Valterra Resource Corporation

(An Exploration Stage Company)

Interim Financial Statements

For the Nine Months Ended September 30, 2010 and 2009

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements of the Company for the nine months ended September 30, 2010 and comparatives for the nine months ended September 30, 2009 were prepared by the management and have **not been reviewed or audited** by the Company's auditors.

Valterra Resource Corporation
(An Exploration Stage Company)
Balance Sheets

	Note		September 30, 2010 (Unaudited)		December 31, 2009 (Audited)
Assets					
Current					
Cash and cash equivalents	12	$	21,178	$	587,199
Receivables			41,812		11,828
Prepaid and deposits			4,215		2,081
Total Current Assets			**67,205**		**601,108**
Investment	7		16,000		20,000
Mineral properties	8		2,893,843		2,344,315
Reclamation bonds	6		45,000		45,000
Total Assets		**$**	**3,022,048**	**$**	**3,010,423**
Liabilities					
Current					
Bank indebtedness	9	$	197,257	$	197,808
Accounts payable and accrued liabilities			158,597		147,498
Due to related parties	10		793,499		463,737
Total Current Liabilities			**1,149,353**		**809,043**
Shareholders' Equity					
Share capital	11 (b)		8,274,497		8,458,736
Contributed Surplus	11 (b)		535,431		532,590
Accumulated Other Comprehensive Loss (Gain)			(7,875)		(5,000)
Deficit			(6,929,358)		(6,784,946)
Total Shareholders' Equity			**1,872,695**		**2,201,380**
Total Liabilities and Equity		**$**	**3,022,048**	**$**	**3,010,423**

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

Approved on behalf of the Board:

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

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 September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Operating Expenses				
Administration	$ 26,691	$ 27,577	$ 80,183	$ 83,449
Amortization	-	235	-	706
Consulting	10,791	18,333	51,397	76,704
Directors and officers fees	-	12,000	23,250	34,125
General exploration	5,501	2,705	19,275	8,945
Interest	1,612	2,307	4,500	5,595
Investor relations	6,023	17,296	27,591	40,579
Office and general	5,641	2,502	23,436	21,475
Professional fees	26,327	29,215	79,304	94,148
Regulatory fees and taxes	1,106	900	18,049	7,220
Shareholders communications	430	2,493	1,628	4,485
Stock-based compensation	-	95,818	-	98,569
Transfer agent	788	1,394	4,108	3,906
Travel and promotion	-	170	805	737
Total Operating Expenses	**84,910**	**212,945**	**333,526**	**480,643**
Other Items				
Write off of investments	-	4	-	4
Total Other Items	**-**	**4**	**-**	**4**
Loss Before Future Income Tax Recovery	**84,910**	**212,949**	**333,526**	**480,647**
Future income tax expense on investment	(437)	-	1,125	-
Tax benefits renounced to flow-through shares	-	-	(190,239)	(300,000)
Net Loss for the Period	**84,473**	**212,949**	**144,412**	**180,647**
Deficit, Beginning of the Period	**6,844,885**	**6,350,951**	**6,784,946**	**6,383,253**
Deficit, End of the Period	**$ 6,929,358**	**$ 6,563,900**	**$ 6,929,358**	**$ 6,563,900**
Earnings per share - basic and diluted	$ 0.00	$ 0.01	$ 0.00	$ 0.01
Weighted average number of common shares outstanding	37,832,543	29,400,483	37,809,803	25,524,727

The accompanying notes are an integral part of these financial statements

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2010		**2009**		**2010**		**2009**
Net Income (Loss) for the Period	$	84,473	$	212,949	$	144,412	$	180,647
Other comprehensive loss (gain)								
Adjustment for fair value of investment		(3,500)		-		9,000		-
Comprehensive Loss for the Period	**$**	**80,973**	**$**	**212,949**	**$**	**153,412**	**$**	**180,647**
Accumulated Other Comprehensive Loss, Beginning	**$**	**10,938**	**$**	**-**	**$**	**5,000**	**$**	**-**
Adjustment for fair value of investment		(3,063)		-		2,875		-
Accumulated Other Comprehensive Loss, End	**$**	**7,875**	**$**	**-**	**$**	**7,875**	**$**	**-**

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 September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Operating Activities				
Net loss for the period	$ (84,473)	$ (212,949)	$ (144,412)	$ (180,647)
Items not involving cash:				
Future income tax recovery	(437)	-	1,125	-
Tax benefits renounced to flow-through shares	-	-	(190,239)	(300,000)
Amortization	-	235	-	706
Stock-based compensation	-	95,818	-	98,569
Write-off of investments	-	4	-	4
	(84,910)	(116,892)	(333,526)	(381,368)
Changes in Non-Cash Working Capital				
Receivables	(28,114)	(11,204)	(29,984)	(8,346)
Prepaid and deposits	2,299	216	(2,134)	4,553
Accounts payable and accrued liabilities	7,936	(61,180)	15	(42,478)
Due to related parties	79,719	(4,936)	314,418	21,507
	61,840	(77,104)	282,315	(24,764)
Cash Used in Operating Activities	**(23,070)**	**(193,996)**	**(51,211)**	**(406,132)**
Investing Activities				
Expenditures on mineral properties	(349,617)	(137,998)	(514,259)	(280,855)
Refund (Purchase) of reclamation bonds	-	-	-	7,000
Cash Used in Investing Activities	**(349,617)**	**(137,998)**	**(514,259)**	**(273,855)**
Financing Activity				
Shares issued for cash	-	275,626	-	654,626
Share issuance costs	-	(16,315)	-	(35,327)
Cash Provided by Financing Activities	-	259,311	-	619,299
Decrease in Cash During the Period	**(372,687)**	**(72,683)**	**(565,470)**	**(60,688)**
Cash, Beginning of the Period	196,608	(59,299)	389,391	(71,294)
Cash, End of the Period	$ **(176,079)**	$ **(131,982)**	$ **(176,079)**	$ **(131,982)**

Supplemental cash flow information (Note 12)

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 are listed on the Canadian National Stock Exchange ("CNSX"). The Company's mineral properties are located in British Columbia, Canada.

The Company's principal business activities include acquisition, exploration, and development of mineral natural resource properties. The Company is in the exploration stage and has not determined whether any of its mineral properties contain ore reserves.

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 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 for the foreseeable future. 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.

The Company had a net working capital deficiency of $1,082,148 (current assets of $67,205 less current liabilities of $1,149,353) as at September 30, 2010 compared to a net working capital deficiency of $207,935 as at December 31, 2009 (current assets of $601,108 less current liabilities of $809,043). Excluding cash reserved for Canadian exploration expenditures of $15,455, net working capital deficiency as at September 30, 2010 was $1,097,603 (December 31, 2009: $708,763).

The Company does not hold any revenue generating properties and thereby continues to incur losses. As at September 30, 2010, the Company has an accumulated deficit of $6,929,358 (December 31, 2009: $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 the 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 audited annual financial statements for the fiscal year ended December 31, 2009. The results for the nine months ended September 30, 2010 are stated utilizing the same accounting policies and methods of application as the most recent audited annual financial statements, but are not necessarily indicative of the results to be expected for the full year. 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 preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

The Company's functional and 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

(a) Future Accounting Changes

(i) Business Combinations

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.

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

(a) Future Accounting Changes, continued

(i) Business Combinations, continued

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.

(ii) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt 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. Financial Instruments

The Company's financial instruments comprise of cash, reclamation bonds, investments, bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties. Receivables consist of amounts due from the government and are excluded as a financial instrument. The Company has classified its financial instruments into the following categories:

	September 30, 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	$ 21,178	$ -	$ -	$ 587,199	$ -	$ -
Investments	-	16,000	-	-	20,000	-
Reclamation bonds	-	-	45,000	-	-	45,000
	$ 21,178	$ 16,000	$ 45,000	$ 587,199	$ 20,000	$ 45,000

4. Financial Instruments, continued

	September 30, 2010	December 31, 2009
Financial Liabilities	**Other Financial Liabilities**	**Other Financial Liabilities**
Bank indebtedness	$ 197,257	$ 197,808
Accounts payable and accrued liabilities	147,412	147,498
Due to related parties	793,499	463,737
	$ 1,138,168	$ 809,043

Fair Value

The carrying values of cash, bank indebtedness, and accounts payable and accrued liabilities are a reasonable estimate of their fair values due to the short period to maturity. The fair value of investments is based on its quoted market price in an active market as at September 30, 2010. Reclamation bonds are non-interest-bearing and recorded at their fair value.

The fair values of amounts due to related parties cannot be reliably measured since there is no quoted price for such instruments.

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).

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	$ 16,000	$ -	$ -	$ 16,000

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

(a) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. 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.

4. Financial Instruments, continued

(b) Liquidity Risk

Liquidity risk is defined as the risk of encountering difficulty in obtaining funds to meet financial obligations as they come due. 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 and through management of its capital structure. As at September 30, 2010, the cash balance of $21,178 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 several months. The Company will be required to raise additional capital in order to fund its operations.

(c) Market Risk

(i) 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.

(ii) 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, whereby the Company is required to make payments totaling US $280,000 with the next payment of US $25,000 due May 13, 2011. An appreciation or depreciation of the US dollar by 10% can affect the Company's cash flow by $23,153 over the remaining term of the agreement.

As at September 30, 2010, the Company had no amounts receivable or payable in any other currencies than the Canadian dollar.

(iii) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk through its investment as disclosed in Note 7. Assuming all other variables remain constant, a 10% decrease or increase in the market price of the Company's investment would result in $1,600 decrease or increase respectively in the Company's comprehensive income.

5. Capital Management

The capital of the Company consists of components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests. The Company's objectives of capital management are 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's primary process for managing capital consists of the ongoing assessment of current capital resources against budgeted exploration and administrative expenditures. In order to maintain or adjust the capital structure, the Company may issue new shares. There can be no assurance that the Company will be able to obtain equity capital in the case of operating cash deficits.

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.

6. Reclamation Bonds

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

As at September 30, 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.

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 September 30, 2010 was $0.16 per share. The Tosca shares were obtained in consideration for payments required pursuant to an earn-in agreement on the Swift Katie property, located in the Nelson Mining Division, British Columbia, Canada.

The Company holds less than 1% of the total number of shares of Tosca as at September 30, 2010.

8. Mineral Properties

The Company has interests in four mineral properties called Star, Swift Katie, Toughnut, and Rozan. All the properties are located near the towns of Nelson and Salmo, British Columbia. Details of option agreements with respect to the Company's properties are disclosed in the notes to the audited annual financial statements dated December 31, 2009.

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 of 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** 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.

**Each unit consists of one common share and one warrant. Each warrant is exercisable at $0.06 for a period of five years.

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 NSR royalty by paying $500,000 to the Optionors.

(b) Star Property

In order to facilitate the Star option payment on May 13, 2010 as per the option agreement, the Company issued promissory notes to one director/officer and three consultants of the Company for $25,494.

(c) Toughnut Property

On March 4, 2010, the parties to the Toughnut option 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)
- Incur $300,000 in exploration expenditures on or before September 30,2010 (Not yet incurred) and
- Pay $30,000 on or before August 1, 2010 ($6,000 paid, negotiations are underway to modify the option agreement)

8. Mineral Properties, continued

(d) Mineral Properties Expenditures

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. A summary of capitalized expenditures as at September 30, 2010 is as follows:

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	9,422	26,479	690	8,344	44,935
Balance as at September 30, 2010	**28,875**	**59,963**	**134,579**	**8,344**	**231,761**
Exploration					
Balance as at December 31, 2009	23,353	627,333	1,506,803	-	2,157,489
Assays and analysis	23,400	17,686	-	1,020	42,106
Camp and supplies	5,064	3,148	-	788	9,000
Drilling	114,827	66,878	-	-	181,705
Environmental expenses	2,695	930	-	-	3,625
Equipment rental and field supplies	10,680	7,676	-	757	19,113
General exploration	73	73	-	-	146
Geological services	81,686	53,517	-	6,070	141,273
Project supervision	31,624	62,947	-	12,495	107,066
Travel	559	-	-	-	559
Net additions during the period	270,608	212,855	-	21,130	504,593
Balance as at September 30, 2010	**293,961**	**840,188**	**1,506,803**	**21,130**	**2,662,082**
Total acquisition and exploration cost	**322,836**	**900,151**	**1,641,382**	**29,474**	**2,893,843**

(e) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to site restoration and reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company’s policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

8. Mineral Properties, continued

(e) Environmental, continued

Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. Environmental legislation is becoming increasingly stringent and the cost of regulatory compliance is 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 mineral properties, the potential for production on the properties may be diminished or negated.

(f) Title to Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history of many mineral properties. The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties and, to the best of its knowledge, title to its properties are in good standing; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

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. The balance outstanding as at September 30, 2010 was $197,257 (December 31, 2009: $197,808).

10. Related Party Balances and Transactions

In addition to those transactions disclosed elsewhere in these financial statements, the Company entered into the following related party transactions during the nine months ended September 30, 2010 as follows:

(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:

- $77,619 (September 30, 2009: $80,865) for office space and general administration services;
- $33,584 (September 30, 2009: $44,081) for professional services;
- $27,285 (September 30, 2009: $34,868) for consulting services;
- $19,811 (September 30, 2009: $28,014) for investor relations services;
- $121,325 (September 30, 2009: $158,850) for geological consulting services in relation to mineral properties
- $2,564 (September 30, 2009: $2,583) in respect of the mark-up on out-of-pocket expenses, which were included in office and general expenses.

10. Related Party Balances and Transactions, continued

Amounts payable under the agreement at September 30, 2010 were $583,581 (December 31, 2009: $369,887).

(b) Fees in the amount of $23,493 (September 30, 2009: $53,504) 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 September 30, 2010 were $84,031 (December 31, 2009: $58,675).

(c) Consulting fees relating to office administration of $14,000 (September 30, 2009: $18,000) were charged by a private company controlled by an officer (resigned as an officer effective July 2010) of the Company. Amounts payable as at September 30, 2010 were $25,340 (December 31, 2009: $10,500).

(d) Independent directors' fees of $23,250 (September 30, 2009: $34,125) were incurred by the Company (Independent directors' fees were discontinued as of July 1, 2010). Amounts payable as at September 30, 2010 were $50,378 (December 31, 2009: $27,493).

(e) In order to facilitate the Star option payment on May 13, 2010 as per the option agreement, the Company issued promissory notes to one director/officer and three employees of the Company for $25,494.

(f) Consulting fees relating to corporate development and financing activities were 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 September 30, 2010 were $24,675 (December 31, 2009: $24,675).

The total amount due to related parties as at September 30, 2010 was $793,499 (December 31, 2009: $463,737). Amounts due to related parties are unsecured, non-interest bearing, and have no formal terms of repayment.

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 Shares and Contributed Surplus

The issued and outstanding share capital is as follows:

Common Shares	Number of shares		Amount		Contributed Surplus
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**
Shares for mineral property payment	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 September 30, 2010	**37,832,543**	**$**	**8,274,497**	**$**	**535,431**

(c) Equity Financings

The Company did not announce or participate in any equity financings or private placements during the nine months ended September 30, 2010.

11. Share Capital and Contributed Surplus, continued

(d) Shares Issued for Mineral Property

The Company issued 50,000 shares at a fair value based on the quoted market price 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 calculated using the Black-Scholes option pricing model (Note 11(h)).

The Company issued 100,000 shares at a fair value based on the quoted market price 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 for this amount, in connection with the renunciation of flow-through expenditures of $760,957 in February 2010.

(f) Stock Options

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.

A summary of the stock options outstanding and exercisable as at September 30, 2010 is provided below:

Exercise Price	Expiry Date	Balance December 31, 2009	Cancelled or Expired	Balance September 30, 2010
$0.25	October 9, 2012	1,335,000	60,000	1,275,000
$0.28	December 4, 2012	10,000	-	10,000
$0.10	February 24, 2014	50,000	-	50,000
$0.10	August 11, 2014	1,600,000	120,000	1,480,000
		2,995,000	**180,000**	**2,815,000**
Weighted average exercise price		$0.17	$0.15	$0.17
Weighted average contractual life remaining in years		3.78		3.02

11. Share Capital and Contributed Surplus, continued

(f) Stock Options, continued

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-Scholes option pricing model.

Exercise Price	Expiry Date	Balance December 31, 2009	Balance September 30, 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 remaining in years		1.98	1.23

(g) Share Purchase Warrants

The Company's share purchase warrants outstanding as at September 30, 2010 are as follows:

Exercise Price	Expiry Date	Balance December 31, 2009	Granted	Cancelled or Expired	Balance September 30, 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**	**500,000**	**9,752,388**
Weighted average exercise price		$0.16	$0.06	$0.30	$0.15
Weighted average contractual life remaining in years		1.63			0.96

11. Share Capital and Contributed Surplus, continued

(g) Share Purchase Warrants, continued

During the nine months ended September 30, 2010, the Company granted 50,000 warrants with respect to the property option agreement for the Rozan Property (Note 8 (a)). The Company recognized the fair value of the share purchase warrants of $2,841 calculated using the Black-Scholes option-pricing model (Note 11 (h)).

(h) Fair Value Determination

The Company applies the fair value method of accounting for stock-based awards and, accordingly, the fair value of stock-based awards is expensed in the statements of operations and deficit or capitalized to mineral properties as appropriate.

The fair value of stock options and share purchase warrants granted during the nine months ended September 30, 2010 was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	September 30, 2010		September 30, 2009	
	Options	Warrants	Options	Warrants
Risk-free interest rate	n/a	2.56%	2.59%	1.32%
Expected share price volatility	n/a	170.60%	94.81%	106.51%
Expected option/warrant life in years	n/a	5.0	5.0	2.0
Expected dividend yield	n/a	0%	0%	0%

(i) Stock-Based Compensation

Option pricing models require the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate. The total calculated fair value of stock-based compensation for the nine months ended September 30, 2010 and 2009 were included in the respective statements of operations or capitalized to mineral properties as follows:

11. Share Capital and Contributed Surplus, continued

(i) Stock-Based Compensation, continued

	September 30, 2010		September 30, 2009	
Consultants	$	-	$	10,162
Directors and officers		-		69,171
Employees		-		39,561
Total	**$**	**-**	**$**	**118,894**
Included in statements of operations and deficit		-		98,569
Included in mineral properties		-		20,325
Total	**$**	**-**	**$**	**118,894**

12. Supplemental Cash Flow Information

	Nine Months Ended September 30			
	2010		2009	
Cash and Cash Equivalents				
Cash & cash equivalents	$	5,723	$	7,279
Cash reserved for FT expenditures		15,455		59,227
Bank indebtedness		(197,257)		(198,488)
Total Cash and Cash Equivalents	$	(176,079)	$	(131,982)
Cash Items				
Income tax paid	$	-	$	-
Interest received		215		3
Interest paid		4,715		6,000
Share issue costs		-		35,327
Non-Cash Items				
Investing Activities				
Mineral property costs included in accounts payable	$	11,084	$	13,549
Mineral property costs included in related party		29,178		24,053
Stock-based compensation included in mineral properties		-		20,325
Financing Activities				
Fair value of warrants	$	2,841	$	-
Shares issued for mineral properties		6,000		7,000
Tax benefits renounced to flow-through share subscribers		190,239		300,000

13. 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. The fee commitment for the next three years is as follows:

Year ending December 31,		Amount
2010	$	24,000
2011		96,000
2012		48,000
	$	168,000

(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.

The Company is committed to incur qualifying Canadian exploration expenditures of $551,025 by December 31, 2010 relating to the private placements of flow-through shares completed in December 2009.

As at September 30, 2010, the Company has incurred qualifying expenditures of approximately $521,893 with respect to exploration activities at its mineral properties, with a remaining commitment of $29,132 to be incurred by December 31, 2010.

14. Subsequent Events

Private Placement

On November 17, 2010, the Company announced that it plans to issue up to 50,750,000 units in two non-brokered private placements for total gross proceeds of $2,537,500. The Company plans to issue up to 15,000,000 units in a flow-through private placement at a price of $0.05 per unit to raise $750,000, and to issue up to 35,750,000 units in a non-flow-through private placement at a price of $0.05 per unit to raise $1,787,500.

14. Subsequent Events, continued

Private Placement, continued

Each flow-through unit will consist of one flow-through common share and one-half share purchase warrant, with each whole warrant exercisable to purchase one additional non-flow-through common share at an exercise price of $0.10 per share for a period of two years. Each non-flow-through unit will consist of one non-flow-through common share and one warrant. Finder's fees may be payable. The private placements and finder's fees are subject to regulatory approval.

Management's Discussion and Analysis

For the Nine Months Ended September 30, 2010

Dated: November 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") is for the nine months ended September 30, 2010 and is dated November 18, 2010. This MD&A was prepared to conform to National Instrument 52-101F1 and was approved by the Board of Directors prior to its release. This analysis must be read in conjunction with the Company's interim financial statements for the nine months ended September 30, 2010 and its audited financial statements for the year ended December 31, 2009 and the accompanying notes.

The Company's financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

The Company's shares trade on the Canadian National Stock Exchange ("CNSX") under the symbol "VTA" 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 from the previous symbol "VALT."

The Company's functional and 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 September 30, 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 towns of Nelson and 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.

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 ("NSR") Royalty of 3%. The Company has the option to purchase one percent of the NSR, thus reducing it to 2%, at any time prior to the commencement of commercial production by paying $1,500,000 to the Optionors.

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.

On July 2, 2010, the Company completed a diamond drill program on the Star property consisting of two NQ2-sized holes targeting both the Star and Eureka zones. A total of 500.79 metres was drilled and 304 core/QAQC-related samples were collected for Au and 41-element Fire Assay/ICP analyses; the results of which were disclosed publically on September 23, 2010 (see NR-07-10).

Drilling highlights included: hole VST10-011 (Eureka zone) 0.28 g/t Au, 4.45 g/t Ag and 0.27% Cu over 66.67 metres, which included a higher grade intercept of 1.42 g/t Au, 39.38 g/t Ag and 1.67% Cu over 2.14 metres.

Prior to the drilling, the Company retained Aeroquest Limited in May 2010 to conduct a helicopter-borne AeroTEM III EM-MAG geophysical survey. An area of approximately 30 square kilometres was surveyed of which a major portion of the Star tenure area was targeted (see NR-03-10). The final data from the survey was very encouraging with several anomalies identified and worthy of follow up in future exploration phases.

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 2009, 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-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 totaling $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.

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.

E. Description of Mineral Properties, continued

ii) Swift Katie Mineral Property, continued

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 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.

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

ii) 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. 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.

On August 8, 2010, the Company acting as operator for the project completed a diamond drill program on the Swift Katie property consisting of two NQ2-sized holes targeting the 17 and Roaring zones. A total of 786.25 metres was drilled and 42 core/QAQC-related samples were collected for Au and 41-element Fire Assay/ICP analyses; the results of which are pending.

iii) Toughnut Mineral Property

On July 15, 2010, the Company completed a diamond drill program on the Toughnut property consisting of five BTW-sized holes targeting the main showing. A total of 936.96 metres was drilled and 612 core/QAQC-related samples were collected for Au and 41-element Fire Assay/ICP analyses; the partial results of which were disclosed publically on September 23, 2010 (see NR-07-10).

Drilling highlights included: hole VTN10-005 which returned 4.05 g/t Au and 0.88 g/t Ag over 8.0 metres.

Prior to the drilling, the Company retained Aeroquest Limited in May 2010 to conduct a helicopter-borne AeroTEM III EM-MAG geophysical survey. An area of approximately 30 square kilometres was flown covering the entire Toughnut property region (see NR-03-10). The final data from the survey was very encouraging with several anomalies identified and worthy of follow up in future exploration phases.

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.

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)
- Incur $300,000 in exploration expenditures on or before September 30,2010 (Not yet incurred) and
- Pay $30,000 on or before August 1, 2010 ($6,000 paid, negotiations are underway to modify the option agreement)

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 totaling $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.

In August 2010, a field site visit was conducted and possession was taken of some of the historical drill core collected originally by others in 2000 and 2007. The field visit was conducted on August 18 and included the collection of three grab samples for assay, as well GPS control was established for the past drill sites, some of the historical mine workings, and the grid baseline. On August 27, the Issuer transported two of the historical core holes to the Company's Salmo-based core shack. Approximately 256 metres of core was relogged and several select samples were outlined for analysis; assay verification is pending.

F. Mineral Properties Expenditures

During the nine months ended, the Company incurred the following acquisition and exploration costs on its mineral properties as follows:

	Balance December 31, 2009 $	Additions Q1 $	Q2 $	Q3 $	YTD $	Balance September 30, 2010 $
Toughnut	42,806	6,145	58,560	215,325	280,030	322,836
Star	660,817	29,474	133,949	75,911	239,334	900,151
Swift Katie	1,640,692	-	-	690	690	1,641,382
Rozan	-	13,625	2,593	13,256	29,474	29,474
Total	**2,344,315**	**49,244**	**195,102**	**305,182**	**549,528**	**2,893,843**

The table below provides a summary of acquisition and exploration costs incurred on the Company's mineral properties as at September 30, 2010:

	Toughnut $	Star $	Swift Katie $	Rozan $	Total $
Acquisitions	28,875	59,963	134,579	8,344	231,761
Assays and analysis	23,400	64,064	86,355	1,020	174,839
Camp and supplies	5,165	14,733	15,822	788	36,508
Drilling	115,827	347,915	684,275	-	1,148,017
Environmental expenses	2,695	2,725	7,225	-	12,645
Equipment rental and field supplies	10,820	17,701	31,533	757	60,811
General exploration	77	2,478	1,664	-	4,219
Geological services	81,686	81,831	480,229	6,070	649,816
Project supervision	50,131	193,985	121,624	12,495	378,235
Project support	3,025	90,779	17,952	-	111,756
Stock-based compensation	-	9,675	37,172	-	46,847
Travel	1,135	14,302	22,952	-	38,389
Balance as at September 30, 2010	**322,836**	**900,151**	**1,641,382**	**29,474**	**2,893,843**

G. Results of Operations

The following table summarizes variances for the nine months ended September 30, 2010.

	Nine months ended September 30,		Variance Increase/(Decrease)	
	2010	2009		
	$	$	$	%
Expenses				
Administration	80,183	83,449	(3,266)	(3.91)
Amortization	-	706	(706)	(100.00)
Consulting services	51,397	76,704	(25,307)	(32.99)
Directors and officers fees	23,250	34,125	(10,875)	(31.87)
General exploration	19,275	8,945	10,330	115.48
Interest	4,500	5,595	(1,095)	(19.57)
Investor relations	27,591	40,579	(12,988)	(32.01)
Office and general	23,436	21,475	1,961	9.13
Professional fees	79,304	94,148	(14,844)	(15.77)
Regulatory fees and taxes	18,049	7,220	10,829	149.99
Shareholders communications	1,628	4,485	(2,857)	(63.70)
Stock-based compensation	-	98,569	(98,569)	(100.00)
Transfer agent	4,108	3,906	202	5.16
Travel and promotion	805	737	68	9.23
Write off of investments	-	4	(4)	(100.00)
Future Income Tax Recovery	1,125	-	1,125	-
Tax benefits renounced to flow-through shares	(190,239)	(300,000)	109,761	(36.59)

During the nine months ended September 30, 2010, the Company incurred a net loss of $144,412 compared to a net loss from the nine months ended September 30, 2009 of $180,647.

The change was primarily due to the decrease in both the stock-based compensation and future income tax recovery from the flow-through shares. Both are non-cash items. The future income tax recovery relates to the tax benefit to the Company in the future that results from the renunciation to flow-through share subscribers the eligible Canadian exploration expenditures in February 2010 and 2009. The fair value assigned to the stock options granted in 2009 was calculated using the Black-Scholes option-pricing model (Note K (viii)). The Company did not grant stock-based compensation in the nine months ended September 30, 2010.

The loss for the nine months ended September 30, 2010 not including the above mentioned non-cash items was $334,651 (September 30, 2009: $382,078). The decrease of $47,427 before non-cash items was primarily due to the change in the following expenses:

G. Results of Operations, continued

(i) Consulting services, investor relations, and shareholder communications decreased by $25,307, $12,988, and $2,857 respectively due to decrease in investor relations activity as the Company did not actively participate in any equity financings.
(ii) Independent directors' fees decreased by $10,875 due to the discontinuation of the payments as of July 1, 2010.
(iii) Professional fees decreased by $14,844 due to decrease in requirement for such services.
(iv) General exploration expenses increased by $10,330 due to an increase in new property research for exploration purposes
(v) Regulatory fees and taxes increased by $10,829 due to the Part XII.6 tax payable for flow-through funds renounced using the lookback rule.

H. Quarterly Results

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

	Sep 30 2010 $	Jun 30 2010 $	Mar 31 2010 $	Dec 31 2009 $	Sep 30 2009 $	Jun 30 2009 $	Mar 31 2009 $	Dec 31 2008 $	Sep 30 2008 $
Operating expenses	84,910	128,181	120,435	150,081	117,127	149,011	116,341	(10,409)	121,438
Interest earned	-	-	-	-	-	(402)	(3)	-	(7)
Foreign exchange (gain) loss	-	-	-	-	-	-	-	1,213	317
Loss before the following items	84,910	128,181	120,435	150,081	117,127	148,609	116,338	(9,196)	121,748
Stock-based compensation	-	-	-	20,965	95,818	-	2,751	11,929	-
Tax benefits renounced to flow-through shares	-	-	(190,239)	-	-	-	(300,000)	-	-
Future income tax recovery	(437)	1,187	375	-	-	-	-	-	-
Mineral properties written-off	-	-	-	-	-	-	-	1,213	-
Investments written-off	-	-	-	-	4	-	-	-	-
Net Loss (Profit)	**84,473**	**129,368**	**(69,429)**	**171,046**	**212,949**	**148,609**	**(180,911)**	**3,946**	**121,748**
Loss (earnings) per share-basic and diluted	$0.00	$0.00	$0.00	$0.01	$0.01	$0.01	($0.01)	$0.00	$0.01

I. Third Quarter

Operating expenses during the three months ended September 30, 2010 decreased significantly compared to the previous quarter ended June 30, 2010. The Company is attempting to reduce operational expenses through various cost cutting measures.

Management expects that in the following quarters the operational expenses will increase due to costs relating to future potential equity financings and rising professional fees related to the additional work with regard to the required transition to International Financial Reporting Standards ("IFRS").

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 issuance 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 issuance 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.

The Company had a net working capital deficiency of $1,082,148 (current assets of $67,205 minus current liabilities of $1,149,353) as at September 30, 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 of $15,455, net working capital deficiency as at September 30, 2010 was $1,097,603 (December 31, 2009: $708,763).

To address the working capital deficiency, 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 September 30, 2010, the unrestricted cash balance of $5,723 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 2011. There is no assurance that such financing will be available to the Company.

i) Equity financings

The Company did not announce or participate in any equity financings or private placements during the nine months ended September 30, 2010 and as at November 18, 2010.

ii) Exercise of stock options and share purchase warrants

There were no stock options and share purchase warrants exercised during the nine months ended September 30, 2010 and as at November 18, 2010.

iii) Mineral properties expenditures

During the nine months ended September 30, 2010, the Company spent $514,259 in cash on mineral properties (Net of shares issued for acquisition costs and ending balances of accounts payable for mineral properties).

J. Financial Conditions, Liquidity and Capital Resources, continued

iv) Amount receivable

As at September 30, 2010, the Company had $41,812 GST receivable (December 31, 2009: $10,564 GST receivable, $862 Part XII.6 tax receivable, $402 interest receivable).

v) Commitments

(a) As at November 30, 2010, the Company at its discretion has the following mineral property option agreement payments as set out below:

	Total	Less than 1 year	1-3 years	4-5 years
Star Option Expenditures ($USD)	225,000	25,000	110,000	90,000
Swift Katie Option Expenditures*	390,000	95,000	195,000	100,000
Toughnut Option Expenditures	189,000	59,000	130,000	-
Toughnut Exploration Expenditures	950,000	200,000	750,000	-
Rozan Option Expenditures	200,000	30,000	110,000	60,000
Rozan Exploration Expenditures	1,000,000	50,000	700,000	250,000
Total	**2,954,000**	**459,000**	**1,995,000**	**500,000**

*The earn-in agreement with Tosca will facilitate the payments for the Swift Kate mineral property option agreement.

As at November 30, 2010, the Company at its discretion has the following equity issuances to make as per the mineral property option agreements:

	Total	Less than 1 year	1-3 years	4-5 years
Swift Katie Shares To Be Issued	450,000	225,000	225,000	-
Toughnut Shares To Be Issued	250,000	50,000	200,000	-
Rozan Shares To Be Issued	300,000	50,000	150,000	100,000
Rozan Warrants To Be Issued	300,000	50,000	150,000	100,000
Total Equity to be Issued	**850,000**	**150,000**	**500,000**	**200,000**

(b) Under a service agreement, between the Company and a company privately held by a director and an officer of the Company, the Company is charged $8,000 monthly for office space and general administration services. The agreement may be cancelled through written notice at any time by paying the monthly charge for the lesser of 12 months or the remainder of the term. The agreement expires on June 30, 2012.

J. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

(c) 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 that have not been spent and are held by the Company for such expenditures.

The Company is committed to incur qualifying Canadian exploration expenditures of $551,025 by December 31, 2010 relating to the private placements of flow-through shares completed in December 2009.

As at November 18, 2010, the Company had incurred qualifying expenditures of approximately $524,205 with respect to exploration activities at its mineral properties, with a remaining commitment of $26,820 to be incurred by December 31, 2010.

K. Outstanding Equity and Convertible Securities

i) Authorized

The Company has unlimited authorized number of voting common shares without par value.

ii) Issued and outstanding

As at September 30, 2010 and November 18, 2010 the Company had 37,832,543 common shares issued and outstanding as follows:

K. Outstanding Equity and Convertible Securities, continued

ii) Issued and outstanding Shares and Contributed Surplus

Common Shares	Number of shares		Amount		Contributed Surplus
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**
Shares for mineral property payment	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 September 30, 2010	**37,832,543**	**$**	**8,274,497**	**$**	**535,431**
Balance as at November 18, 2010	**37,832,543**	**$**	**8,274,497**	**$**	**535,431**

iii) Equity Financings

On November 17, 2010, the Company announced that it plans to issue up to 50,750,000 units in two non-brokered private placements for total gross proceeds of $2,537,500. The Company plans to issue up to 15,000,000 units in a flow-through private placement at a price of $0.05 per unit to raise $750,000, and to issue up to 35,750,000 units in a non-flow-through private placement at a price of $0.05 per unit to raise $1,787,500.

Each flow-through unit will consist of one flow-through common share and one-half share purchase warrant, with each whole warrant exercisable to purchase one additional non-flow-through common share at an exercise price of $0.10 per share for a period of two years. Each non-flow-through unit will consist of one non-flow-through common share and one warrant. Finder's fees may be payable. The private placements and finder's fees are subject to regulatory approval.

K. Outstanding Equity and Convertible Securities, continued

iv) Shares Issued for Mineral Property

The Company issued 50,000 shares at a fair value based on the quoted market price 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 calculated using the Black-Scholes option pricing model (Note K (viii)).

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

v) Stock Options

As at September 30, 2010 and November 18, 2010, the Company had 2,765,000 stock options outstanding and exercisable. During the nine months ended September 30, 2010, the Company did not grant any options.

Exercise Price	Expiry Date	Balance September 30, 2010	Cancelled or Expired	Balance November 18, 2010
$0.25	October 9, 2012	1,275,000	15,000	1,260,000
$0.28	December 4, 2012	10,000	10,000	-
$0.10	February 24, 2014	50,000	-	50,000
$0.10	August 11, 2014	1,480,000	25,000	1,455,000
		2,815,000	**50,000**	**2,765,000**
Weighted average exercise price		$0.17	$0.18	$0.17
Weighted average contractual life remaining in years		3.02		2.89

vi) Agent Options

The Company issued 562,500 agent options in relation with a private placement from December 2009. Each agent 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 options were fair valued at approximately $0.05 per option using the Black-Scholes option-pricing model (Note K (viii)). Outstanding agent options as at November 18, 2010 was 562,500.

K. Outstanding Equity and Convertible Securities, continued

Exercise Price	Expiry Date	Balance September 30, 2010	Balance November 18, 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 remaining in years		1.23	1.10

vii) Share Purchase Warrants

The Company had 9,752,388 share purchase warrants outstanding at September 30, 2010 and at November 18, 2010. In January, 2010, the Company issued 50,000 warrants to optionors pursuant to an option agreement for Rozan property. On July 7, 2010, 500,000 warrants expired.

Exercise Price	Expiry Date	Balance September 30, 2010	Balance November 18, 2010
$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, 2012	50,000	50,000
		9,752,388	**9,752,388**
Weighted average exercise price		$0.15	$0.15
Weighted average contractual life remaining in years		0.96	0.83

viii) Fair Value Determination

The Company applies the fair value method of accounting for stock-based awards and, accordingly, the fair value of stock-based awards is expensed in the statements of operations, comprehensive loss, and deficit or capitalized to mineral properties as appropriate.

The fair value of share purchase warrants issued to pursuant to the Rozan option agreement was estimated at the date of grant based on the Black-Scholes option pricing model using the following weighted average assumptions:

K. Outstanding Equity and Convertible Securities, continued

	September 30, 2010		September 30, 2009	
	Options	**Warrants**	**Options**	**Warrants**
Risk-free interest rate	n/a	2.56%	2.59%	1.32%
Expected share price volatility	n/a	170.60%	94.81%	106.51%
Expected option/warrant life in years	n/a	5.0	5.0	2.0
Expected dividend yield	n/a	0%	0%	0%

ix) Stock Based Compensation

Option pricing models require the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate. The total calculated fair value of stock-based compensation for the nine months ended September 30, 2010 and 2009 were included in the respective statements of operations or capitalized to mineral properties as follows:

	September 30, 2010	September 30, 2009
Consultants	$ -	$ 10,162
Directors and officers	-	69,171
Employees	-	39,561
Total	**$ -**	**$ 118,894**
Included in statements of operations and deficit	-	98,569
Included in mineral properties	-	20,325
Total	**$ -**	**$ 118,894**

L. Related Parties Information

The Company entered into the following related party transactions and have outstanding balances owing during the nine months ended September 30, 2010 as follows:

(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:

L. Related Parties Information

- $77,619 (September 30, 2009: $80,865) for office space and general administration services;
- $33,584 (September 30, 2009: $44,081) for professional services;
- $27,285 (September 30, 2009: $34,868) for consulting services;
- $19,811 (September 30, 2009: $28,014) for investor relations services;
- $121,325 (September 30, 2009: $158,850) for geological consulting services in relation to mineral properties
- $2,564 (September 30, 2009: $2,583) 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 September 30, 2010 were $583,581 (December 31, 2009: $369,887).

(b) Fees in the amount of $23,493 (September 30, 2009: $53,504) 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 September 30, 2010 were $84,031 (December 31, 2009: $58,675).

(c) Consulting fees relating to office administration of $14,000 (September 30, 2009: $18,000) were charged by a private company controlled by an officer (resigned as an officer effective July 2010) of the Company. Amounts payable as at September 30 2010 were $25,340 (December 31, 2009: $10,500).

(d) Independent directors' fees of $23,250 (September 30, 2009: $34,125) were incurred by the Company (Independent directors' fees were discontinued as of July 1, 2010). Amounts payable as at September 30, 2010 were $50,378 (December 31, 2009: $27,493)

(e) In order to facilitate the Star option payment on May 13, 2010 as per the option agreement, the Company issued promissory notes to one director/officer and three employees of the Company for $25,494.

(f) Consulting fees relating to corporate development and financing activities were 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 September 30, 2010 were $24,675 (December 31, 2009: $24,675).

The total amount due to related parties as at September 30, 2010 was $793,499 (December 31, 2009: $463,737). Amounts due to related parties are unsecured, non-interest bearing, and have no formal terms of repayment.

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.

M. Financial Instruments

The Company's financial instruments include cash, investments, reclamation bonds, bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties which are classified into the following categories:

Financial Instrument	Category	Carrying Value
Cash	Held-for-trading	Fair Value
Investment	Available-for-sale	Fair Value
Reclamation bonds	Loans and receivables	Fair Value
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 the Company's financial instruments are a reasonable estimate of their fair values due to the short period to maturity. Receivables consist of amounts due from the government and are excluded as a financial instrument. The fair value of investments during the nine months ended September 30, 2010 was based on its quoted market value as at the period end (Level 1). Reclamation bonds are recorded at their fair value.

The fair value of amounts due to related parties cannot be reliably measured since there is no quoted price for such instruments.

N. Subsequent Events and Outlook

There are no events subsequent to the date of this document that have not yet been disclosed.

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.

O. Off-Balance Sheet Arrangements

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

P. 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.

Q. 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.

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.

R. 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.

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 significant amount 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 issuance of securities.

R. Risks and Uncertainties, continued

The Company will need to continue its reliance on the issuance 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.

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.

R. Risks and Uncertainties, continued

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.

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

i) Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", 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) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS effective for fiscal years beginning on or after January 01, 2011, with early adoption permitted. The Company will therefore be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ended March 31, 2011, which must include restated interim results for the prior period ended March 31, 2010 prepared on the same basis.

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

ii) International Financial Reporting Standards ("IFRS"), 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 and implement the changeover plan to IFRS on a timely basis.

As at September 30, 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. The Audit Committee accepted the proposed changes in principle. 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.

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.

T. 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.

U. 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.

V. 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.