VALTERRA RESOURCE CORPORATION

(An Exploration Stage Company)

Interim Financial Statements

Three Months Ended March 31, 2009

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements of the Company for the three months ended March 31, 2009 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

			Unaudited March 31, 2009		Audited December 31, 2008
Assets					
Current					
Cash		$	31,500	$	128,036
Receivables			6,215		12,602
Prepaid and deposits			3,075		9,317
			40,790		**149,955**
Reclamation bonds	Note 6		45,000		52,000
Equipment	Note 7		2,908		3,143
Investments	Note 8		4		4
Mineral properties	Note 9		2,037,922		1,978,136
		$	**2,126,624**	**$**	**2,183,238**
Liabilities					
Current					
Bank indebtedness	Note 10	$	198,587	$	199,330
Accounts payable and accrued liabilities			141,157		155,530
Due to related parties	Note 11		354,474		285,862
			694,218		**640,722**
Shareholders' Equity					
Share capital	Note 12		7,304,596		7,598,368
Contributed surplus	Note 12		330,152		327,401
Deficit			(6,202,342)		(6,383,253)
			1,432,406		**1,542,516**
		$	**2,126,624**	**$**	**2,183,238**

Nature of operations and going concern (Note 1)
Commitments (Note 13)

Approved on behalf of the Board:

"Robert Liverant"	*"Lawrence Page"*
Robert Liverant, CA	Lawrence Page, Q.C.

The accompanying notes are an integral part of these financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Statements of Operations and Deficit

	Three months ended March 31, 2009	2008
Expenses		
Administration	$ 27,396	$ 32,374
Amortization	235	212
Consulting	18,082	16,819
General exploration	5,100	2,050
Independent directors' fees	9,000	11,835
Interest	1,986	2,227
Investor relations	8,877	10,390
Office and general	6,828	13,324
Professional fees	33,522	64,332
Regulatory fees and taxes	2,236	7,380
Shareholders communications	1,152	-
Stock-based compensation	2,751	-
Transfer agent	1,502	1,292
Travel and promotion	422	17,385
	119,089	**179,620**
Other items		
Accounts payable written-off	-	(7,500)
	-	**(7,500)**
Loss before future income tax recovery	**(119,089)**	**(172,120)**
Future income tax recovery	**300,000**	**288,698**
Net profit and comprehensive profit for the period	**180,911**	**116,578**
Deficit, beginning of the period	**(6,383,253)**	**(6,077,996)**
Deficit, end of the period	**$ (6,202,342)**	**$ (5,961,418)**
Earnings per share - basic and diluted	$ 0.01	$ 0.01
Weighted average number of common shares outstanding	23,062,466	17,746,439

The accompanying notes are an integral part of these financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Statements of Cash Flows

		Three months ended March 31, 2009		2008
Operating activities				
Net income for the period	$	180,911	$	116,579
Items not involving cash:				
Amortization		235		212
Future income tax recovery		(300,000)		(288,698)
Stock-based compensation		2,751		-
		(116,103)		(171,907)
Changes in non-cash working capital				
Receivables		6,387		22,091
Prepaid and deposits		6,242		3,013
Accounts payable and accrued liabilities		(14,373)		(264,622)
Due to related parties		71,276		64,703
		69,532		(174,815)
Cash used in operating activities		**(46,571)**		**(346,722)**
Investing activities				
Expenditures on mineral properties		(55,450)		(174,840)
Refund of reclamation bond		7,000		-
Cash used in investing activities		**(48,450)**		**(174,840)**
Financing activities				
Share issue costs		(772)		-
Cash provided from financing activities		**(772)**		**-**
Decrease in cash during the period		**(95,793)**		**(521,562)**
Cash, beginning of the period		(71,294)		601,210
Cash, end of the period	**$**	**(167,087)**	**$**	**79,648**
Cash consists of:				
Cash	$	31,500	$	279,665
Bank indebtedness		(198,587)		(200,017)
	$	**(167,087)**	**$**	**79,648**

Supplemental cash flow information (Note 14)

The accompanying notes are an integral part of these financial statements

1. Nature of Operations and Going Concern

Valterra Resource Corporation (the "Company") is an exploration stage company. The Company was incorporated in Alberta, continued to the Yukon on May 8, 1997 and subsequently continued to British Columbia on February 22, 2008.

The Company's shares trade on the Canadian National Stock Exchange. ("CNSX") under the symbol "VALT" and on the Frankfurt Stock Exchange under the symbol "3VA.F". Effective September 19, 2008, CNSX has assigned a new trading symbol "VTA" for the Company.

The Company is engaged in the exploration of mineral properties. The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from the sale of the mineral properties.

These 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. Currently the Company is unable to self-finance operations, has limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property projects.

As at March 31, 2009, the Company had a working capital deficiency of $653,428 (December 31, 2008: $490,767).

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of $6,202,342 (December 31, 2008: $6,383,253).

The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of share capital to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

Failure to continue as a going concern may require restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

2. Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

These unaudited interim financial statements do not contain all of the information required for annual financial statements and they should be read in conjunction with the Company's annual audited financial statements for the fiscal year ended December 31, 2008. All material adjustments, which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods, have been reflected.

Certain of the prior periods' comparative figures have been reclassified to conform to the presentation adopted in the period.

3. Summary of Significant Accounting Policies and Accounting Changes

The results for the three months ended March 31, 2009 are stated utilizing the same accounting policies and methods of application as the most recent annual audited financial statements, but are not necessarily indicative of the results to be expected for the full year.

(a) Accounting Changes

(i) On January 20, 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-173, Credit Risk and the Fair value of Financial Assets and Financial Liabilities, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC- 173. Adoption of EIC- 173 recommendation did not impact the financial statements of the Company.

(ii) In March 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-174 Mining exploration costs, which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. This EIC also provides additional discussion on recognition for long lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements. The Company adopted this recommendation effective March 2009. The new recommendation has not had effect on the Company's balance sheet as at March 31, 2009 or results of operations for the three months ended March 31, 2009.

(b) Future Accounting Changes

(i) In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's interim and annual financial statements relating to reporting periods beginning on or after January 1, 2011 with restatement of comparative information presented.

3. Summary of Significant Accounting Policies and Accounting Changes, continued

(b) Future Accounting Changes, continued

The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures. The Company has established an implementation team to develop the changeover plan to IFRS, and the target completion of the changeover is before the end of December 2009.

4. Capital Management

The capital of the Company consists of shareholders' equity and debt obligations net of cash and cash equivalents.

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the exploration of its mineral properties and support any expansionary plans. The Company has funded these requirements primarily through issuance of share capital.

The Company's primary process for managing capital consists of the ongoing assessment of current capital resources against budgeted exploration and administrative expenditures. To maintain or adjust the capital structure, the Company may issue new shares.

The Company is not subject to externally imposed capital requirements other than those related to its credit facility disclosed in Note 10. The Company is in compliance with the externally imposed capital requirements disclosed in Note 10.

5. Financial Instruments

The Company's financial instruments comprise cash and cash equivalents, reclamation bonds, investments, bank indebtedness, accounts payable and accrued liabilities, and due to related parties. The Company has classified its financial instruments into the following categories:

Financial instrument	Category	Carrying value
Cash and cash equivalents	Held-for-trading	Fair value
Reclamation bonds	Loans and receivables	Amortized cost
Investments	Available-for-sale	Cost
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

The carrying values of cash and cash equivalents, reclamation bonds, bank indebtedness, accounts payable and accrued liabilities and due to related parties are a reasonable estimate of their fair values due to the relatively short time period to maturity. The fair value of investments is based on its carrying value as there is no quoted market price in an active market for the investments.

5. Financial Instruments, continued

The Company is exposed to the following risks arising from its financial instruments:

(a) Interest Rate Risk

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

Based on the current balance of the bank indebtedness, an assumed 0.5 percent increase or decrease in interest rates would not have a material effect on the Company's results of operations.

(b) Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash of $31,500 (December 31, 2008: $128,036) and reclamation bonds of $30,000 (December 31, 2008: $30,000) as at March 31, 2009. The Company mitigates credit risk by risk management policies, that require cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration.

The above reclamation bonds are held in trust with a Canadian chartered bank and the remaining reclamation bonds are held by the Province of British Columbia.

The Company has no exposure to asset-backed commercial paper.

(c) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not use any hedges or other derivatives to mitigate the risk against foreign exchange fluctuations.

In May 2008, the Company entered into an option agreement to acquire 100% undivided interest in Star claims group (see Note 8), whereby the Company is required to make payments totaling US $300,000 over the next nine years, starting on May 13, 2009. An appreciation or depreciation of the US dollar by 10% can affect the Company's cash flow by $30,000 over the term of the agreement.

As at March 31, 2009 and December 31, 2008, the Company had no amounts receivable or amounts payable in any other currencies than the Canadian dollar.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. However, at March 31, 2009 the cash balance of $31,500 would be insufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral interests, and continuing with its exploration program in the coming year. Therefore, the Company will be required to raise additional capital in order to fund its operations in 2009.

6. Reclamation Bonds

The Company has posted bonds against any potential land restoration costs that may be incurred in the future on certain properties. The monies are held in trust, earning nominal interest and may be released after required reclamation is satisfactorily completed.

During the three months ended March 31, 2009 a reclamation bond of $7,000 for Gus property was refunded to the Company. As at March 31, 2009 the amount on deposit was $45,000 (December 31, 2008: $52,000), of which $35,000 is for the Swift Katie Property, and $10,000 is for the Star Property.

7. Equipment

	Cost	Accumulated Amortization	Net Book Value As At Mar 31, 2009	Net Book Value As At Dec 31, 2008
	$	$	$	$
Equipment	4,707	1,799	2,908	3,143

8. Investments

(a) Hester Creek Estate Winery ("HCEW")

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. ("Abridean")

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. ("BioVan")

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

(d) Cardiovascular Solutions Inc. ("CSI")

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.

9. Mineral Properties

The Company has interests in three mineral properties, located in British Columbia, Canada. These are Star, Swift Katie and Toughnut.

9. Mineral Properties, continued

All costs related to the acquisition, exploration and development of mineral properties are capitalized until such time as these mineral properties are placed into commercial production, sold or abandoned.

A summary of capitalized acquisition and exploration expenditures on the Company's properties as at March 31, 2009 follows:

	Balance December 31, 2008 $	Additions Q1 $	Additions YTD $	Balance March 31, 2009 $
Toughnut	-	22,148	22,148	22,148
Star	379,972	31,635	31,635	411,607
Swift Katie	1,598,164	6,003	6,003	1,604,167
Total	**1,978,136**	**59,786**	**59,786**	**2,037,922**

Mineral Properties	Star $	Swift Katie $	Toughnut $	Total $
Acquisition				
Balance as at December 31, 2008	6,727	146,316	-	153,043
Additions during the period	-	53	18,925	18,978
Balance as at March 31, 2009	**6,727**	**146,369**	**18,925**	**172,021**
Exploration				
Balance as at December 31, 2008	373,245	1,451,848	-	1,825,093
General exploration	-	-	3,223	3,223
Geological services		5,950	-	5,950
Project supervision	31,635	-	-	31,635
Net additions during the period	31,635	5,950	3,223	40,808
Balance as at March 31, 2009	**404,880**	**1,457,798**	**3,223**	**1,865,901**
Total acquisition and exploration as at March 31, 2009	**411,607**	**1,604,167**	**22,148**	**2,037,922**

9. Mineral Properties, continued

(a) Star Property

Pursuant to an agreement dated May 13, 2008, the Company entered into an option to acquire a 100% undivided interest in the Star claims group ("Star Property") subject to a net smelter return royalty ("NSR") of 3%.

To acquire a 100% interest in the Star Property, the Company is required to make staged payments totaling US $300,000 over the next nine years and incur total exploration expenditures of $400,000 over the next four years as follows:

(i) US $20,000 and incur in the aggregate a minimum of $100,000 in exploration expenditures on or before May 13, 2009;

(ii) US $25,000 and incur in the aggregate a minimum of $200,000 in exploration expenditures on or before May 13, 2010;

(iii) US $25,000 and incur in the aggregate a minimum of $300,000 in exploration expenditures on or before May 13, 2011;

(iv) US $30,000 and incur in the aggregate a minimum of $400,000 in exploration expenditures on or before May 13, 2012;

(v) US $40,000 on or before May 13, 2013, 2014 and 2015 US $50,000 on or before May 13, 2016 and US $30,000 on or before May 13, 2017.

The Company has the option to purchase one percent of the NSR, thus reducing the NSR to 2%, at any time prior to the commencement of commercial production by paying $1,500,000 to the Optionors.

(b) Swift Katie Property

By 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 of $2,500.

On December 18, 2008, an amended and restated agreement was signed by all Optionors to amend the requirements on cash payments, exploration expenditures and issuing shares.

Pursuant to the amended agreement, in order to earn a 60% interest in the property, the Company is required to make cash payments totaling $85,000 (reduced from $120,000), incur aggregate exploration expenditures of $600,000 and issue 640,000 common shares (changed from 440,000 common shares) by December 31, 2009. As at December 31, 2008, the Company had paid $50,000, incurred aggregate exploration expenditures of $1,451,848, and issued 530,000 common shares.

9. Mineral Properties, continued

(b) Swift Katie Property, 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:

(i) Pay $60,000, incur $350,000 in exploration expenditures, and issue 225,000 of its common shares on or before December 31, 2010;

(ii) Pay $60,000, incur $350,000 in exploration expenditures, and issue 225,000 of its common shares on or before December 31, 2011;

The Optionors of the property retain a 2% 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.

Beginning December 31, 2010 and annually thereafter the Company is required to make an annual advance minimum royalty payment of $35,000, increasing to $50,000 annually on December 2012 and thereafter. These payments will be adjusted annually according to the CPI base of December 31, 2006. Annual advance minimum royalty payments are deductible from future NSR royalty payments.

(c) Toughnut Property

On March 10, 2009, the Company entered into an option agreement to acquire a 100% undivided interest in the Toughnut property, comprising nine mineral claims and one crown grant located in the Nelson Mining Division of British Columbia (the "Toughnut Property").

To acquire a 100% interest in the Toughnut Property, the Company is required to make staged payments totaling $200,000, incur total exploration expenditures of $1,250,000, and issue 400,000 of its common shares to the Optionors over the next five years as follows:

(i) Pay $30,000, issue 50,000 shares, and incur not less than an aggregate $300,000 of exploration expenditures on or before March 10, 2010;

(ii) Pay $35,000, issue 50,000 shares, and incur not less than an aggregate $500,000 of exploration expenditures on or before March 10, 2011;

(iii) Pay $40,000, issue 50,000 shares, and incur not less than an aggregate $750,000 of exploration expenditures on or before March 10, 2012;

(iv) Pay $40,000, issue 50,000 shares, and incur not less than an aggregate $1,000,000 of exploration expenditures on or before March 10, 2013;

(v) Pay $50,000, issue 100,000 shares, and incur not less than an aggregate $1,250,000 of exploration expenditures on or before March 10, 2014.

The Company paid $5,000 and issued 100,000 shares at a fair value of $0.07 per share to the Optionors on signing of the option agreement.

9. Mineral Properties, continued

(c) Toughnut Property, continued

The Optionors of the Toughnut Property retain a net smelter return ("NSR") royalty of 1% on three mineral claims and 2% on the reminder of the property. The Company has the option to purchase one-half of the Optionors' NSR royalty by payment of the sum of $1,000,000.

In addition to the Optionors' NSR royalty of 1% on the three mineral claims, there is an underlying royalty, pursuant to which third parties are entitled to a 1% NSR royalty on these three mineral claims, up to a maximum aggregate amount of $1,000,000.

10. 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.

Balance as at March 31, 2009 was $198,587 (December 31, 2008: $199,330).

11. Related Party Balances and Transactions

Following are the related party transactions that the Company entered into during the three months ended March 31, 2009 and the outstanding balance as at March 31, 2009:

(a) Under the service agreement, as amended, between the Company and a company privately held by a director and officer of the Company, the Company was charged as follows:

- $26,655 (March 31, 2008: $29,850) for office space and general administration services;
- $20,270 (March 31, 2008: $16,895) for professional services;
- $9,120 (March 31, 2008: $8,409) for consulting services;
- $7,290 (March 31, 2008: $3,375) for investor relations services;
- $45,745 (March 31, 2008: $56,845) for geological consulting services in relation to mineral properties; and
- $741 (March 31, 2008: $2,524) representing the mark-up on out-of-pocket expenses, which are included in general administration services.

Amounts payable under the agreement at March 31, 2009 were $294,127 (December 31, 2008: 244,864).

(b) Fees in the amount of $15,624 (March 31, 2008:13,897) were charged by a law firm controlled by a company privately held by a director and officer of the Company and included in investor relations, professional fees, share issue costs and mineral property expenditures. Amounts payable as at March 31, 2009 were $41,447 (December 31, 2008: $28,398).

(c) Consulting fees relating to office administration of $6,000 (March 31, 2008: $7,250) were charged by a private company controlled by an officer of the Company. Amounts payable as at March 31, 2009 were $18,900 (December 31, 2008: $12,600).

11. Related Party Balances and Transactions, continued

The total amount due to related parties was $354,474 (December 31, 2008: $285,862) as at March 31, 2009.

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.

12. Share Capital

(a) Authorized

(i) Unlimited common shares without par value; and

(ii) Unlimited preference shares without par value.

(b) Issued and Outstanding

The issued share capital is as follows:

Common shares	Number of shares		Amount		Contributed surplus
Balance as at December 31, 2007	**17,746,439**	**$**	**6,779,211**	**$**	**282,280**
Issued					
Private placement, net of share issue costs	5,000,000		1,113,346		-
Shares for mineral property acquisition	310,000		30,463		-
Stock-based compensation	-		-		9,167
Value assigned to agent warrants	-		(35,954)		35,954
	5,310,000		1,107,855		45,121
Tax benefits renounced to flow-through share subscribers	-		(288,698)		-
Balance as at December 31, 2008	**23,056,439**		**7,598,368**		**327,401**
Issued					
Shares for mineral property payment, net of share issue costs	100,000		6,228		-
Stock-based compensation	-		-		2,751
	100,000		6,228		2,751
Tax benefits renounced to flow-through share subscribers	-		(300,000)		-
Balance as at March 31, 2009	**23,156,439**	**$**	**7,304,596**	**$**	**330,152**

(c) Private Placements

There were no private placements announced or completed during the quarter ended March 31, 2009.

12. Share Capital, continued

(d) Shares Issued for Mineral Property

The Company issued 100,000 shares at a fair value of $0.07 per share to the Optionors on signing of the option agreement for Toughnut property (see Note 9(c)) and incurred share issue costs in legal fees for $772 related to the issuance of these shares.

(e) Renunciation of Flow-Through Shares

The Company recorded a future income tax recovery of $300,000 and recognized a charge against share capital in the same amount, in connection with the renunciation of flow-through expenditures of $1,000,000 in February 2009.

(f) Stock Options

As at March 31, 2009, the Company had a stock option 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 terms 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. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

The Company's stock options transactions for the three months ended March 31, 2009 and outstanding balances as at March 31, 2009 are summarized as follows:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2008	Granted	Cancelled or Expired	Balance March 31, 2009
$0.25	$0.25	October 9, 2012	1,345,000	-	-	1,345,000
$0.28	$0.28	December 4, 2012	10,000	-	-	10,000
$0.25	$0.25	May 26, 2013	50,000	-	50,000	-
$0.10	$0.06	February 24, 2014	-	50,000		50,000
			1,405,000	**50,000**	**50,000**	**1,405,000**
Weighted average exercise price			$0.25	$0.10	$0.25	$0.24
Weighted average fair value			$0.17	$0.06	$0.17	$0.17
Weighted average contractual life in years			3.78	5	-	3.58

During the three months ended March 31, 2009, the Company granted 50,000 to the newly appointed CFO. These options vested immediately and the Company recognized a stock-based compensation expense of $2,751 (Note 12(h)).

12. Share Capital, continued

(g) Share Purchase Warrants

The Company's share purchase warrants outstanding as at March 31, 2009 are as follows:

Exercise Price	Expiry Date	Balance December 31, 2008	Granted	Cancelled or Expired	Balance March 31, 2009
$0.30	July 7, 2009	250,000	-	-	250,000
$0.30	July 7, 2010	500,000	-	-	500,000
		750,000	**-**	**-**	**750,000**
Weighted average exercise price		$0.30	-	-	$0.30
Weighted avergae fair value		$0.14	-	-	$0.14
Weighted average contractual life in years		1.18	-	-	0.94

(h) Fair Value Determination

The fair value of valuing stock options and share purchase warrants granted using the Black-Scholes option-pricing model was calculated using the following weighted average assumptions:

	Three months ended March 31, 2009		Three months ended March 31, 2008	
	Options	Warrants	Options	Warrants
Risk-free interest rate	2.11%	N/A	N/A	N/A
Expected share price volatility	117.44%	N/A	N/A	N/A
Expected option/warrant life in years	5	N/A	N/A	N/A
Expected dividend yield	0%	N/A	N/A	N/A

13. Commitments

Under a service agreement, as amended, between the Company and a company privately held by a director and officer of the Company, the Company is charged $8,000 monthly for office space and general administration services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012. The fee commitment for the next four years is as follows:

Year ending December 31,	Commitment $
2009	72,000
2010	96,000
2011	96,000
2012	48,000

14. Supplemental Cash Flow Information

	Three months ended March 31,			
		2009		2008
Cash items				
Income tax paid	$	-	$	-
Interest received	$	3	$	1,043
Interest paid	$	1,989	$	3,270
Share issue costs	$	772	$	-
Non-cash items				
Investing activities				
Mineral property costs included in due to related parties	$	2,664	$	-
Financing activities				
Shares issued for mineral properties	$	7,000	$	-

Management's Discussion and Analysis

For the Three Months Ended March 31, 2009

Dated: May 14, 2009

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Valterra Resource Corporation (the "Company") compares results for the three months ended March 31, 2009 to the same period in the previous year. These statements should be read in conjunction with the interim financial statements for the three months ended March 31, 2009 and audited financial statements for the year ended December 31, 2008. All notes referenced herein may be found in the interim financial statements.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A, dated May 14, 2009, was prepared to conform with National Instrument 51-102 F1 and was approved by the Board of Directors prior to its release.

The Company's shares trade on the Canadian National Stock Exchange. ("CNSX") under the symbol "VALT". On October 1, 2007, the Company's shares were accepted for trading on the Frankfurt Stock Exchange, open market (Freiverkehr) under the trading symbol "3VA.F". N.M. Fleischhacker AG has been appointed as the market maker for the trading. Effective as of September 19, 2008 CNSX has assigned a new trading symbol "VTA" for the Company.

The Company's reporting currency is the Canadian dollar and 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.

Additional information relating to the Company, including detailed drill results previously disclosed in news releases, is available on the company's website at www.valterraresource.com and on SEDAR at www.sedar.com

B. Qualified Persons

Brian T. McGrath, B.Sc., P.Geo., is the qualified person under National Instrument 43-101 responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs for the Company's properties. Mr. McGrath attained his Bachelors degree in Earth Sciences from Memorial University of Newfoundland in 1992. His work has focused on gold and base metal targets associated with banded iron formations (BIF), volcanogenic–hosted Massive Sulphide (VHMS) deposits and lode gold systems.

C. Conversion Tables

Conversion Table

Imperial			Metric
1 Acre	=	0.404686	Hectares
1 Foot	=	0.304800	Metres
1 Mile	=	1.609344	Kilometres
1 Ton	=	0.907185	Tonnes
1 Ounce (troy)/ton	=	34.285700	Grams/Tonne

Information from www.onlineconversion.com

Precious metal units and conversion factors

ppb	- Part per billion	1	ppb	=	0.0010	ppm	=	0.000030	oz/t
ppm	- Part per million	100	ppb	=	0.1000	ppm	=	0.002920	oz/t
oz	- Ounce (troy)	10,000	ppb	=	10.0000	ppm	=	0.291670	oz/t
oz/t	- Ounce per ton (avdp.)	1	ppm	=	1.0000	ug/g	=	1.000000	g/tonne
g	- Gram								
g/t	- Gram per metric ton	1	oz/t	=	34.2857	ppm			
mg	- Milligram	1	Carat	=	41.6660	mg/g			
kg	- Kilogram	1	ton (avdp.)	=	907.1848	kg			
ug	- Microgram	1	oz (troy)	=	31.1035	g			

Information from www.onlineconversion.com

D. Description of Business

The Company acquires and explores mineral properties in Canada. It is currently exploring for precious and base metals in British Columbia, Canada.

E. Description of Mineral Properties

The Company has interests in three mineral properties: the Star Property, the Swift Katie Property, and the Toughnut Property; all 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.

Details of option agreements and capitalized costs by property are disclosed in Note 8 to the Company's interim financial statements as at March 31, 2009.

i) Star Mineral Property

Pursuant to an agreement dated May 13, 2008, the Company entered into an option to acquire a 100% undivided interest in the Star claims group ("Star Property") subject to a Net Smelter Return Royalty of 3%. The Company has the option to purchase one percent of the royalty, thus reducing it to 2%, at any time prior to the commencement of commercial production by paying $1,500,000 to the Optionors.

To acquire a 100% interest in the Star Property, the Company is required to make staged payments totalling US $300,000 to May 13, 2017 and incur total exploration expenditures of $400,000 to May 13, 2013.

The Star property is located in south-eastern British Columbia, approximately seven kilometres due southwest of the City of Nelson. The property consists of a group of 25 Crown-granted claims covering an area of approximately 365 hectares. The claims contain three historic mines that produced small amounts of Au-Ag-Cu ore from mineralized fault zones.

During August and September 2008, the company completed its inaugural exploration program on the recently acquired claims by conducting surface prospecting/sampling and diamond drilling. Drilling totalled 1,672 metres in six holes and included the collection of more than 800 core samples for analyses.

All assay results from this work, centred on the Alma N and Star zones, has been received and were publicly disclosed on January 22, 2009 (see NR-01-09). The results of the program were very encouraging with all holes intersecting anomalous Au, Ag and Cu mineralization. Drilling highlights include: hole VST08-006 (Alma N zone) 5.94 g/t Au and 3.78 g/t Ag over 12.97 metres, which includes a higher grade intercept of 18.77 g/t Au and 11.55 g/t Ag over 4.0 metres; and drill hole VST08-004 (Star zone) 6.28 g/t Au and 7.20 g/t Ag over 2.0 metres.

The program targeted a series of porphyry-type Au-copper ("Cu")-Ag mineralized areas associated with the north to north-west trending Silver King Shear Zone. Favourable zones have been delineated over an area measuring approximately two kilometres long by one kilometre wide as defined by prior drilling and geochemistry.

E. Description of Mineral Properties, continued

ii) Star Property, continued

Valterra is currently compiling all of the available data and planning for a follow-up exploration program on the property in 2009, where approximately 1,500 to 2,500 metres of drilling is anticipated.

iii) Swift Katie Mineral Property

Pursuant to the amended option agreement dated December 18, 2008, in order to earn 60% interest in the Swift Katie property the Company is required to make cash payments totalling $85,000 (changed from $120,000), incur aggregate exploration expenditures of $600,000 and issue 640,000 common shares (changed from 440,000 common shares). To earn the remaining 40% interest in the Swift Katie property, the Company must make additional cash payments of $120,000, incur additional exploration expenditures of $700,000 and issue 450,000 of its common shares to the Optionors by December 31, 2011.

The Optionors of the property retain a 2% 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.

Beginning December 31, 2010 and annually thereafter the Optionee will make an annual advance minimum royalty payment of $35,000, increasing to $50,000 annually on December 2012 and thereafter. These payments will be adjusted annually according to the CPI base of December 31, 2006. Annual advance minimum royalty payments are deductible from future NSR royalty payments.

Currently, the Swift Katie property is comprised of 13 contiguous mineral claims covering an area of approximately 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.

A National Instrument 43-101 ("NI 43-101") compliant Technical Report entitled "Swift Katie Copper-Gold Property" was prepared in 2007 (available on www.sedar.com). The report documents the exploration history and 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, with the most significant being the Katie, the 17 and the Swift zones. A success contingent phased exploration program was recommended to verify earlier work and focus on expanding and further delineating the known zones of mineralization.

Valterra commenced an inaugural exploration evaluation on the property beginning in October 2007. A four-month long program was implemented and included a 1:5,000 scale reconnaissance mapping and sampling program; a three hole diamond drilling campaign that totalled 1,126 metres; and an approximately 505 line-kilometre Airborne DIGHEM geophysical survey was completed over an estimated 95% of the property attempting to define major lithological variations and structural breaks associated with the mineralization.

E. Description of Mineral Properties, continued

iii) Swift Katie Mineral Property, continued

From June to September 2008, the company conducted a second diamond drill program on the project. This drill program focused primarily on the Katie Main zone and included 10 holes that totalled 2,954 metres and resulted in the collection of over 1,500 core samples for analyses. All assay results from this work has been received and was disclosed publicly on January 26, 2009 (see NR-02-09). The results of the program were very encouraging with all holes intersecting anomalous Cu and Au mineralization. Drilling highlights include: hole VKT08-068 returned 0.21% Cu and 1.25 g/t Au over 7.90 metres; and drill hole VKT08-071 that graded 0.25% Cu and 0.47 g/t Au over 33.07 metres and included a higher grade gold zone of 0.05% Cu and 1.73 g/t Au over 7.07 metres.

Management of the Company believes that the Swift Katie Property warrants further exploration, and activities over the current year are foreseen for this property. Drilling plans anticipate a continuance in the Katie Main area testing the extension of near-surface mineralization, and the on strike potential of high-grade mineralization in the 17 Zone and Swift area targets.

iv) Toughnut Mineral Property

On March 10, 2009, the Company entered into an option agreement to acquire a 100% undivided interest in the Toughnut property, comprising nine mineral claims and one Crown-grant claim located in the Nelson Mining Division of British Columbia (the "Toughnut Property").

To acquire a 100% interest in the Toughnut Property, the Company is required to make staged payments totalling $200,000, incur total and aggregate $1,250,000 of exploration expenditures, and issue 400,000 of its common shares to the Optionors over the next five years (to March 10, 2014). The Optionors of the Toughnut Property retain a net smelter return ("NSR") royalty of 1% on three mineral claims and 2% on the reminder of the property. The Company has the option to purchase one-half of the Optionors' NSR royalty by payment of the sum of $1,000,000.

In addition to the Optionors' NSR royalty of 1% on the three mineral claims, there is an underlying royalty, pursuant to which third parties are entitled to a 1% NSR royalty on these three mineral claims, up to a maximum aggregate amount of $1,000,000.

During the three months ended March 31, 2009, the Company paid $5,000 and issued 100,000 shares to the Optionors at a fair value of $7,000 on signing of the option agreement.

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 8 of the interim financial statements dated March 31, 2009. The deferred mineral property costs as at December 31, 2008 were as follows:

	Balance December 31, 2008 $	Additions Q1 $	Additions YTD $	Balance March 31, 2009 $
Star	379,972	31,635	31,635	411,607
Swift Katie	1,598,164	6,003	6,003	1,604,167
Toughnut	-	22,148	22,148	22,148
Total	**1,978,136**	**59,786**	**59,786**	**2,037,922**

	Toughnut $	Star $	Swift Katie $	Total $
Acquisitions	18,925	6,727	146,369	172,021
Advances	-	-	-	-
Air support	-	-	-	-
Assays and analysis	-	30,896	86,355	117,251
Camp and supplies	-	9,459	15,721	25,180
Drilling	-	223,666	684,275	907,941
Environmental expenses	-	460	5,020	5,480
Equipment rental and field supplies	-	6,145	29,103	35,248
General exploration	3,223	2,387	1,660	7,270
Geological services	-	22,210	478,979	501,189
Project supervision	-	100,749	112,369	213,118
Stock-based compensation	-	-	22,075	22,075
Travel	-	8,908	22,241	31,149
Total	**22,148**	**411,607**	**1,604,167**	**2,037,922**

G. Results of Operations

Significant variances are summarized below:

	Three months ended March 31, 2009	2008	Variance Increase/(Decrease)	
	$	$	$	%
Expenses				
Administration	27,396	32,374	(4,978)	(15.38)
Amortization	235	212	23	10.85
Consulting services	18,082	16,819	1,263	7.51
General exploration	5,100	2,050	3,050	148.78
Independent directors' fees	9,000	11,835	(2,835)	(23.95)
Interest	1,986	2,227	(241)	(10.82)
Investor relations	8,877	10,390	(1,513)	(14.56)
Office and general	6,828	13,324	(6,496)	(48.75)
Professional fees	33,522	64,332	(30,810)	(47.89)
Regulatory fees and taxes	2,236	7,380	(5,144)	(69.70)
Shareholders communications	1,152	-	1,152	N/A
Stock-based compensation	2,751	-	2,751	N/A
Transfer agent	1,502	1,292	210	16.25
Travel and promotion	422	17,385	(16,963)	(97.57)

Net result from operations for the quarters ended March 31, 2009 and 2008 was a net profit of $180,911 and $116,578 respectively. The Company reported a net profit for these quarters due to recognition of a future income tax recovery of $300,000 for the quarter ended March 31, 2009 and $288,698 for the quarter ended March 31, 2008. Future income tax recovery is a non-cash item, related to the tax benefits renounced to flow-through share subscribers in January 2009 and 2008.
During the three months ended March 31, 2009, the Company reported a loss before future income tax recovery of $119,089 compared to a loss before future income tax recovery of $172,120 for the three months ended March 31, 2008.

This decrease in net loss of $53,031 was primarily due to:

(i) Decrease in professional fees – legal fees were $26,085 higher in the first quarter of 2008 compared to the first quarter of 2009 mainly due to the legal work related to continuation of the Company from Yukon to British Columbia effective February 22, 2008.

G. Results of Operations, continued

(ii) Travel and promotion decreased significantly ($16,963) during the three months ended March 31, 2009 compared to the same period of the previous year. Due to the unfavorable market conditions, the Company has revised its promotion plan and cancelled some promotion activities that were held during the first quarter of 2008.

(iii) Office and general expenses decreased by $6,496 in line with the Company's efforts to conserve cash where possible.

(iv) Administration expenses decreased by $4,978 due to decrease in the monthly fee for office space used and in the amount of mark-up charged on out-of-pocket expenses. The decrease of the mark-up amount was directly related to the decrease in office and general expenses.

H. Quarterly Results

The following financial data was derived from the Company's financial statements for the current and eight previous quarters.

	Mar 31 2009 $	Dec 31 2008 $	Sep 30 2008 $	Jun 30 2008 $	Mar 31 2008 $	Dec 31 2007 $	Sep 30 2007 $	Jun 30 2007 $	Mar 31 2007 $
Operating expenses	116,341	110,836	121,438	144,724	179,620	225,197	159,514	92,188	71,704
Interest earned	(3)	(7)	(7)	(1,123)	-	-	-	(11)	-
Foreign exchange (gain) loss	-	48	317	-	-	-	-	-	-
Loss before the following items	116,338	110,877	121,748	143,601	179,620	225,197	159,514	92,177	71,704
Stock-based compensation	2,751	-	-	9,167	-	234,334	-	-	-
Future income tax recovery	(300,000)	-	-	-	(288,698)	-	-	-	-
Mineral properties written-off	-	36,442	-	-	-	-	-	-	-
Gain on written-off debt	-	-	-	-	(7,500)	-	(96,365)	-	-
Net Loss/(Profit)	**(180,911)**	**147,319**	**121,748**	**152,768**	**(116,578)**	**459,531**	**63,149**	**92,177**	**71,704**
Loss (earnings) per share-basic and diluted	($0.01)	$0.01	$0.01	$0.01	($0.01)	$0.03	$0.01	$0.01	$0.01

The Company's operating expenses showed a declining trend on a quarterly basis starting in the first quarter of 2008. This declining trend is mainly related to continuing decrease in professional fees, investor relation expenses, travel and promotion, and office and general expenses. Management had expected the deterioration in the market conditions and early in 2008 started reviewing its planned spending and had taken some initial measures to conserve cash where possible. Hence, operating expenses have been decreasing on a quarterly basis since the first quarter of fiscal 2008.

During the three months ended March 31, 2009, the Company recorded a stock-based compensation expense in relation to 50,000 stock options granted to the newly appointed CFO of the Company. The Company granted 50,000 stock options in the second quarter of 2008 to an officer of the Company and 1,520,000 stock options in the fourth quarter of 2007 to directors, officers, consultants and management company employees. The Company recorded a stock-based compensation expense of $9,167 and $234,334 respectively.

H. Quarterly Results, continued

In the first quarter of 2009, the Company recorded $300,000 in future income tax recovery in relation to renunciation of $1,000,000 in flow-through expenditures to flow-through share subscribers. In the first quarter of 2008, the Company renounced to investors exploration expenditures of $916,500 related to flow-through shares resulting in a future income tax recovery of $288,698.

In the fourth quarter of fiscal 2008, the Company wrote-off capitalized acquisition and exploration expenditures of $36,442 on Gus property upon decision to terminate the option agreement.

The Company wrote-off $7,500 and $96,365 in accounts payable in the first quarter of 2008 and in the third quarter of 2007 respectively, 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.

I. Related Parties Information

The Company entered into the following related party transactions during the three months ended March 31, 2009:

(a) Under the service agreement, as amended, between the Company and a company privately held by the President of the Company, the Company was charged for office space, administration, accounting, consulting, investor relations, geological services, and a mark-up on out-of-pocket expenses. Total expenses charged for the three months ended March 31, 2009 were $109,821 (March 31, 2008: $117,898). Amounts payable under the agreement at March 31, 2009 were $294,127 (December 31, 2008: $244,864).

(b) Fees in the amount of $15,624 (March 31, 2008: $13,897) were charged by a law firm controlled by the President of the Company and included in investor relations, professional fees, share issue costs and mineral property expenditures. Amounts payable as at March 31, 2009 were $41,447 (December 31, 2008: $28,398).

(c) Consulting fees relating to office administration of $6,000 (March 31, 2008: $7,250) were charged by a private company controlled by the VP Administration of the Company. Amounts payable as at March 31, 2009 were $18,900 (December 31, 2008: $12,600).

The total amount due to related parties was $354,474 (December 31, 2008: $285,862) as at March 31, 2009.

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. Amounts due to related parties are non-interest bearing and unsecured with no specific terms of repayment.

J. Financial Conditions, Liquidity and Capital Resources

The Company does not generate any revenue from operations and has limited financial resources. The Company 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.

J. Financial Conditions, Liquidity and Capital Resources, continued

Although the Company has been successful in the past in obtaining financing through the sale of its securities, there can be no assurance that the Company will be able to obtain adequate financing in the future in light of factors such as the market demand for its securities, the general state of financial markets and other relevant factors. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with a possible loss of some properties and reduction or termination of operations.

Cash as at March 31, 2009 totaled $31,500 (December 31, 2008: $128,036).

The Company had a net working capital deficiency of $653,428 as at March 31, 2009 compared to a net working capital deficiency of $90,694 as at March 31, 2008. The increase in the working capital deficiency arose primarily from the fact that due to unfavorable market conditions the Company had decided not to engage in initially budgeted private placement financing.

To address the current working capital deficiency the Company is reviewing ways to reduce general and administration costs, negotiating extended payment terms of its trade payables, and reviewing its capital expenditure plan and future commitments to identify opportunities to reduce or delay spending and payments. The Company is considering alternative sources of capital and their cost.

The Company intends to complete one or more non-brokered equity financings of up to $1.45 million to fund its administrative overhead, maintain its mineral interests, and continue with its exploration program in the following months.

i) Equity financings

There were no equity financings announced or completed during the three months ended March 31, 2009 and March 31, 2008.

ii) Funds raised by stock options and share purchase warrants exercise

There were no stock options and share purchase warrants exercised during the three months ended March 31, 2009 and March 31, 2008.

iii) Mineral properties expenditures

During the three months ended March 31, 2009, the Company spent $55,450 in cash on mineral properties (net of shares issued for acquisition costs, and ending balance of accounts payable for mineral properties). Approximately 53% of this amount was directed towards Star, 37% to Toughnut, and 10% to Swift Katie.

During the three months ended March 31, 2008, the Company spent $174,840 in cash in cash on mineral properties (net of shares issued for acquisition costs, and ending balance of accounts payable for mineral properties). Approximately 100% of this amount was directed towards Swift Katie.

iv) Amount receivable

As at March 31, 2009, the Company had $6,215 GST receivable from Revenue Canada. (December 31, 2008: $12,602). The Company had received the GST refund as of the date of this MD&A.

J. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments

<u>Mineral properties interests</u>

Over the next two years, pursuant to the terms of its option agreements and amendments thereto, the Company has the following commitments to maintain the properties and earn its interests:

(a) Star Mineral Property

- Pay US $20,000, and incur in the aggregate $100,000 (incurred) in exploration expenditure on or before May 13, 2009 (paid);
- Pay US $25,000, and incur in the aggregate $200,000 (incurred) in exploration expenditure on or before May 13, 2010.

(b) Swift Katie Mineral Property

- $35,000 and incur in the aggregate a minimum of $600,000 (incurred) in exploration expenditures on or before December 31, 2009;
- Issue 110,000 common shares to the Optionors on or before December 31, 2009;
- $60,000 and incur further $350,000 (incurred) in exploration expenditures on or before December 31, 2010;
- Issue 225,000 common shares to the Optionors on or before December 31, 2010.

(c) Toughnut Mineral Property

- Pay $30,000, issue 50,000 shares, and incur not less than an aggregate $300,000 of exploration expenditures on or before March 10, 2010.

vi) <u>Other commitments</u>

Pursuant to a service agreement, as amended, the Company has committed to pay $96,000 per year ($8,000 per month) to a company privately held by the President of the Company for office space and general administration services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012.

K. Outstanding Shares, Options and Share Purchase Warrants

i) Issued and outstanding shares

The Company has unlimited authorized, without par value, common shares.

	Number of shares	**Total $**
Balance as at December 31, 2008	23,056,439	7,598,368
Shares issued for mineral property, net of share issue costs	100,000	6,492
Tax benefits renounced to flow-through share subscribers	-	(300,000)
Balance as at May 14, 2009	**23,156,439**	**7,304,860**

K. Outstanding Shares, Options and Share Purchase Warrants, continued

ii) Share purchase warrants

Warrants outstanding at May 14, 2009 are as follows:

Exercise Price	Expiry Date	Balance May 14, 2009
$0.30	July 7, 2009	250,000
$0.30	July 7, 2010	500,000
		750,000
Weighted average exercise price		$0.30
Weighted average fair value		$0.14
Weighted average contractual life in years		0.81

iii) Stock options

Stock options outstanding at May 14, 2009 are as follows:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2008	Cancelled or Expired	Granted	Balance May 14, 2009
$0.25	$0.25	October 9, 2012	1,345,000	-	-	1,345,000
$0.28	$0.28	December 4, 2012	10,000	-	-	10,000
$0.25	$0.25	May 26, 2013	50,000	50,000	-	-
$0.10	$0.06	February 24, 2014	-	-	50,000	50,000
			1,405,000	**50,000**	**50,000**	**1,405,000**
Weighted average exercise price			$0.25	$0.25	$0.10	$0.24
Weighted average fair value			$0.17	$0.17	$0.06	$0.17
Weighted average contractual life in years			3.78	-	5	3.47

L. Subsequent Events and Outlook

There are no events subsequent to the date of this document.

The Company is confident that its existing group of properties has potential warranting continued exploration. Activities over the ensuing year will focus on these assets. The Company expects to continue its strategy of collaborating with experienced mining companies to develop its properties and to advance them to production. However, the Company expects to operate a significantly reduced exploration program, in the light of the financial markets crisis and economic slowdown.

M. Financial Instruments

The Company's financial instruments comprise cash, classified as held-for-trading, reclamation bonds, classified as loans and receivables, investments, classified as available-for- sale, and bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties, classified as other financial liabilities.

The carrying values of cash, reclamation bonds, 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 fair value of investments is based on its carrying value as there is no quoted market price in an active market for the investments.

The Company has no exposure to Asset Backed Commercial Paper.

N. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

O. Use of Estimates

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 believed to be reasonable under the circumstances. Critical accounting policies are disclosed in the annual audited financial statements.

P. Disclosure Controls and Procedures

Current securities policies in Canada require that management of the Company certifies that it has assessed the effectiveness of the Company's disclosure controls and procedures as at every interim and annual period. Management has concluded that the disclosure controls as at March 31, 2009 were effective in ensuring that all material information required to be filed had been provided to it in a timely manner, and that the information was recorded, processed and reported within the time period necessary to prepare the filings.

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 Multilateral Instrument 52-110 Audit Committees, national Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

Q. Risks and Uncertainties

The principal business of the Company is the acquisition, 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.

Q. Risks and Uncertainties, continued

Exploration Stage Company

The Company does not hold any known mineral reserves of any kind and 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 many risks and frequently is non productive. There is no assurance that 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, and the quality of property available for exploration.

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.

No Operating History and Availability of Financial Resources

The Company does not have an operating history and has no operating revenues and is unlikely to generate any in the foreseeable future. Hence, 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.

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 favourable terms, if at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or discontinue its operations.

Price Volatility and Lack of Active Market

In recent months, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price.

Q. Risks and Uncertainties, continued

Competition

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 properties. The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify and investigate 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.

Government Regulations and Environmental Risks and Hazards

The Company conducts is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource property interests, the potential for production on the property may be diminished or negated.

The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties. The Company is not aware of any existing environmental hazards related to any of its current or former property interests that may result in material liability to the Company.

Title to Property

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements or transfers, aboriginal land claims, government expropriation and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties.

Dependence on Key Personnel

The Company is dependent on a relatively small number of key directors, officers and senior personnel. Loss of any one of those persons could have an adverse affect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

R. Changes in Accounting Policies, Including Initial Adoptions and Future Accounting Changes

i) In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new section is effective for the Company on January 1, 2009. The adoption of these sections did not have an impact on the Company's financial statements for the three months ended March 31, 2009 since the Company does not have goodwill, intangible assets or research and development costs.

ii) In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary.

Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The adoption of these sections did not have an impact on the Company's financial statements for the three months ended March 31, 2009, since the company did not have subsidiaries to consolidate and did not engage in business combinations.

iii) On January 20, 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-173, Credit Risk and the Fair value of Financial Assets and Financial Liabilities, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC- 173. The Company adopted this recommendation in its fair value determinations effective January 20, 2009. This recommendation did not have an impact on the Company's financial statements for the three months ended March 31, 2009.

R. Changes in Accounting Policies, Including Initial Adoptions and Future Accounting Changes, continued

iv) In March 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-174 Mining exploration costs, which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. This EIC also provides additional discussion on recognition for long lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements. The Company adopted this recommendation effective March 2009.

The management performed an impairment test for the properties that it held as at March 31, 2009. No impairment of capitalized mineral properties costs was deemed necessary following the guidance for impairment testing provided by EIC-174.

v) In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's interim and annual financial statements relating to reporting periods beginning on or after January 1, 2011 with restatement of comparative information presented.

The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures. The Company has established an implementation team to develop the changeover plan to IFRS, and the target completion of the changeover is before the end of December 2009.

S. 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 believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. 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.

T. Proposed Transactions

The Company is contemplating a business arrangement with Duncastle Gold Corp. which will result in an amalgamation of the two companies into one entity. Details of such arrangement will be guided by a fairness opinion and it is expected that shareholders of both companies should be in a position to consider such arrangement in the summer of 2009.

U. Forward-Looking Statements

Some of the statements contained in this MD&A may be deemed "forward-looking statements." These include estimates and statements that describe the Company's future plans, objectives or goals, and expectations of a stated condition or occurrence.

Forward-looking statements may be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". 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 but not limited to; 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.

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 does not assume any obligation to update or revise 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, whether as a result of new information, future events or otherwise.