Valterra Resource Corporation

(An Exploration Stage Company)

Interim Financial Statements

Three Months Ended March 31, 2010

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2010 and comparatives for the three months ended March 31, 2009 were prepared by management and have **not been reviewed** by the Company's auditors.

Valterra Resource Corporation
(An Exploration Stage Company)
Balance Sheets

			March 31, 2010 (Unaudited)		December 31, 2009 (Audited)
Assets					
Current					
Cash and cash equivalents		$	507,779	$	587,199
Receivables	Note 5		7,879		11,828
Prepaid and deposits	Note 5		17,505		2,081
			533,163		**601,108**
Investment	Note 7		22,000		20,000
Mineral properties	Note 8		2,393,559		2,344,315
Reclamation bonds	Note 6		45,000		45,000
		$	**2,993,722**	**$**	**3,010,423**
Liabilities					
Current					
Bank indebtedness	Note 9	$	196,383	$	197,808
Accounts payable and accrued liabilities	Note 5		115,666		147,498
Due to related parties	Note 10		589,887		463,737
			901,936		**809,043**
Shareholders' Equity					
Share capital	Note 11 (b)		8,274,497		8,458,736
Contributed Surplus	Note 11 (b)		535,431		532,590
Accumulated Other Comprehensive Loss			(2,625)		(5,000)
Deficit			(6,715,517)		(6,784,946)
			2,091,786		**2,201,380**
		$	**2,993,722**	**$**	**3,010,423**

Nature of operations and going concern (Note 1)
Commitments (Note 12)

Approved on behalf of the Board:

"Derek Page"	*"Lawrence Page"*
Derek Page, AC Chair	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		
		March 31 2010		March 31 2009
Expenses				
Administration	$	26,790	$	27,396
Amortization		-		235
Consulting		16,665		18,082
Directors and officers fees		9,000		5,100
General exploration		9,171		9,000
Interest		1,945		1,986
Investor relations		15,467		8,877
Office and general		6,583		6,828
Professional fees		24,945		33,522
Regulatory fees and taxes		6,038		2,236
Shareholders communications		630		1,152
Stock-based compensation		-		2,751
Transfer agent		2,420		1,502
Travel and promotion		781		422
Total operating expenses		**120,435**		**119,089**
Loss Before Future Income Tax Recovery		**(120,435)**		**(119,089)**
Future Income Tax Recovery (Expense) on Investment		**(375)**		**-**
Future Income Tax on flow-through shares		**190,239**		**250,000**
Net Profit (Loss) for the Period		**69,429**		**130,911**
Deficit, Beginning of the Period		**(6,784,946)**		**(6,383,253)**
Deficit, End of the Period	**$**	**(6,715,517)**	**$**	**(6,252,342)**
Earnings per share - basic and diluted	$	0.00	$	0.01
Weighted average number of common shares outstanding		37,740,970		23,062,466

The accompanying notes are an integral part of these financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Consolidated Statements of Comprehensive Loss and
Accumulated Other Comprehensive Income

		Three Months Ended March 31, 2010		2009
Net Income (Loss) for the Period	$	69,429	$	130,911
Other comprehensive (loss)/gain				
Adjustment for fair value of investment		2,000		-
Comprehensive Loss for the Period	**$**	**71,429**	**$**	**130,911**
Accumulated Other Comprehensive Loss, Beginning	**$**	**4,375**	**$**	**-**
Adjustment for fair value of investment		(1,750)		-
Accumulated Other Comprehensive Loss, End	**$**	**2,625**	**$**	**-**

The accompanying notes are an integral part of these financial statements

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

Cash provided by (used for):	**Three months ended March 31, 2010**	**2009**
Operating Activities		
Net profit (loss) for the period	$ 69,429	$ 130,911
Items not involving cash:		
Future income tax recovery	375	-
Tax benefits renounced to flow-through shares	(190,239)	(250,000)
Amortization	-	235
Stock-based compensation	-	2,751
	(120,435)	(116,103)
Changes in Non-Cash Working Capital		
Receivables	3,949	6,387
Prepaid and deposits	(15,424)	6,242
Accounts payable and accrued liabilities	(35,017)	(14,373)
Due to related parties	104,857	71,276
	58,365	69,532
Cash Used in Operating Activities	**(62,069)**	**(46,571)**
Investing Activities		
Expenditures on mineral properties	(15,925)	(55,450)
Refund (Purchase) of reclamation bonds	-	7,000
Cash Used in Investing Activities	**(15,925)**	**(48,450)**
Financing Activity		
Share issuance costs	-	(772)
Cash Used in Financing Activities	-	(772)
Decrease in Cash During the Period	**(77,995)**	**(95,793)**
Cash, Beginning of Period	389,391	(71,294)
Cash, End of Period	$ **311,396**	$ **(167,087)**
Cash consists of:		
Cash	$ 2,579	$ 31,500
Cash reserved for FT expenditures	505,200	-
Bank indebtedness	(196,383)	(198,587)
	$ 311,396	**$ (167,087)**

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 “VTA” and on the Frankfurt Stock Exchange under the symbol “3VA.F”.

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, 2010, the Company had a working capital deficiency of $368,773 (December 31, 2009: $207,935) and a cash balance of $507,779.

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of $6,715,517 (December 31, 2008: $6,784,946).

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, 2009 ("AFS"). 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.

The Company's reporting currency is the Canadian dollar and all dollar amounts are in Canadian dollars, unless otherwise indicated.

3. Summary of Significant Accounting Policies and Accounting Changes

The results for the three months ended March 31, 2010 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) Future Accounting Changes

(i) 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 Company will evaluate the impact of these new sections on its financial statements when applicable.

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

(a) Future Accounting Changes, continued

(ii) 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 and developed a plan to implement the changeover to IFRS on a timely basis.

4. Capital Management

The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders.

The Company's capital includes components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been funded by the issuance of common shares. The Company will continue to rely on share issuances for future funding depending upon market and economic conditions at the time.

The Company is not subject to externally imposed capital requirements other than those related to its credit facility disclosed in Note 9. The Company is in compliance with the externally imposed capital requirements disclosed in Note 9.

5. Financial Instruments

The Company's financial instruments comprise cash, 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:

	March 31, 2010			December 31, 2009		
Financial Assets	**Held-for-trading**	**Available-for-sale**	**Loans and Receivables**	**Held-for-trading**	**Available-for-sale**	**Loans and Receivables**
Cash	$ 507,779	$ -	$ -	$ 587,199	$ -	$ -
Accounts receivable	-	-	7,879	-	-	11,828
Investments	-	22,000	-	-	20,000	-
Reclamation bonds	-	-	45,000	-	-	45,000
	$ 507,779	$ 22,000	$ 52,879	$ 587,199	$ 20,000	$ 56,828

	March 31, 2010	December 31, 2009
Financial Liabilities	**Other Financial Liabilities**	**Other Financial Liabilities**
Bank indebtedness	$ 196,383	$ 197,808
Accounts payable and accrued liabilities	$ 110,814	$ 147,498
Due to related parties	$ 589,887	$ 463,737
	$ 897,084	$ 809,043

Fair Value

The carrying values of cash, reclamation bonds, accounts receivable, 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 their quoted market price in an active market for these investments.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. Financial Instruments, continued

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investment	$ 22,000	$ -	$ -	$ 22,000

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 is exposed to credit risk mainly in respect to managing its cash position. 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 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 of AFS), whereby the Company is required to make payments totaling US $280,000 with the next payment of US $25,000 due May 13, 2010. 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, 2010 the Company had no amounts receivable or amounts payable in any other currencies than the Canadian dollar.

5. Financial Instruments, continued

(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. As at March 31, 2010 the cash balance of $507,779 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 following few months. However, the Company will be required to raise additional capital in order to fund its operations.

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.

As at March 31, 2010 the amount on deposit was $45,000 (December 31, 2009: $45,000), of which $35,000 is for the Swift Katie Property, and $10,000 is for the Star Property.

The Company has accrued interest of $402 on the reclamation bond of $30,000 for Swift Katie Property.

7. Investments

The Company acquired 100,000 common shares in Tosca Mining Corporation ("Tosca"), which are classified as available-for-sale. The closing price for Tosca shares as at March 31, 2010 was $0.22 per share. The Tosca shares were obtained in consideration for payments required pursuant to a property option agreement on the Swift Katie property, located in the Nelson Mining Division, British Columbia, Canada.

8. Mineral Properties

The Company has interests in four mineral properties, located in British Columbia, Canada. These are Star, Swift Katie, Toughnut, and Rozan. Details of option agreements in respect of Star, Swift Katie, and Toughnut are disclosed in the notes to the AFS.

8. Mineral Properties, continued

(a) Rozan Property

On January 13, 2010, the Company entered into an option agreement to acquire a 100% undivided interest in the Rozan property, comprising thirty-two mineral claims located near Nelson, BC (the "Rozan Property").

To acquire a 100% interest in the Rozan Property, the Company is required to make staged payments totaling $200,000, incur total exploration expenditures of $1,000,000, and issue 350,000 units (each unit consisting of one common share and one warrant, each warrant exercisable at $0.06 for a period of five years) to the Optionors over the next five years as follows:

(i) Issue 50,000 units on the signing of the agreement (issued).

(ii) Pay $30,000, issue 50,000 units, and incur not less than an aggregate $50,000 of exploration expenditures on or before January 13, 2011;

(iii) Pay $30,000, issue 50,000 units, and incur not less than an aggregate $250,000 of exploration expenditures on or before January 13, 2012;

(iv)Pay $40,000, issue 50,000 units, and incur not less than an aggregate $500,000 of exploration expenditures on or before January 13, 2013;

(v) Pay $40,000, issue 50,000 units, and incur not less than an aggregate $750,000 of exploration expenditures on or before January 13, 2014;

(vi) Pay $60,000, issue 100,000 units, and incur not less than an aggregate $1,000,000 of exploration expenditures on or before January 13, 2015.

The Company issued 50,000 shares at a fair value of $0.06 per share and issued 50,000 warrants at a fair value of $0.057 (Note 11 (h))to the Optionors on signing of the option agreement.

The Optionors of the Rozan Property retain a net smelter return ("NSR") royalty of 2% on the mineral claims of the property. The Company has the option to purchase one-half of the Optionors' NSR royalty by payment of the sum of $500,000.

(b) Mineral Properties Deferred Costs

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

8. Mineral Properties, continued

(b) Mineral Properties Deferred Costs

A summary of capitalized acquisition and exploration expenditures on the Company's properties as at March 31, 2010 follows:

	Balance December 31, 2009 $	Additions Q1 $	Balance March 31, 2010 $
Toughnut	42,806	6,145	48,951
Star	660,817	29,474	690,291
Swift Katie	1,640,692	-	1,640,692
Rozan	-	13,625	13,625
Total	**2,344,315**	**49,244**	**2,393,559**

Mineral Properties	Toughnut $	Star $	Swift Katie $	Rozan $	Total $
Acquisition costs					
Balance as at December 31, 2009	19,453	33,484	133,889	-	186,826
Additions during the period	3,000	42	-	7,845	10,887
Balance as at March 31, 2010	**22,453**	**33,526**	**133,889**	**7,845**	**197,713**
Exploration					
Balance as at December 31, 2009	23,353	627,333	1,506,803	-	2,157,489
Assays and analysis	-	5,477	-	-	5,477
Equipment rental and field supplies	-	150	-	-	150
Geological services	-	45	-	-	45
Project supervision	3,145	23,760	-	5,780	32,685
Net additions during the period	3,145	29,432	-	5,780	38,357
Balance as at March 31, 2010	**26,498**	**656,765**	**1,506,803**	**5,780**	**2,195,846**
Total acquisition and exploration	**48,951**	**690,291**	**1,640,692**	**13,625**	**2,393,559**

8. Mineral Properties, continued

(b) Shares Issued for Mineral Property

The Company issued 50,000 shares at a fair value of $0.06 per share to the Optionors on signing of the option agreement for Rozan property and issued 50,000 warrants at a fair value of $0.057 as per the agreement.

The Company issued 100,000 shares at a fair value of $0.03 per share to the Optionors as per the option agreement for the Toughnut property.

9. 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.

Under the credit facility letter the Company is required to obtain written consent from the bank prior to paying or declaring any dividends, reducing its share capital, reorganizing or changing of control.

Balance as at March 31, 2010 was $196,383 (December 31, 2009: $197,808).

10. Related Party Balances and Transactions

Following are the related party transactions that the Company entered into during the three months ended March 31, 2010 and the outstanding balances as at March 30, 2010:

(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:

- $25,725 for office space and general administration services;
- $13,574 for professional services;
- $8,715 for consulting services;
- $9,923 for investor relations services;
- $38,335 for geological consulting services in relation to mineral properties
- $1,065 in respect of the mark-up on out-of-pocket expenses, which were included in office and general expenses.

Amounts payable under the agreement at March 31, 2010 were $449,094 (December 31, 2009: $369,887).

10. Related Party Balances and Transactions, continued

(b) Fees in the amount of $4,095 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, 2010 were $62,962 (December 31, 2009: $58,675).

(c) Consulting fees relating to office administration of $6,000 were charged by a private company controlled by an officer of the Company. Amounts payable as at March 31, 2010 were $16,800 (December 31, 2009: $10,500).

(d) Independent director's fees of $9,000 were charged. Amounts payable as at March 31, 2010 were $36,356 (December 31, 2009: $27,493)

(e) Consulting fees relating to corporate development and financing activities was charged by a private company controlled by a former director of the Company in the previous fiscal year and were included in consulting fees and share issue costs in 2009. Amounts payable as at March 31, 2010 were $24,675 (December 31, 2009: $24,675).

The total amount due to related parties as at March 31, 2010 was $589,887 (December 31, 2009: $463,737).

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.

11. Share Capital and Contributed Surplus

(a) Authorized

(i) Unlimited common shares without par value; and
(ii) Unlimited preference shares without par value.

11. Share Capital and Contributed Surplus, continued

(b) Issued and Outstanding

The issued and outstanding share capital is as follows:

Balance as at December 31, 2008	**23,056,439**	**7,598,368**	**327,401**
Issued			
Shares for mineral property payment	210,000	12,500	-
Private placements	14,416,104	1,237,626	-
Stock-based compensation	-	-	144,305
Subtotal	14,626,104	1,250,126	144,305
Share issue costs	-	(78,874)	-
Value assigned to agent warrants	-	(32,768)	32,768
Value assigned to agent options	-	(28,116)	28,116
Tax benefits renounced to flow-through share subscribers	-	(250,000)	-
Balance as at December 31, 2009	**37,682,543**	**$ 8,458,736**	**$ 532,590**
Issued			
Shares for mineral property payment	150,000	6,000	-
Subtotal	150,000	6,000	-
Value assigned warrants for mineral property payment	-	-	2,841
Tax benefits renounced to flow-through share subscribers	-	(190,239)	-
Balance as at March 31, 2010	**37,832,543**	**$ 8,274,497**	**$ 535,431**

(c) Private Placements

<u>**Three Months Ended March 31, 2010**</u>

The Company did not participate in any private placements during the three months ended March 31, 2010.

11. Share Capital and Contributed Surplus, continued

(d) Shares Issued for Mineral Property

Three Months Ended March 31, 2010

The Company issued 50,000 shares at a fair value of $0.06 per share to the Optionors on signing of the option agreement for Rozan property (see Note 8 (a)) and issued 50,000 warrants at a fair value of $0.057 as per the agreement.

The Company issued 100,000 shares at a fair value of $0.03 per share to the Optionors as per the option agreement for the Toughnut property.

(e) Renunciation of Flow-Through Shares

The Company recorded a future income tax recovery of $190,239 and recognized a charge against share capital in the same amount, in connection with the renunciation of flow-through expenditures of $760,957 in February 2010.

(f) Stock Options

As at March 31, 2010, 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, 2010 and outstanding balances as at March 31, 2010 are summarized as follows:

11. Share Capital and Contributed Surplus, continued

(f) Stock Options, continued

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2009	Cancelled or Expired	Balance March 31, 2010
$0.25	$0.25	October 9, 2012	1,335,000	30,000	1,305,000
$0.28	$0.28	December 4, 2012	10,000	-	10,000
$0.10	$0.06	February 24, 2014	50,000	-	50,000
$0.10	$0.09	August 11, 2014	1,600,000	50,000	1,550,000
			2,995,000	**80,000**	**2,915,000**
Weighted average exercise price			$0.17	$0.16	$0.17
Weighted average fair value			$0.16	$0.15	$0.16
Weighted average contractual life in years			3.78		3.53

The Company issued 562,500 agent's options in relation to a private placement. Each agent's option is exercisable to purchase one unit at $0.08 for a period of two years. Each unit is comprised of one share and one-half of one share purchase warrant. Each whole warrant is exercisable to purchase one share at $0.15 for two years. The agent's options were fair valued at $0.05 per option using the Black-Sholes option pricing model (Note 11 (h)).

Exercise Price	Expiry Date	Balance December 31, 2009	Balance March 31, 2010
$0.08	December 23, 2011	562,500	562,500
		562,500	**562,500**
Weighted average exercise price		$0.08	$0.08
Weighted average contractual life in years		1.98	1.73

11. Share Capital and Contributed Surplus, continued

(g) Share Purchase Warrants

The Company's share purchase warrants outstanding as at March 31, 2010 are as follows:

Exercise Price	Expiry Date	Balance December 31, 2009	Granted	Balance March 31, 2010
$0.30	July 7, 2010	500,000	-	500,000
$0.15	June 12, 2011	3,172,222	-	3,172,222
$0.15	June 12, 2011	87,500	-	87,500
$0.15	July 17, 2011	1,756,950	-	1,756,950
$0.15	July 17, 2011	75,000	-	75,000
$0.15	July 24, 2011	534,091	-	534,091
$0.15	July 24, 2011	100,000	-	100,000
$0.15	December 23, 2011	3,487,500	-	3,487,500
$0.15	December 23, 2011	169,125	-	169,125
$0.10	December 23, 2011	312,500	-	312,500
$0.10	December 23, 2011	7,500	-	7,500
$0.06	January 14, 2015	-	50,000	50,000
		10,202,388	**50,000**	**10,252,388**
Weighted average exercise price		$0.16	$0.06	$0.16
Weighted average contractual life in years		1.63		1.40

During the three months ended March 31, 2010, the Company granted 50,000 warrants in respect to the property option agreement for the Rozan Property (Note 8 (a)). The Company recognized non-cash cost of $2,841 in respect to the warrants, being the fair value of the warrants calculated using the Black-Scholes option-pricing model (Note 11 (h)).

11. Share Capital and Contributed Surplus, continued

(h) Fair Value Determination

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

	March 31, 2010		December 31, 2009		
	Options	Warrants	Options	Agent's Options	Warrants
Risk-free interest rate	n/a	2.56%	2.59%	1.40%	1.34%
Expected share price volatility	n/a	170.60%	137.18%	516.64%	347.21%
Expected option/warrant life in years	n/a	5.0	5.0	2.0	2.0
Expected dividend yield	n/a	0%	0%	0%	0%

(i) Stock Based Compensation

	March 31, 2010	March 31, 2009
Consultants	$ -	$ -
Directors and officers	-	2,751
Employees	-	-
Total	**$ -**	**$ 2,751**

Option pricing models require the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of the Company’s stock options and brokers warrants.

12. Commitments

(a) Service Agreement

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 accommodation and office management services. The agreement expires on June 30, 2012. The Company may terminate the agreement at any time by paying the remaining monthly fees for a year from the date of the written notice of the termination.

12. Commitments, continued

(a) Service Agreement, continued

The fee commitment for the next four years is as follows:

Three months ending March 31,	Commitment $
2010	72,000
2011	96,000
2012	48,000

(b) Flow-Through Expenditures

Funds raised through the issuance of flow-through shares are required to be expended on qualifying Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

As at March 31, 2010, the Company has incurred qualifying expenditures of approximately $38,357 with respect to exploration activities at its mineral properties, with a remaining commitment of $511,815 to be incurred by December 31, 2010.

13. Supplemental Cash Flow Information

	Three Months ended March 31			
		2010		2009
Cash Items				
Income tax paid	$	-	$	-
Interest received	$	-	$	3
Interest paid	$	1,945	$	1,989
Share issue costs	$	-	$	722
Non-Cash Items				
Investing Activities				
Mineral property costs included in accounts payable	$	3,184	$	-
Mineral property costs included in related party	$	35,128	$	2,664
Financing Activities				
Fair value of warrants	$	2,841	$	-
Shares issued for mineral properties	$	6,000	$	7,000

Management's Discussion and Analysis

For the Three Months Ended March 31, 2010

Dated: May 18, 2010

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, 2010 to the previous year. These statements should be read in conjunction with the Company's interim financial statements for the three months ended March 31, 2010 and the audited financial statements for the year ended December 31, 2009. 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 18, 2010, 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" and on the Frankfurt Stock Exchange, open market (Freiverkehr) under the trading symbol "3VA.F". Effective 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, porphyry 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 the Province of British Columbia, Canada.

E. Description of Mineral Properties

As at March 31, 2010, the Company had interests in four mineral properties: the Star Property, the Swift Katie Property, the Toughnut Property, and the Rozan Property, all located near the town of Salmo in the Nelson Mining Division of south-eastern British Columbia. During the quarter, the Company added the Rozan Property to its portfolio. The property comprises thirty-two mineral claims.

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 the Rozan option agreement are disclosed in Note 8 to the Company's interim financial statements of March 31, 2010.

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, 2012. As at March 31, 2010, the Company had paid US $23,778 and had incurred $666,513 in acquisition and exploration expenditures.

The Star property is located in south-eastern British Columbia, approximately seven kilometres due southwest of the City of Nelson. The property consists of three recently staked MTO mineral claims and a group of 25 Crown-granted claims covering an area of approximately 1,037 hectares. The claims contain three historic mines that produced small amounts of Au-Ag-Cu ore from mineralized fault zones.

E. Description of Mineral Properties, continued

i) Star Mineral Property, continued

In mid July 2009, the Company completed a diamond drill program on the Star Project focusing primarily on the Alma N zone. A total of 478 metres of NQ2-sized core was drilled in three centrally located holes resulting in the collection of 276 samples for Au-ICP analyses; the initial results of which were disclosed publicly on September 10, 2009 (see NR-13-09). Subsequently, assay certificates issued to the company relative to certified metallic fire assays from the 2009 Alma N zone drill program, reported in September, were inconsistent due to a laboratory error. The Company restated the drill assay composites on February 17, 2010 (see NR-02-10).

Drilling highlights included: hole VST09-007 (Alma N zone) 2.12 g/t Au and 1.63 g/t Ag over 44.50 metres, which included a higher grade intercept of 11.29 g/t Au and 5.60 g/t Ag over 2.0 metres.

During August and September 2008, the company completed its inaugural exploration program on the property 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, centered on the Alma N and Star zones, were publicly disclosed on January 22, 2009 (see NR-01-09).

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 results of the programs discussed briefly above were very encouraging with all holes intersecting anomalous Au, Ag and Cu mineralization. These programs 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, geophysical surveys, and geochemistry.

ii) Swift Katie Mineral Property

Pursuant to the amended option agreement dated December 18, 2008, to earn 60% interest in the Swift Katie property the Company is required to make cash payments totalling $85,000 (renegotiated from $120,000), incur aggregate exploration expenditures of $600,000 and issue 640,000 common shares (renegotiated from 440,000 common shares). As at December 31, 2009, the Company earned 60% in the property by satisfying all the requirements described above.

E. Description of Mineral Properties, continued

ii) Swift Katie Mineral Property, continued

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.

On August 21, 2009 the Company entered into an option agreement with JRTL Capital Corp. ("JRTL") in respect to Swift Katie mineral property. On December 3, 2009, JRTL changed its name to Tosca Mining Corp. ("Tosca").

Pursuant to the agreement, the Company granted Tosca a working option to acquire 60% interest in Swift Katie property subject to the reservation of a 3% net smelter return royalty ("NSR") over the property in favour of the original property vendors. Details of the agreement are disclosed in Note 8 (b) to the Company's audited financial statements for the year ended December 31, 2009.

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.

E. Description of Mineral Properties, continued

ii) Swift Katie Mineral Property, continued

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.

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. Assay results from this work were 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.

iii) Toughnut Mineral Property

On March 10, 2009, the Company entered into an option agreement to acquire a 100% undivided interest in the 1,009 hectare 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.

E. Description of Mineral Properties, continued

iii) Toughnut Mineral Property, continued

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.

As at March 31, 2010, the Company paid $5,000, issued 100,000 shares to the Optionors at a fair value of $7,000, incurred $7,453 in legal fees related to acquisition of the property, and incurred $26,498 of exploration expenditures.

On March 4, 2010 the parties to the agreement amended the option payment and exploration commitment due on March 10, 2010 as follows:

- Issue 100,000 common share on or before March 10, 2010 (Issued)
- Pay $30,000 on or before August 1, 2010 and incur $300,000 on or before September 30,2010

The Company is currently compiling all of the available data and planning for an exploration program on the property where approximately 1,000 to 1,500 metres of drilling is proposed.

iv) Rozan Mineral Property

On January 13, 2010, the Company entered into an option agreement to acquire a 100% undivided interest in the 1,950 hectare Rozan Property.

To acquire a 100% interest in the Rozan Property, the Company is required to make staged payments totalling $200,000, incur total exploration expenditures of $1,000,000, and issue 350,000 of its common shares with 350,000 5-year warrants to the optionors over five years.

The optionor of the Rozan Property retains a 2% NSR on the property. The Company has the option to purchase one-half of the optionor's NSR royalty by payment of the sum of $500,000.

In addition to the optionor's NSR royalty of 2% on the property, there is an underlying royalty, pursuant to which a third party is entitled to a 1% NSR royalty on the property. The additional 1% NSR is subject to a right of first purchase by the optionor. Should the optionor acquire the additional 1% NSR on the property, the Company will have first right of purchase to acquire this royalty should the optionor elect in the future to sell it to a third party.

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 8 to the interim financial statements dated March 31, 2010. The deferred mineral property costs as at March 31, 2010 were as follows:

	Toughnut $	Star $	Swift Katie $	Rozan $	Total $
Acquisitions	22,453	33,526	133,889	7,845	197,713
Assays and analysis	-	51,855	86,355	-	138,210
Camp and supplies	101	11,585	15,822	-	27,508
Drilling	1,000	281,037	684,275	-	966,312
Environmental expenses	-	1,795	7,225	-	9,020
Equipment rental and field supplies	140	10,175	31,533	-	41,848
General exploration	4	2,405	1,664	-	4,073
Geological services	-	28,359	480,229	-	508,588
Project supervision	21,652	154,798	121,624	5,780	303,854
Project support	3,025	90,779	17,952	-	111,756
Stock-based compensation	-	9,675	37,172	-	46,847
Travel	576	14,302	22,952	-	37,830
Total	**48,951**	**690,291**	**1,640,692**	**13,625**	**2,393,559**

G. Results of Operations

The following table summarizes variances (please refer statement of operations and deficit, page 3 of 21 of the interim financial statements as at March 31, 2010).

	Three months ended March 31, 2010 $	Three months ended March 31, 2009 $	Variance Increase/(Decrease) $	Variance Increase/(Decrease) %
Expenses				
Administration	26,790	27,396	(606)	(2)
Amortization	-	235	(235)	(100)
Consulting services	16,665	18,082	(1,417)	(8)
General exploration	9,000	5,100	3,900	76
Independent directors' fees	9,171	9,000	171	2
Interest	1,945	1,986	(41)	(2)
Investor relations	15,467	8,877	6,590	74
Office and general	6,583	6,828	(245)	(4)
Professional fees	24,945	33,522	(8,577)	(26)
Regulatory fees and taxes	6,038	2,236	3,802	170
Shareholders communications	630	1,152	(522)	(45)
Stock-based compensation	-	2,751	(2,751)	(100)
Transfer agent	2,420	1,502	918	61
Travel and promotion	781	422	359	85
Future Income Tax Recovery	(375)	-	(375)	-
Tax benefits renounced to flow-through shares	190,239	250,000	(59,761)	(24)

Net result from operations for the three months ended March 31, 2010 ("2010") and 2009 ("2009") was $69,429 and of $130,911 respectively. The decrease in the net income 2010 was primarily due to the decrease of the future income tax recovery from the flow-through shares. Future income tax recovery is a non-cash item, related to the tax benefits of eligible Canadian exploration expenditures renounced to flow-through share subscribers in February 2010 and 2009.

G. Results of Operations, continued

Stock based compensation is a non-cash item representing the fair value determined under the Black-Scholes model of the vested portion of existing options, which was allocated to the consolidated statement of operations and deficit. Allocation of stock based compensation for 2010 was $Nil (2009: $2,751). Net loss of the Company for the three months ended March 31, 2010 and 2009, net of future income tax recovery and stock based compensation was $120,435 and $116,338 respectively. The increase of $1,346 in the net loss before stock-based compensation and future income tax recovery was mainly due to the decrease in the following expenses:

(i) General exploration expenses increased due to increase in expenses relating to new property search for exploration purposes
(ii) Investor relations fees increased due to increase in investor relation activities to attract new investors for future financing.
(iii) Professional fees decreased due to decrease in requirement for professional services.

During the fiscal year ended December 31, 2009, the Company wrote off its investments in Hester Creek Estate Winery, Abridean Inc., BioVan Inc., and Cardiovascular Solutions Inc. There is no quoted market price in an active market for the investments. In management's opinion, the recoverable amount of these investments is zero. These investments were purchased in the period 1999-2000 for a total of $2,350,000 and were written down to $1 each in the period 2001-2002 due to other than temporary decline in their recoverable amount. The Company transferred its share certificates of Abridean Inc. to a third party.

H. Quarterly Results

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

	Mar 31 2010 $	**Dec 31 2009 $**	**Sep 30 2009 $**	**Jun 30 2009 $**	**Mar 31 2009 $**	**Dec 31 2008 $**	**Sep 30 2008 $**	**Jun 30 2008 $**	**Mar 31 2008 $**
Operating expenses	120,435	150,081	117,127	149,011	116,341	(10,409)	121,438	144,724	179,620
Interest earned	-	-	-	(402)	(3)	-	(7)	(1,123)	-
Foreign exchange (gain) loss	-	-	-	-	-	1,213	317	-	-
Loss before the following items	120,435	150,081	117,127	148,609	116,338	(9,196)	121,748	143,601	179,620
Stock-based compensation	-	20,965	95,818	-	2,751	11,929	-	-	-
Tax benefits renounced to flow-through shares	(190,239)	-	-	-	(250,000)	-	-	-	(288,698)
Future income tax recovery	375	-	-	-	-	-	-	-	-
Mineral properties written-off	-	-	-	-	-	1,213	-	-	-
Investments written off	-	-	4	-	-	-	-	-	-
Gain on written-off debt	-	-	-	-	-	-	-	-	(7,500)
Net Loss/(Profit)	**(69,429)**	**171,046**	**212,949**	**148,609**	**(130,911)**	**3,946**	**121,748**	**143,601**	**(116,578)**
Loss (earnings) per share-basic and diluted	$0.00	$0.01	$0.01	$0.01	($0.01)	$0.00	$0.01	$0.01	($0.01)

H. Quarterly Results, continued

Operating expenses decreased for four quarters in a row starting from the first quarter of the fiscal year 2008. Management had expected the deterioration in the global financial market and started cutting expenses and conserving cash where possible. During the first quarter of 2009, operating expenses slightly increased compared to the previous quarter mainly due to the boost in investors relation activities and fees related to them, and increase in accounting fees, related to the preparation of the annual audited financial statement and other financial information of the Company.

Operating expenses in the quarter ended June 30, 2009 increased compared to the previous four quarters, due to an increase in consulting fees related to the maintenance of the Company's credit facility, investor relation fees and corporate secretarial fees related to the two non-brokered private placements, insurance fees related to enhanced insurance policy, and filing fees related to the filing of the Company's annual audited financial statements.

Management expects that in the following quarters the operation expenses will continue to increase due to the Company's increased investor relation and fundraising activities, as well as due to the increasing of accounting fees related to the additional work on regards to the transition to IFRS.

During the quarters ended March 31, 2009 and September 30, 2009 the Company recorded a stock-based compensation expense of $2,751 and $95,818 in relation to 50,000 and 1,600,000 stock options respectively granted to directors, officers and consultants of the Company and management company employees.

During the quarter ended March 31, 2010, the Company recorded $190,239 in future income tax recovery in relation to renunciation of $760,957 in flow-through expenditures to flow-through share subscribers.

I. Related Parties Information

The Company entered into the following related party transactions during the three months ended March 31, 2010 and 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, 2010 were $97,337 (March 31, 2009: $109,821). Amounts payable under the agreement at March 31, 2010 were $449,094 (December 31, 2009: $369,887).

I. Related Parties Information, continued

(b) Fees in the amount of $4,095 (March 31, 2009: $15,624) 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, 2010 were $62,962 (December 31, 2009: $58,675).

(c) Consulting fees related to office administration of $6,000 (March 31, 2009: $6,000) were charged by a private company controlled by the VP Administration of the Company. Amounts payable as at March 31, 2010 were $16,800 (December 31, 2009: $10,500).

(d) Independent director's fees of $9,000 (March 31, 2009, $9,000) were charged. Amounts payable as at March 31, 2010 were $36,356 (December 31, 2009: $27,493)

(e) Consulting fees relating to corporate development and financing activities of were charged by a private company controlled by a director and an officer of the Company in the previous fiscal year and were included in consulting fees and share issue costs in 2009. Amounts payable as at March 31, 2010 were $24,675 (December 31, 2009: $24,675).

The total amount due to related parties as at March 31, 2010 was $589,887 (December 31, 2009: $463,737).

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

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.

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.

J. Financial Conditions, Liquidity and Capital Resources, continued

The Company had a net working capital deficiency of $368,773 (current assets of $533,163 minus current liabilities of $901,936) as at March 31, 2010 compared to a net working capital deficiency of $207,935 as at December 31, 2009 (current assets of $601,108 minus current liabilities of $809,043). Excluding cash reserved for Canadian exploration expenditures, net working capital deficiency as at March 31, 2010 was $873,973 (December 31, 2009: $708,763).

To address the working capital deficiency, the Company completed three non-brokered private placements of flow-through and non flow-through units for gross proceeds of $1,237,626 in June, July, and December 2009. The Company has been reducing general and administration costs, where possible, 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.

However, at March 31, 2010 the unrestricted cash balance of $2,579 would be insufficient to meet the cash requirements for the Company's administrative overhead and maintaining its mineral interests in the coming year. Therefore, the Company will be required to raise additional capital in order to fund its operations in 2010.

i) Equity financings

<u>**Three Months Ended March 31, 2010**</u>

The Company did not participate in any private placements during the three months ended March 31, 2010.

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, 2010.

iii) Mineral properties expenditures

During the three months ended March 31, 2010, the Company spent $15,925 in cash on mineral properties (net of shares issued for acquisition costs, stock-based compensation capitalized to mineral properties, ending balances of accounts payable for mineral properties and earn-in). Approximately 60% of this amount was directed towards Star, 28% to Rozan, and 12% to Toughnut.

J. Financial Conditions, Liquidity and Capital Resources, continued

iv) Amount receivable

As at March 31, 2010, the Company had $6,615 GST receivable and $862 part xii.6 tax receivable from Revenue Canada. (December 31, 2009: $10,564 GST receivable and $862 part xii.6 tax receivable) Accrued interest on reclamation bond for Swift Katie was $402 (December 31, 2009: $402).

v) Commitments

Mineral properties interests

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 $25,000 on or before May 13, 2010 (paid);
- Pay US $25,000 on or before May 13, 2011;
- Pay US $30,000 on or before May 13, 2012.

(b) Swift Katie Mineral Property

- Pay $60,000 and issue 225,000 common shares to the Optionors on or before December 31, 2010 and on or before December 31, 2011;
- Pay $35,000 advance minimum royalty payment on December 31, 2010 and 2011;
- Pay $50,000 advance minimum royalty payment on December 31, 2012.

The option agreement with Tosca (Note E (ii)) will facilitate the commitments necessary for the Swift Kate mineral property.

J. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

(c) Toughnut Mineral Property

- Pay $30,000 on or before August 1, 2010 and incur not less than an aggregate $300,000 of exploration expenditures on or before September 30, 2010.

- 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.

(d) Rozan Mineral Property

- Pay $30,000, issue 50,000 common shares and 50,000 5-year warrants, and incur not less than an aggregate $50,000 of exploration expenditures on or before January 13, 2011;

- Pay $30,000, issue 50,000 common shares and 50,000 5-year warrants, and incur not less than an aggregate $250,000 of exploration expenditures on or before January 13, 2012;

Other commitments

(a) Service agreement

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 accommodation and office management services. The agreement expires on June 30, 2012 and may be cancelled upon one year's notice.

(b) Flow-through expenditures

The Company is committed to incur qualifying Canadian exploration expenditures relating to the private placements of flow-through shares completed in December 2009. Funds raised through the issuance of flow-through shares are required to be expended on qualifying Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

As at May 18, 2010, the Company has a commitment of $485,000 to be incurred by December 31, 2010.

K. Outstanding Shares, Options and Share Purchase Warrants

i) Issued and outstanding shares and contributed surplus

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

Balance as at December 31, 2008	**23,056,439**		**7,598,368**		**327,401**
Issued					
Shares for mineral property payment	210,000		12,500		-
Private placements	14,416,104		1,237,626		-
Stock-based compensation	-		-		144,305
Subtotal	14,626,104		1,250,126		144,305
Share issue costs	-		(78,874)		-
Value assigned to agent warrants	-		(32,768)		32,768
Value assigned to agent options	-		(28,116)		28,116
Tax benefits renounced to flow-through share subscribers	-		(250,000)		-
Balance as at December 31, 2009	**37,682,543**	**$**	**8,458,736**	**$**	**532,590**
Issued					
Shares for mineral property payment	150,000		6,000		-
Subtotal	150,000		6,000		-
Value assigned warrants for mineral property payment	-		-		2,841
Tax benefits renounced to flow-through share subscribers	-		(190,239)		-
Balance as at March 31, 2010	**37,832,543**	**$**	**8,274,497**	**$**	**535,431**
Balance as at May 18, 2010	**37,832,543**	**$**	**8,274,497**	**$**	**535,431**

ii) Private Placements

Three Months Ended March 31, 2010

The Company did not participate in any private placements during the three months ended March 31, 2010.

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

iii) Shares Issued for Mineral Property

Three Months Ended March 31, 2010

The Company issued 50,000 shares at a fair value of $0.06 per share to the Optionors on signing of the option agreement for Rozan property and issued 50,000 warrants at a fair value of $0.057 as per the agreement.

The Company issued 100,000 shares at a fair value of $0.03 per share to the Optionors as per the option agreement for the Toughnut property.

iv) Share Purchase Warrants

The Company had 10,252,388 share purchase warrants outstanding at March 31, 2010 and 10,252,388 as at May 18, 2010. In January, 2010, the Company issued 50,000 warrants to optionors pursuant to an option agreement for Rozan property (Note E (iv)).

Exercise Price	Expiry Date	Balance May 18, 2010
$0.30	July 7, 2010	500,000
$0.15	June 12, 2011	3,172,222
$0.15	June 12, 2011	87,500
$0.15	July 17, 2011	1,756,950
$0.15	July 17, 2011	75,000
$0.15	July 24, 2011	534,091
$0.15	July 24, 2011	100,000
$0.15	December 23, 2011	3,487,500
$0.15	December 23, 2011	169,125
$0.10	December 23, 2011	312,500
$0.10	December 23, 2011	7,500
$0.055	January 14, 2012	50,000
		10,252,388

Weighted average exercise price	$0.16
Weighted average contractual life in years	1.27

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

v) Agent's Options

The Company also issued 562,500 agent's options in relation with this private placement. Each agent's option is exercisable to purchase one unit at $0.08 for a period of two years. Each unit is comprised of one share and one-half of one share purchase warrant. Each whole warrant is exercisable to purchase one share at $0.15 for two years. The agent's options were fair valued at approximately $0.05 per option using the Black-Sholes option-pricing model (Note K (vii)). Outstanding Agent's options as at May 18, 2010 was 562,000.

Exercise Price	Expiry Date	Balance May 18, 2010
$0.08	December 23, 2011	562,500
		562,500
Weighted average exercise price		$0.08
Weighted average contractual life in years		1.60

vi) Stock Options

During the three months ended March 31, 2010 the Company did not grant any options. As at March 31, 2010 and May 18, 2010, the Company had 2,915,000 stock options vested and outstanding respectively. A description of share purchase options outstanding as at May 18, 2010 follows:

Exercise Price	Expiry Date	Balance May 18, 2010
$0.25	October 9, 2012	1,305,000
$0.28	December 4, 2012	10,000
$0.10	February 24, 2014	50,000
$0.10	August 11, 2014	1,550,000
		2,915,000
Weighted average exercise price		$0.17
Weighted average contractual life in years		3.40

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

vii) Fair Value Determination

The fair values of share purchase warrants issued to agents and stock options granted were calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

	March 31, 2010		December 31, 2009		
	Options	**Warrants**	**Options**	**Agent's Options**	**Warrants**
Risk-free interest rate	n/a	2.56%	2.59%	1.40%	1.34%
Expected share price volatility	n/a	170.60%	137.18%	516.64%	347.21%
Expected option/warrant life in years	n/a	5.0	5.0	2.0	2.0
Expected dividend yield	n/a	0%	0%	0%	0%

Option pricing models require the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of the Company's stock options and brokers warrants.

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.

M. Financial Instruments

The Company's financial instruments comprise cash, classified as held-for-trading, investment, 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, 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 investment during the three months ended March 31, 2010 was based on its quoted market value as at the period end (Level 1).

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

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 independent directors, who meet at least quarterly with management and, at least annually with the external auditors to review accounting, internal control, financial reporting, and audit matters.

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.

P. Disclosure Controls and Procedures, continued

The Canadian Securities Administrators ("CSA") have published National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") which applies to interim and annual financial periods ending on or after December 15, 2008. Being a venture issuer, the Company is exempted from the certification on Disclosure Controls and Procedures ("DC&P") and Internal Control Over Financial Reporting ("ICFR"). The Company is required to file Form 52-109FV1 for the annual reporting.

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.

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.

Q. Risks and Uncertainties, continued

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.

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.

Q. Risks and Uncertainties, continued

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 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 company will evaluate the impact on these new sections on its financial statements when applicable.

ii) 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 and implement the changeover plan to IFRS on a timely basis.

As at March 31, 2010 the Company has identified current GAAP applicable to the Company that will be affected by the changeover and differences with the corresponding IFRSs and has outlined appropriate policy choices allowed under IFRS.

The management submitted a document outlining the differences between and current GAAP and IFRS, appropriate policy choices and their impact on the Company's financial statements and business processes to the Audit Committee for discussion. Possible major impact that management expects IFRS will have on the Company's financial position are summarized in the following table. IFRS will also have more extensive disclosure and analysis of balances and transactions in the notes to the financial statements.

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

Key areas	Canadian GAAP	IFRS	Preliminary analysis
Mineral properties and deferred exploration costs	Exploration, evaluation and development costs can be either capitalized or expensed when incurred.	IFRS has only limited guidance on this topic and currently allows the Company to carry its current treatment.	Recommend to expense the exploration evaluation and development cost.
Stock-based compensation	Stock-based compensation is determined using the Black Scholes option pricing model. Allows the option to use straight-line method or accelerated method to account for graded vesting features.	Stock-based compensation is determined using the Black Scholes option pricing model. For graded-vesting features, each installment is to be treated as a separate share option grant because each installment has a different vesting period, and hence the fair value of each installment will differ.	The recognition of the value of stock-based compensation will be higher at the early vesting stage and will decrease as options are near the final vesting stage.

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

Previously the Company reported that it was contemplating a business arrangement with another junior exploration company, which would result in an amalgamation of the two companies into one entity.

However, discussions about this amalgamation have been put on hold for an indefinite period since the management believes that the current market conditions would enable the Company to finance its projects independently.

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.