91,124)

b) Private Placements/Equity financings

In September 2007, the Company closed a non-brokered private placement of 3,055,000 flow-through shares at $0.30 per share and 3,320,000 non flow-through shares at $0.25 per share, for gross proceeds of $1,746,500.

6. Liquidity and Capital Resources (continued)

(c) Investing activities

Mineral property expenditures

The Company's principal requirements for cash are for exploration expenditures. For the three months ended March 31, 2008, the Company expended $174,840 on its mineral properties.

d) Receivables

As at March 31, 2008, the Company had a $20,633 GST receivable from Revenue Canada. The Company expects to receive these funds shortly.

e) Commitments

To maintain its agreements in respect of the Swift Katie and the Gus properties in good standing the Company is required to make the following:

	Payments Due by Period		
	Total	**2008**	**2009**
Property payments	$ 70,000	$ 35,000	$ 35,000
Exploration requirements	450,000	200,000	250,000
Total contractual obligations	$ 520,000	$ 235,000	$ 285,000

The Company has entered into a contract with a company controlled by the President of the Company. The commitments related to this agreement which terminates June 30, 2012 are approximately as follows:

	Payments Due by Period			
	Total	**2008**	**2009**	**2010-2012**
Office rent	$ 432,000	$ 96,000	$ 96,000	$ 240,000
Total contractual obligations	$ 432,000	$ 96,000	$96,000	$ 240,000

7. Related Party Information

(a) Under a service agreement, as amended, between the Company and a company controlled by the President of the Company, the Company is charged an $8,000 basic fee per month (January to September, 2007: $5,000), fees in respect of corporate, geological, and property acquisition and maintenance services, and a 15% markup (January to September, 2007: 10%) on out-of-pocket expenses.

(b) Fees in the amount of $20,370 (2007 - $12,314) were charged by a company controlled by the President of the Company and included in professional fees, share issue costs and mineral property acquisition.

7. Related Party Information (continued)

(c) Under a services agreement with a company controlled by an officer of the Company, the Company was charged $3,250 per month in January for services of a chief financial officer and $2,000 in February and March for services of a VP Administration. Total fees incurred by the Company during the three months ended March 31, 2008 were $7,250 (2007 - NIL).

(d) The Company, commencing October 1, 2007, compensates its independent directors with an annual fee of $9,000, $375 per meeting attended and other reasonable meeting fees. The Company uses the definition of "independent" as that term is defined in Multilateral Instrument 52-110. The Company incurred $11,235 of independent directors fees during the three months ended March 31, 2008.

These transactions are in the normal course of operations and are consistent with industry standards. These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Share Capital

The authorized capital of the Company consists of an unlimited number of common shares without par. As at the date of this MD&A there are 17,746,439 common shares issued and outstanding.

In connection with the renunciation of flow-through expenditures of $916,500, the Company recorded a future income tax recovery of $288,698 and a charge against share capital in the first quarter of 2008 fiscal year.

During 2007 the Company granted incentive stock options allowing for the purchase of up to 1,520,000 shares in the aggregate at a weighted average exercise price of $0.25 per share to directors, officers, employees and consultants. As at the date of this document all of the options remain outstanding.

Upon closing of the private placement on September 27, 2007 warrants allowing for the purchase of up to 392,000 shares at $0.30 until September 26, 2008 were issued for finder's fees. All of the warrants remain outstanding.

9. Contingency

During 2007, the Company wrote off $96,365 in accounts payable, resulting in a recovery of expenses. Management believes these amounts are not owed; however, there is no assurance that these amounts will not be claimed in the future by the Company's creditors. The likelihood of the Company having to pay these amounts in the future is not known at this time.

9. Contingency (continued)

The note receivable due from HCEW is in dispute with EACL. The note receivable was used in the settlement of outstanding long-term debt during 2006 (Note 9(c) in the audited financial statements for the year ended December 31, 2007). The Company may be obligated for further amounts with respect to the debt settlement. The outcome of the dispute cannot be determined at this time.

10. Off Balance Sheet

The Company did not enter into any off balance sheet transactions or commitments as defined by National Instrument 51 - 102.

11. Risks and Uncertainties

The principal business of the Company is the exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of development, the following risk factors, among others, should be considered:

The Company does not hold any known mineral reserves of any kind and therefore does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves several risks and is frequently non-productive. There is no assurance that our exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, the quality of land available for exploration as well as various other factors.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

Since the Company does not generate any revenues, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favorable terms, if at all, and will depend largely on the acquisition and exploration activities pursued.

11. Risks and Uncertainties (continues)

The ability to attract capital to the Company is dependent on movements in commodity prices. Commodity prices fluctuate on a daily basis and they are affected by a number of factors beyond the control of the Company. If, because of a sustained decline in prices, financing were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and if warranted, would be discontinued.

The resource industry is intensively competitive in all of its phases, and the Company competes with many other companies possessing much greater financial and technical resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped gold and silver properties. The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify, investigate and purchase such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration.

12. Licenses and Permits

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and complies in all material respects with the terms of such licenses and permits; however, such licenses and permits are subject to change. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

13. Management's Responsibility for Financial Information

Preparing financial statements requires management to make estimates and assumptions that affect the reported results. The estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Critical accounting policies are disclosed in the annual audited financial statements.

The Company capitalizes exploration expenditures. This decision, and the timing of the possible recognition of impairment in the mineral property value, can materially affect the reported earnings of the Company.

Management has prepared the information and representations in this analysis. The financial statements have been prepared to conform to generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this report is consistent with the data presented in the audited financial statements as at December 31, 2007.

13. Management's Responsibility for Financial Information (continued)

The Company maintains appropriate systems of internal accounting and administrative controls designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors, who meet at least quarterly with management and annually with the external auditors to review accounting, auditing, internal controls and financial reporting matters.

14. Whistleblower Policy

Effective November 16, 2006, the audit committee adopted resolutions that authorized the establishment of procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters. The implementation of the Whistleblower policy is in accordance with the Multilateral Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

15. Changes in Accounting Policies

The CICA has issued two new standards that may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008.

Section 3862 describes the required disclosures related to the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising for financial instruments to which the Company is exposed and how the entity manages those risks. The company adopted the requirements of this standard commencing January 1, 2008.

Section 1535 establishes standards for disclosing information about a company's capital and how it is managed to enable users of financial statements to evaluate the company's objectives, policies and procedures for managing capital. The Company adopted the requirements of this standard commencing January 1, 2008.

16. Forward-Looking Statements

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plans". Such forward-looking statements are made pursuant to the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company expressly disclaims any responsibility for revising or expanding any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.