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**Condensed Interim Financial Statements**  
**Six Months Ended June 30, 2012 and 2011**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim financial statements of the Company for the six months ended June 30, 2012 and comparatives for the six months ended June 30, 2011 were prepared by management and have not been reviewed or audited by the Company's auditors.

# Valterra Resource Corporation

(An Exploration Stage Company)

Condensed Interim Statements of Comprehensive Loss

(Expressed in Canadian Dollars, Unaudited)

		Three Months Ended		Six Months Ended	
	Note	June 30 2012	June 30 2011	June 30 2012	June 30 2011
<b>Operating Expenses</b>					
Administration		\$ 6,863	\$ 13,501	\$ 14,153	\$ 16,218
Consulting		19,423	1,000	20,923	3,500
Exploration and evaluation	3(e)	39,459	66,989	77,647	192,859
Investor relations		4,973	8,196	12,897	21,105
Office and general		10,554	12,692	18,560	25,294
Professional fees		14,053	13,007	51,747	48,081
Regulatory fees and taxes		6,845	26,656	24,059	34,064
Shareholders' communications		2,496	654	2,175	1,215
Transfer agent		2,389	12,370	3,522	13,864
Travel and promotion		-	3,701	555	13,354
<b>Total Operating Expenses</b>		<b>107,055</b>	<b>158,766</b>	<b>226,238</b>	<b>369,554</b>
<b>Other Items</b>					
Interest income		(21)	-	(59)	-
Mineral property impairment	3	-	-	216	-
Realized gain on sale of investment		-	(23,138)	-	(23,138)
<b>Total Other Items</b>		<b>(21)</b>	<b>(23,138)</b>	<b>157</b>	<b>(23,138)</b>
<b>Loss Before Tax</b>		<b>107,034</b>	<b>135,628</b>	<b>226,395</b>	<b>346,416</b>
Deferred income tax expense		-	1,250	-	1,250
<b>Net Loss for the Period</b>		<b>\$ 107,034</b>	<b>\$ 136,878</b>	<b>\$ 226,395</b>	<b>\$ 347,666</b>
<b>Other Comprehensive Loss</b>					
Reclassification adjustment for realized gain on sale of investment included in net loss		-	23,138	-	23,138
Unrealized gain on investment, net of taxes		-	(19,388)	-	(19,388)
<b>Comprehensive Loss for the Period</b>		<b>\$ 107,034</b>	<b>\$ 140,628</b>	<b>\$ 226,395</b>	<b>\$ 351,416</b>
Loss per share - basic and diluted		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding		93,495,878	91,997,080	93,420,156	79,502,983

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

**Valterra Resource Corporation**  
(An Exploration Stage Company)  
Condensed Interim Statements of Financial Position  
(Expressed in Canadian Dollars, Unaudited)

	Note	June 30 2012	December 31 2011
<b>Assets</b>			
<b>Current</b>			
Cash	\$	1,839	\$ 161,636
Receivables		14,460	13,588
Prepaid and deposits		14,386	8,329
		<b>30,685</b>	<b>183,553</b>
<b>Non-current</b>			
Mineral properties	3	595,884	532,890
Reclamation bonds		45,000	45,000
		<b>640,884</b>	<b>577,890</b>
<b>Total Assets</b>	<b>\$</b>	<b>671,569</b>	<b>\$ 761,443</b>
<b>Liabilities</b>			
<b>Current</b>			
Bank indebtedness	4	\$ 196,232	\$ 196,711
Accounts payable and accrued liabilities		128,483	68,604
Due to related parties	5	106,464	36,593
		<b>431,179</b>	<b>301,908</b>
<b>Shareholders' Equity</b>			
Share capital	7	10,787,927	10,780,677
Share-based payments reserve		440,932	440,932
Deficit		(10,988,469)	(10,762,074)
<b>Total Shareholders' Equity</b>		<b>240,390</b>	<b>459,535</b>
<b>Total Liabilities and Equity</b>	<b>\$</b>	<b>671,569</b>	<b>\$ 761,443</b>

Approved on behalf of the Board

*"Lawrence Page"*

Lawrence Page, Q.C.

*"Derek Page"*

Derek Page

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

## Valterra Resource Corporation

(An Exploration Stage Company)

Condensed Interim Statements of Changes in Equity

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

	Share Capital		Share-based		Accumulated	Total
	Number	Amount	Payments	Reserve	Other	Shareholders'
	of Shares		Reserve	Deficit	Comprehensive	Equity
					Income (Loss)	
<b>Balance as at December 31, 2010</b>	<b>62,665,862</b>	<b>\$ 9,443,488</b>	<b>\$ 477,544</b>	<b>\$ (9,866,588)</b>	<b>\$ 3,750</b>	<b>\$ 58,194</b>
Issued						
Private placements - non-flow-through	21,304,460	1,065,223	-	-	-	1,065,223
Private placements - flow-through	8,220,000	411,000	-	-	-	411,000
Shares for mineral property payment	925,000	47,250	-	-	-	47,250
Share issue costs	-	(244,537)	58,674	-	-	(185,863)
Fair value of warrants issued for mineral property	-	-	28,009	-	-	28,009
Expiry of options and warrants	-	-	(67,247)	67,247	-	-
Other comprehensive loss	-	-	-	-	(3,750)	(3,750)
Net loss for the period	-	-	-	(347,666)	-	(347,666)
<b>Balance as at June 30, 2011</b>	<b>93,115,322</b>	<b>\$ 10,722,424</b>	<b>\$ 496,980</b>	<b>\$ (10,147,007)</b>	<b>\$ -</b>	<b>\$ 1,072,397</b>
<b>Balance as at December 31, 2011</b>	<b>93,340,322</b>	<b>\$ 10,780,677</b>	<b>\$ 440,932</b>	<b>\$ (10,762,074)</b>	<b>\$ -</b>	<b>\$ 459,535</b>
Issued						
Shares for mineral property payment	250,000	7,250	-	-	-	7,250
Net loss for the period	-	-	-	(226,395)	-	(226,395)
<b>Balance as at June 30, 2012</b>	<b>93,590,322</b>	<b>\$ 10,787,927</b>	<b>\$ 440,932</b>	<b>\$ (10,988,469)</b>	<b>\$ -</b>	<b>\$ 240,390</b>

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

## Valterra Resource Corporation

(An Exploration Stage Company)

Condensed Interim Statements of Cash Flows

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

<b>Cash provided by (used for):</b>	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Net loss for the period	\$ (226,395)	\$ (347,666)
<b>Items not involving cash:</b>		
Mineral property impairment	216	-
Realized gain on sale of investments	-	(23,138)
Deferred income tax expense	-	1,250
	(226,179)	(369,554)
<b>Changes in Non-Cash Working Capital</b>		
Receivables	(872)	(14,594)
Prepaid and deposits	(6,057)	2,973
Bank indebtedness	(479)	(466)
Accounts payable and accrued liabilities	59,879	(113,222)
Due to related parties	69,871	(125,382)
	122,342	(250,691)
<b>Cash Used in Operating Activities</b>	<b>(103,837)</b>	<b>(620,245)</b>
<b>Investing Activities</b>		
Acquisition of mineral properties	(55,960)	(161,908)
Proceeds from disposal of investment	-	48,135
<b>Cash Used in Investing Activities</b>	<b>(55,960)</b>	<b>(113,773)</b>
<b>Financing Activity</b>		
Common shares issued for cash, net	-	1,290,359
<b>Cash Provided by Financing Activities</b>	<b>-</b>	<b>1,290,359</b>
<b>(Decrease) Increase in Cash During the Period</b>	<b>(159,797)</b>	<b>556,341</b>
<b>Cash, Beginning of the Period</b>	<b>161,636</b>	<b>250,111</b>
<b>Cash, End of the Period</b>	<b>\$ 1,839</b>	<b>\$ 806,452</b>

Supplemental cash flow information (Note 9)

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

# Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

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## 1. Nature and Continuance of Operations and Going Concern

Valterra Resource Corporation (the "Company") was incorporated in Alberta on September 26, 1996, continued to the Yukon on May 8, 1997 and subsequently continued to British Columbia on February 22, 2008.

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties in British Columbia and Ontario, Canada. The Company's registered office is 950 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

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 financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These condensed interim financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2012, the Company had a working capital deficiency of \$400,494 (December 31, 2011 - \$118,355). The Company incurred a net loss of \$226,395 for the six months ended June 30, 2012 (2011 - \$347,666) and had an accumulated deficit of \$10,988,469 as at June 30, 2012 (December 31, 2011 - \$10,762,074).

As at June 30, 2012 the Company does not have sufficient working capital to meet its administrative overheads and continue with its exploration programs. 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 will be required to issue share capital to finance its future activities through private placements and the exercise of options and warrants and is actively seeking additional equity financing. There can be no assurance that such financing will be available 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.

These condensed interim financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

## 2. Basis of Preparation

These condensed interim financial statements were prepared in accordance with International Accounting Standards 34: *Interim Financial Reporting* on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments measured at fair value. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2011.

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

### 2. Basis of Preparation, continued

The same accounting policies are used in the preparation of these condensed interim financial statements as for the most recent audited annual financial statements and reflect all the adjustments necessary for fair presentation in accordance with International Financial Reporting Standards ("IFRS") of the results for the interim periods presented.

The Company's functional and presentation currency is the Canadian dollar.

### 3. Mineral Properties

The Company has interests in three mineral properties, Star, Swift Katie and Toughnut, located in south-eastern British Columbia, and one mineral property, Bobcaygeon, located in southern Ontario. Effective January 5, 2012, the Company and the optionors terminated the option agreement to acquire the Rozan property.

A summary of total mineral property acquisition costs as at June 30, 2012 is as follows:

	Star	Swift Katie	Toughnut	Rozan	Bobcaygeon	Total
	\$	\$	\$	\$	\$	\$
<b>Acquisition costs</b>						
Balance as at December 31, 2010	59,963	136,642	53,802	9,490	-	259,897
Additions during the year	27,424	216,917	38,142	63,969	-	346,452
Impairments during the year	-	-	-	(73,459)	-	(73,459)
Balance as at December 31, 2011	87,387	353,559	91,944	-	-	532,890
Additions during the period	31,023	1,054	7,365	216	23,552	63,210
Impairments during the period	-	-	-	(216)	-	(216)
<b>Balance as at June 30, 2012</b>	<b>118,410</b>	<b>354,613</b>	<b>99,309</b>	<b>-</b>	<b>23,552</b>	<b>595,884</b>

#### (a) Star

Pursuant to an agreement dated May 13, 2008, the Company can earn a 100% undivided interest in the Star Property.

Remaining staged payments are due as follows:

- (i) US \$40,000 on or before May 13, 2013, 2014 and 2015;
- (ii) US \$50,000 on or before May 13, 2016; and
- (iii) US \$30,000 on or before May 13, 2017.

The optionors of the property retain a 3% net smelter return ("NSR") interest in the property, of which, the Company has the option to purchase 1% for US \$1,500,000 at any time prior to the commencement of commercial production.



## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

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### 3. Mineral Properties, continued

#### (b) Swift Katie

Pursuant to an agreement dated July 21, 2006, as amended, Manex Resource Group Inc. ("Manex"), a private company controlled by the President of the Company, acquired an option to purchase the Swift Katie Property. The option was assigned by Manex to the Company for \$2,500 and the Company now owns a 100% interest in the property.

The optionors of the property retain a 3% NSR interest in the property, of which, the Company has the option to purchase one-half for \$1,000,000 per 1% at any time prior to the commencement of commercial production.

Beginning December 31, 2012 and annually thereafter, the Company is required to make an annual advance minimum royalty ("AMR") payment of \$50,000. These payments will be adjusted annually according to the Consumer Price Index ("CPI") base of December 31, 2006 and are deductible from future NSR royalty payments.

In addition to the NSR and the AMR, if the Company completes a positive feasibility study, the Company will issue 250,000 common shares to the optionors and if the Company achieves commercial production, the Company will issue 500,000 common shares to the optionors.

#### (c) Toughnut

Pursuant to an agreement dated March 10, 2009, as amended, the Company can earn a 100% undivided interest in the Toughnut Property.

Remaining share issues, staged payments and exploration commitments are due as follows:

- (i) Pay \$40,000 on or before September 30, 2012, and incur not less than an aggregate \$750,000 (\$669,389 incurred to June 30, 2012) of exploration expenditures on or before November 30, 2012;
- (ii) Issue 50,000 common shares, pay \$40,000 and incur not less than an aggregate \$1,000,000 of exploration expenditures on or before March 10, 2013; and
- (iii) Issue 100,000 common shares, pay \$50,000 and incur not less than an aggregate \$1,250,000 of exploration expenditures on or before March 10, 2014.

The optionors of the property retain a 1% NSR on three mineral claims and 2% NSR on the remainder of the property, of which, the Company has the option to purchase one-half by making a payment of \$1,000,000.

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

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

### 3. Mineral Properties, continued

#### (d) Bobcaygeon

Pursuant to an option agreement dated June 1, 2012, the Company can earn a 100% undivided interest in the Bobcaygeon Property.

Remaining share issues, staged payments and exploration commitments are due as follows:

- (i) Issue common shares valued at \$5,000 upon execution of the Formal Agreement;
- (ii) Issue common shares valued at \$15,000 and incur not less than an aggregate \$100,000 of exploration expenditures on or before December 15, 2012;
- (iii) Pay \$10,000, issue common shares valued at \$25,000 and incur not less than an aggregate \$300,000 of exploration expenditures on or before December 15, 2013;
- (iv) Pay \$10,000, issue common shares valued at \$50,000 and incur not less than an aggregate \$550,000 of exploration expenditures on or before December 15, 2014;
- (v) Pay \$10,000, issue common shares valued at \$100,000 and incur not less than an aggregate \$850,000 of exploration expenditures on or before December 15, 2015; and
- (vi) Pay \$15,000, issue common shares valued at \$200,000 and incur not less than an aggregate \$1,250,000 of exploration expenditures on or before December 15, 2016.

The Company has the irrevocable right and option to satisfy any of the exploration commitments by issuing common shares of equal value based on the closing price on the day preceding the share issuance.

The optionor of the property retains the right to mine all vermiculite and limestone found on the property and also retains a 1.5% production royalty in the property, which the Company has the option to purchase at any time in increments of 0.5% for \$500,000 per 0.5% increment.

#### (e) Mineral Property Exploration Expenditures

Exploration expenditures incurred for the six months ended June 30, 2012 were as follows:

	Star	Swift Katie	Toughnut	Rozan	Bobcaygeon	Total
	\$	\$	\$	\$	\$	\$
Assays and analysis	2,390	1,124	2,659	95	-	6,268
Equipment rental and field supplies	252	-	-	-	-	252
Geological services	2,467	3,245	2,467	-	-	8,179
Project supervision	11,305	13,071	18,559	1,530	16,953	61,418
	<b>16,414</b>	<b>17,440</b>	<b>23,685</b>	<b>1,625</b>	<b>16,953</b>	<b>76,117</b>
General exploration						1,530
						<b>77,647</b>

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

### 3. Mineral Properties, continued

Exploration expenditures incurred for the six months ended June 30, 2011 were as follows:

	Star	Swift Katie	Toughnut	Rozan	Total
	\$	\$	\$	\$	\$
Assays and analysis	5,663	390	15,795	17	21,865
Camp and supplies	518	-	430	-	948
Equipment rental and field supplies	1,239	715	1,002	-	2,956
Geological services	36,391	1,761	32,314	4,000	74,466
Project supervision	30,028	12,868	30,550	17,093	90,539
Travel	-	-	88	-	88
	<u>73,839</u>	<u>15,734</u>	<u>80,179</u>	<u>21,110</u>	<u>190,862</u>
General exploration					<u>1,997</u>
					<u>192,859</u>

### 4. 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. 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 control. The balance outstanding as at June 30, 2012, was \$196,232 (December 31, 2011 - \$196,711).

### 5. Related Party Balances and Transactions

In addition to those transactions disclosed elsewhere in these interim financial statements, the Company entered into the following related party transactions during the six months ended June 30, 2012:

(a) Under a 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:

- \$12,000 (2011 - \$14,000) for office space and general administration services, included in administration expenses;
- \$6,000 (2011 - \$7,000), included in professional fees;
- \$3,298 (2011 - \$3,500), included in consulting;
- \$3,500 (2011 - \$3,500), included in investor relations;
- \$62,948 (2011 - \$92,535) for geological consulting services in relation to mineral properties; and
- \$1,202 (2011 - \$2,218) in respect of the mark-up on out-of-pocket expenses, included in administration expenses.

Amounts payable as at June 30, 2012 under the agreement were \$49,927 (December 31, 2011 - \$597).

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

### 5. Related Party Balances and Transactions, continued

(b) Fees charged by a law firm privately held by a director and officer of the Company were as follows:

- \$9,688 (2011 - \$19,653), included in professional fees;
- \$4,947 (2011 - \$1,320), for legal consulting services in relation to mineral properties; and
- \$Nil (2011 - \$18,855), included in share issue costs.

Amounts payable as at June 30, 2012 were \$13,457 (December 31, 2011 - \$3,696).

(c) Consulting fees of \$9,625 (2011 - \$Nil) were charged by a private company controlled by an officer of the Company. Amounts payable as at June 30, 2012 were \$10,780 (December 31, 2011 - \$Nil).

(d) In order to facilitate the Star option payment due on May 13, 2010 as per the option agreement, the Company issued promissory notes to one director/officer and three consultants for \$25,494. Amounts payable as at June 30, 2012 were \$7,625 (December 31, 2011 - \$7,625).

(e) Consulting fees relating to corporate development and financing activities of \$Nil (2011 - \$6,500) were charged by a private company controlled by a former director of the Company. Amounts payable as at June 30, 2012 were \$24,675 (December 31, 2011 - \$24,675).

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee benefits or post-employment benefits and compensation awarded to key management during the six months ended June 30, 2012 was as follows:

	2012	2011
Consulting	\$ 12,625	\$ 3,000
Total	\$ 12,625	\$ 3,000

### 6. Segmented Information

The Company reports segmented information based on its operating and geographic segments. The Company's operations are primarily directed towards the acquisition, exploration, and ultimate development of gold and other precious metals with regard to mineral properties held in British Columbia and Ontario, Canada.

### 7. Share Capital

#### (a) Authorized

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

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

### 7. Share Capital, continued

#### (b) Shares Issued for Mineral Property

On March 29, 2012, the Company issued 150,000 common shares to the optionors of the Toughnut Property as per the amended option agreement. The fair value recognized of \$2,250 was based on the quoted market price of \$0.015 per share.

On June 25, 2012, the Company issued 100,000 common shares to the optionors of the Bobcaygeon Property as per the option agreement at an agreed fair value of \$5,000 (equivalent to \$0.05 per share).

#### (c) Stock Options

The Company has a rolling 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 term of stock options granted under the Plan may not exceed ten 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.

Stock options outstanding and exercisable as at June 30, 2012 and 2011 were as follows:

Exercise Price	Weighted Average Fair Value	Expiry Date	Balance December 31, 2011	Expired	Balance June 30, 2012
\$0.25	\$0.17	October 9, 2012	1,200,000	-	1,200,000
\$0.10	\$0.06	February 24, 2014	50,000	-	50,000
\$0.10	\$0.09	August 11, 2014	1,385,000	-	1,385,000
\$0.10	\$0.02	November 17, 2016	400,000	-	400,000
			<b>3,035,000</b>	<b>-</b>	<b>3,035,000</b>
Weighted average exercise price			\$0.16		\$0.16
Weighted average contractual life remaining in years			2.18		1.68

  

Exercise Price	Weighted Average Fair Value	Expiry Date	Balance December 31, 2010	Expired	Balance June 30, 2011
\$0.25	\$0.17	October 9, 2012	1,260,000	60,000	1,200,000
\$0.10	\$0.06	February 24, 2014	50,000	-	50,000
\$0.10	\$0.09	August 11, 2014	1,455,000	70,000	1,385,000
			<b>2,765,000</b>	<b>130,000</b>	<b>2,635,000</b>
Weighted average exercise price			\$0.17	\$0.17	\$0.17
Weighted average contractual life remaining in years			2.77		2.27

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

### 7. Share Capital, continued

#### (d) Finders' Options

Finders' options outstanding and exercisable as at June 30, 2012 and 2011 were as follows:

Exercise Price	Weighted Average Fair Value	Expiry Date	Balance December 31, 2011	Balance June 30, 2012
\$0.05	\$0.03	November 17, 2012	500,000	500,000
			<b>500,000</b>	<b>500,000</b>
Weighted average exercise price			\$0.05	\$0.05
Weighted average contractual life remaining in years			0.88	0.38

  

Exercise Price	Weighted Average Fair Value	Expiry Date	Balance December 31, 2010	Balance June 30, 2011
\$0.08	\$0.05	December 23, 2011	562,500	562,500
\$0.05	\$0.03	November 17, 2012	500,000	500,000
			<b>1,062,500</b>	<b>1,062,500</b>
Weighted average exercise price			\$0.07	\$0.07
Weighted average contractual life remaining in years			1.40	0.91

#### (e) Share Purchase Warrants

Share purchase warrants outstanding as at June 30, 2012 and 2011 were as follows:

Exercise Price	Expiry Date	Balance December 31, 2011	Balance June 30, 2012
\$0.10	November 17, 2012	2,500,000	2,500,000
\$0.10	November 17, 2012	15,048,319	15,048,319
\$0.10	November 17, 2012	125,000	125,000
\$0.10	December 30, 2012	3,130,000	3,130,000
\$0.10	December 30, 2012	388,500	388,500
\$0.06	January 14, 2015	50,000	50,000
\$0.10	January 31, 2016	50,000	50,000
\$0.10	February 8, 2013	600,000	600,000
\$0.10	March 22, 2013	18,124,460	18,124,460
\$0.10	March 22, 2013	925,000	925,000
\$0.10	March 22, 2013	4,110,000	4,110,000
\$0.10	March 22, 2013	800,000	800,000
\$0.10	May 4, 2013	3,180,000	3,180,000
\$0.10	May 4, 2013	312,000	312,000
		<b>49,343,279</b>	<b>49,343,279</b>
Weighted average exercise price		\$0.10	\$0.10
Weighted average contractual life remaining in years		1.10	0.60

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

### 7. Share Capital, continued

#### (e) Share Purchase Warrants, continued

Exercise Price	Expiry Date	Balance			Balance June 30, 2011
		December 31, 2010	Granted	Expired	
\$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
\$0.10	November 17, 2012	2,500,000	-	-	2,500,000
\$0.10	November 17, 2012	15,048,319	-	-	15,048,319
\$0.10	November 17, 2012	125,000	-	-	125,000
\$0.10	December 30, 2012	3,130,000	-	-	3,130,000
\$0.10	December 30, 2012	388,500	-	-	388,500
\$0.06	January 14, 2015	50,000	-	-	50,000
\$0.10	January 31, 2016	-	50,000	-	50,000
\$0.10	February 8, 2013	-	600,000	-	600,000
\$0.10	March 22, 2013	-	18,124,460	-	18,124,460
\$0.10	March 22, 2013	-	925,000	-	925,000
\$0.10	March 22, 2013	-	4,110,000	-	4,110,000
\$0.10	March 22, 2013	-	800,000	-	800,000
\$0.10	May 4, 2013	-	3,180,000	-	3,180,000
\$0.10	May 4, 2013	-	312,000	-	312,000
		<b>30,944,207</b>	<b>28,101,460</b>	<b>3,259,722</b>	<b>55,785,945</b>
Weighted average exercise price		\$0.12	\$0.10	\$0.15	\$0.11
Weighted average contractual life remaining in years		1.52			1.45

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

### 7. Share Capital, continued

#### (f) Fair Value Determination

The fair value of share purchase warrants and finders' warrants issued were calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	June 30, 2011	
	Warrants	Finders' Warrants
Risk-free interest rate	1.93%	1.67%
Expected share price volatility	137.80%	133.09%
Expected life in years	2.23	2.00
Expected dividend yield	0.00%	0.00%

The expected volatility assumptions have been developed taking into consideration both historical and implied volatility of the Company's share price, where data is available, and comparable companies in similar development stages and property locations, where Company data is unavailable.

#### (g) Share-based Payments

The total calculated fair value of share-based payments for the six months ended June 30, 2012 and 2011 were as follows:

	June 30, 2012	June 30, 2011
Statements of Changes in Equity		
Agent warrants	-	58,674
Mineral property payments	-	28,009
	-	86,683
Total	\$ -	\$ 86,683

### 8. Commitments

Effective July 1, 2012, under an amended service agreement between the Company and a company privately held by a director and officer of the Company, the Company will be charged \$10,500 per month for office accommodation and services ("Basic Rent"), \$1,750 per month per dedicated office ("Specific Rent") and \$2,500 per month for CFO services. The Company may terminate the agreement through written notice at any time by paying the Basic and Specific Rents for the lesser of 24 months or the remainder of the term. The agreement expires on August 31, 2017, and the remaining minimum fee commitment based on current rental space as at June 30, 2012 was \$252,000.



## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

Six Months Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars, Unaudited)

### 9. Supplemental Cash Flow Information

	Six Months Ended	
	June 30,	
	2012	2011
Cash comprised of:		
Cash	\$ 1,839	\$ 423,149
Cash reserved for flow-through expenditures	-	383,303
<b>Total Cash</b>	<b>\$ 1,839</b>	<b>\$ 806,452</b>
Cash Items		
Income tax paid	\$ -	\$ -
Interest received	59	-
Interest paid	3,921	3,889
Non-Cash Items		
Financing Activities		
Fair value of warrants issued for mineral properties	\$ -	\$ 28,009
Shares issued for mineral properties	7,250	47,250
Fair value of finders' warrants	-	58,674

### 10. Events after the Reporting Period

The following events occurred subsequent to June 30, 2012:

- On July 10, 2012, the Company completed a consolidation of its outstanding share capital on a basis of one new common share for ten old common shares. Amounts and exercise prices of outstanding stock options and share purchase warrants were also amended accordingly.
- On July 18, 2012, 80,000 post-consolidation common shares were issued as part of a debt settlement agreement.
- On July 19, 2012, 630,000 post-consolidation stock options were granted to directors, officers and consultants at an exercise price of \$0.10 per share expiring July 19, 2017.
- On July 19, 2012, the Company staked a new property, Kemano Gold, in northwestern British Columbia, Canada.
- On July 30, 2012, 5,000 and 2,500 post-consolidation stock options with post-consolidation exercise prices of \$1.00 and \$2.50, respectively, expired unexercised.
- On August 1, 2012, 50,000 post-consolidation common shares were issued as part of an amended mineral property option agreement.
- On August 13, 2012, 2,000 post-consolidation stock options with a post-consolidation exercise price of \$1.00 expired unexercised.



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**Management's Discussion and Analysis  
For the Six Months Ended June 30, 2012  
Dated: August 28, 2012**

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# Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2012

---

## 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 six months ended June 30, 2012, and is dated August 28, 2012. This MD&A was prepared to conform to National Instrument 52-102F1 and was approved by the Board of Directors prior to its release. This analysis should be read in conjunction with the Company's unaudited condensed interim financial statements for the six months ended June 30, 2012, and the Company's audited financial statements for the year ended December 31, 2011, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares are listed on the TSX Venture Exchange under the symbol "VQA.V" and the Frankfurt Stock Exchange under the symbol "3VA.F".

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

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](http://www.valterraresource.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## B. Qualified Person

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. Mr. McGrath is a director of the Company.

## 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

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Information from [www.onlineconversion.com](http://www.onlineconversion.com)

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**C. Conversion Tables, continued**

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](http://www.onlineconversion.com)

**D. Summary of Mineral Properties**

The Company has been aggressively exploring south-eastern British Columbia, Canada since 2007, building key assets including the Cu-Au-Ag porphyry/shear-hosted Swift Katie Project and the Au-Ag+/-Cu porphyry/shear-hosted "Star Project" (Star and Toughnut claims). The properties occur within a highly metallogenic area of the province that historically has hosted several important mining districts, and are underlain by rocks considered very favourable for the discovery of polymetallic mineralization.

In June 2012, the Company entered into an option agreement to acquire the Bobcaygeon Graphite Property in Southern Ontario. The project area covers over 7,000 hectares and is favourably situated on the border of the Precambrian Grenville Province and the Paleozoic Lowlands forming a prospective locale for potential graphitic deposits. The graphite veins are within calcitic marbles sitting west of a syenitic amphibolite unit and the contact is traceable for up to 10-12 kilometres.

In July 2012, a new property, Kemano Gold, was staked in north-western British Columbia comprising approximately 1,290 hectares of contiguous claims in the Kemano/Terrace area which were recognized by the Company in past generative work as being highly prospective for Au, Cu, and Ag. The property covers mineralized fault-/shear zones in roof pendants of Permian-aged Gamsby Group metasediments and volcanics within Coast Range granodiorite bodies. The mineralization may be related to structurally controlled moderate to high sulphidation quartz veins.

**Swift Katie Project**

The Swift Katie group of claims comprises more than 83 square kilometres located near Salmo, British Columbia centralized in an infrastructure-rich region of the province. The Company has completed 15 drill holes (4,866m) and returned several encouraging intercepts for bulk-tonnage Cu-Au-Ag from the main Katie zone; being underlain by prospective volcano-sedimentary rocks assigned to the Rossland Group which hosts numerous precious-metal and polymetallic past-producers in this prolific belt.

## Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2012

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### D. Summary of Mineral Properties, continued

#### Swift Katie Project, continued

In 2011, the Company retained Micon International Limited of Vancouver to conduct a Phase I, in-house review of the current drill database for the Katie, West, and 17 zones which comprise over 70 drill holes completed between 1987 and 2008. The drilling outlines a Cu-Au-Ag inventory measuring approximately 600 metres of strike length by 400 metres width, and up to 300 metres depth; being open in several directions. The Phase I work included surveying of historic drill collars, an assessment of the historic QA/QC protocols, and drill spacing. Contingent on the Phase I results, the Phase II proposal includes provisions for developing a NI 43-101 compliant bulk-tonnage Cu-Au-Ag resource.

#### Star Project

The Star project comprises over 20 square kilometres centralized in the prolific Silver King shear zone located in south-eastern British Columbia. The signature of the rocks intercepted in past drilling are generally consistent with a zoned porphyry model subjected to shortening and intense shear-fault/hydrothermal activity that generated focused zones of higher-grade mineralization.

Encouraging results received to date warrant continued drilling and the Company anticipates that the Gold Eagle and Alma N targets are advancing toward grid-patterned drilling designed to develop Au-Ag resources of potential economic significance. The Company has completed 25 NQ2/BTW-sized drill holes (5,785m) on the project and has returned several encouraging intercepts for Au-Ag +/- Cu from five known zones. Furthermore, advanced studies on the project database have identified 'embayments' in the magnetic geophysical signature coincident with prospective geological contacts and strong hydrothermal alteration. The precious metal signature is often elevated when these features are core sampled, yet the structures are only nominally tested in the drill record.

The Company has permits for a small-scale trenching program at the Gold Eagle zone, the focus of which will be to increase the surface exposure of the zone and facilitate expanded mapping, sampling and drilling along the mineralized trends. Drilling results continue to advance a porphyry model for the property and airborne data show numerous anomalies warranting follow-up.

Select drill intercept highlights to date include:

Claim Group	Zone	Drill Intercept Results	
Star	Alma N	VST08-006:	18.77 g/t Au & 11.55 g/t Ag over 4.0 metres
		<i>Including</i>	35.68 g/t Au & 21.80 g/t Ag over 2.0 metres
	Eureka	VST09-007:	2.12 g/t Au & 1.63 g/t Ag over 44.5 metres
		<i>Including</i>	11.29 g/t Au & 5.60 g/t Ag over 2.0 metres
	Eureka	VST10-011:	0.28 g/t Au, 4.45 g/t Ag & 0.27% Cu over 66.67 metres
		VST11-014:	0.36 g/t Au, 1.21 g/t Ag & 0.13% Cu over 64.0 metres
	<i>Including</i>	1.23 g/t Au, 2.17 g/t Ag & 0.24% Cu over 15.52 metres	

## Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2012

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### D. Summary of Mineral Properties, continued

#### Star Project, continued

Claim Group	Zone	Drill Intercept Results	
Toughnut	Toughnut	VTN10-005:	4.05 g/t Au & 0.88 g/t Ag over 8.0 metres
	Gold Eagle	VTN10-008:	4.02 g/t Au & 9.51 g/t Ag over 24.33 metres
		<i>Including</i>	7.76 g/t Au & 20.29 g/t Ag over 9.11 metres
	<i>Including</i>	14.47 g/t Au & 34.60 g/t Ag over 4.0 metres	
	VTN11-010:	1.22 g/t Au & 2.71 g/t Ag over 29.72 metres	
<i>Including</i>	4.40 g/t Au & 6.10 g/t Ag over 2.0 metres		

#### Bobcaygeon

The property package encompasses over 70 square kilometres of claims, leases and private patents, and includes claims recently staked to cover important mineral trends and features. The property is located approximately 1.5 hours' drive north of Toronto and is close to transport, power, and numerous services.

Recent assay highlights from three grab and select chip samples include:

Sample ID	Sample Type	Cg%
767772	Float Grab	54.9
767773	Float Grab	69.1
767774	0.5m Select Trench Chip	41.9

The new sampling included two float samples and one select chip sample collected from a near surface trench, the results of which are consistent with earlier reported grab assays from the property that were provided by the vendor.

In 2012, the Company plans to conduct an airborne geophysical survey covering approximately 60-65 square kilometers of claims in order to detect conductive zones and bodies which may be associated with graphite. Contingent on results, trenching, sampling, and 500 - 1,000 metres of diamond drilling is proposed.

#### Kemano Gold

The property is accessible via the Sandifer Lake logging road which passes through the western portion of the property and connects to tidewater at Kemano Landing.

One of the more promising zones on the property is the "K-Zone" which was initially explored by others through surface sampling and trenching in the 1980s. The assessment reporting identifies numerous precious and base metal sample results from a NE-SW trending corridor striking for over 3.5 kilometres. One of the best reported assays came from a small bulk sample which yielded 1.494 oz./t Au (46.47 g/t), 3.13 oz./t Ag (97.35 g/t), & 5.01% Cu. A ground program is proposed for late 2012.

## Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2012

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### D. Summary of Mineral Properties, continued

#### Acquisition Costs

The Company's accounting policy related to expenditures incurred for the acquisition of mineral properties is to capitalize on a property-by-property basis, net of recoveries. During the six months ended June 30, 2012, the Company incurred acquisition costs on its mineral properties as follows:

	Balance December 31, 2011	Additions		Impairment	Balance June 30, 2012
	\$	Q1 \$	Q2 \$	\$	\$
Toughnut	91,944	7,365		-	99,309
Star	87,387	-	31,023	-	118,410
Swift Katie	353,559	1,054	-	-	354,613
Bobcaygeon	-	-	23,552	-	23,552
Rozan	-	216	-	(216)	-
<b>Total</b>	<b>532,890</b>	<b>8,635</b>	<b>54,575</b>	<b>(216)</b>	<b>595,884</b>

#### Exploration Costs

The Company's accounting policy related to expenditures incurred for the exploration and development of mineral properties are expensed to the statement of comprehensive loss in the period in which they are incurred. During the six months ended June 30, 2012, the Company incurred exploration costs on its mineral properties as follows:

	Total to December 31, 2011	Expensed		Total to June 30, 2012
	\$	Q1 \$	Q2 \$	\$
Toughnut	645,704	12,686	10,999	669,389
Star	1,225,008	10,681	5,733	1,241,422
Swift Katie	1,613,928	13,291	4,149	1,631,368
Bobcaygeon	-	-	16,953	16,953
Rozan	63,188	1,530	95	64,813
General / Other	88,293	-	1,530	89,823
<b>Total</b>	<b>3,636,121</b>	<b>38,188</b>	<b>39,459</b>	<b>3,713,768</b>

## Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2012

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### E. Results of Operations

During the six months ended June 30, 2012, the Company reported a net loss and comprehensive loss of \$226,395 (2011 - \$347,666 net loss, \$351,416 comprehensive loss). The following table summarizes variances in operating expenses and other items for the six months ended June 30, 2012 and 2011:

	2012	2011	Variance	
			Increase/(Decrease)	
	\$	\$	\$	%
<b>Expenses</b>				
Administration	14,153	16,218	(2,065)	(13%)
Consulting	20,923	3,500	17,423	498%
Exploration and evaluation	77,647	192,859	(115,212)	(60%)
Investor relations	12,897	21,105	(8,208)	(39%)
Office and general	18,560	25,294	(6,734)	(27%)
Professional fees	51,747	48,081	3,666	8%
Regulatory fees and taxes	24,059	34,064	(10,005)	(29%)
Shareholders communications	2,175	1,215	960	79%
Transfer agent	3,522	13,864	(10,342)	(75%)
Travel and promotion	555	13,354	(12,799)	(96%)
<b>Other</b>				
Interest income	(59)	-	(59)	-
Mineral property impairment	216	-	216	-
Realized gain on sale of investment	-	(23,138)	23,138	(100%)

Consulting fees increased as a result of a new contract and costs incurred relating to the Company's letter of credit guarantee.

Exploration expenses fluctuate based on levels and types of exploration activities incurred.

Investor relations, regulatory fees, shareholders' communications, transfer agent and travel and promotion expenses fluctuate based on the number of conferences and trade shows attended and other work performed in preparation of financing activities.

Office and general expenses decreased as a result of one-off charges incurred in 2011 relating to an insurance claim.

Professional fees increased as a result of timing of accountancy and audit fees incurred which has been partly offset by a decrease in legal fees.

A gain was realized in 2011 relating to the sale of all of the Company's investments previously acquired via mineral property earn-in agreements.



## Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2012

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### F. Summary of Quarterly Results

The following financial data was derived from the Company's financial statements for the last eight quarters as prepared in accordance with IFRS:

	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sep 30
	2012	2012	2011	2011	2011	2011	2010	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss	107,034	119,361	209,969	407,686	136,878	207,786	347,547	381,967
Comprehensive loss	107,034	119,361	209,969	407,686	140,628	207,786	334,797	378,467
Basic and diluted loss per share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01

The Company earned no revenue during the periods presented other than minimal interest income as the Company is in the exploration stage.

Quarterly fluctuations mainly related to share-based payments which varied as stock options were granted, expenditure on mineral property exploration which vary as projects are identified and impairment of mineral properties which vary as projects are assessed, future income tax adjustments relating to flow-through share renunciations and adjustments to recognize gains and losses on available-for sale investments.

### G. Financial Condition, 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.

As at June 30, 2012, the Company had a working capital deficiency of \$400,494 (December 31, 2011 - \$118,355). The Company has been 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 June 30, 2012 and without further financing, the cash balance of \$1,839 would be insufficient to meet the cash requirements for the Company's administrative overhead and maintaining its mineral interests in the year to come, therefore, the Company will be required to raise additional capital in order to fund its operations.

## Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2012

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### G. Financial Condition, Liquidity and Capital Resources, continued

#### *Commitments*

Effective July 1, 2012, under an amended service agreement between the Company and a company privately held by a director and officer of the Company, the Company will be charged \$10,500 per month for office accommodation and services ("Basic Rent"), \$1,750 per month per dedicated office ("Specific Rent") and \$2,500 per month for CFO services. The Company may terminate the agreement through written notice at any time by paying the Basic and Specific Rents for the lesser of 24 months or the remainder of the term. The agreement expires on August 31, 2017, and the remaining minimum fee commitment based on current rental space as at June 30, 2012 was \$252,000.

### H. Outstanding Equity and Convertible Securities

#### i) Issued and outstanding

As at June 30, 2012 the Company had 93,590,322 common shares issued and outstanding. On July 10, 2012, the Company completed a consolidation of its outstanding share capital on a basis of one new common share for ten old common shares. On July 18, 2012, 80,000 common shares were issued as part of a debt settlement agreement. On August 1, 2012, 50,000 common shares were issued as part of an amended mineral property option agreement.

As at August 28, 2012 the Company had 9,489,025 common shares issued and outstanding.

#### ii) Stock Options

As at June 30, 2012 and August 28, 2012 the Company had stock options outstanding as follows, retrospectively adjusted for the share consolidation:

Exercise Price	Expiry Date	Balance			Balance August 28, 2012
		June 30, 2012	Granted	Expired	
\$2.50	October 9, 2012	120,000	-	2,500	117,500
\$1.00	February 24, 2014	5,000	-	-	5,000
\$1.00	August 11, 2014	138,500	-	7,000	131,500
\$1.00	November 17, 2016	40,000	-	-	40,000
\$0.10	July 19, 2017	-	630,000	-	630,000
		<b>303,500</b>	<b>630,000</b>	<b>9,500</b>	<b>924,000</b>
Weighted average exercise price		\$1.59	\$0.10	\$1.39	\$0.58
Weighted average contractual life remaining in years		1.68			3.82

## Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2012

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### H. Outstanding Equity and Convertible Securities, continued

#### iii) Finders' Options

As at June 30, 2012 and August 28, 2012 the Company had finders' options outstanding as follows, retrospectively adjusted for the share consolidation:

Exercise Price	Expiry Date	Balance June 30, 2012	Balance August 28, 2012
\$0.50	November 17, 2012	50,000	50,000
		<b>50,000</b>	<b>50,000</b>
Weighted average exercise price		\$0.50	\$0.50
Weighted average contractual life remaining in years		0.38	0.22

#### iv) Share Purchase Warrants

As at June 30, 2012 and August 28, 2012 the Company had share purchase warrants outstanding as follows, retrospectively adjusted for the share consolidation:

Exercise Price	Expiry Date	Balance June 30, 2012	Balance August 28, 2012
\$1.00	November 17, 2012	250,000	250,000
\$1.00	November 17, 2012	1,504,831	1,504,831
\$1.00	November 17, 2012	12,500	12,500
\$1.00	December 30, 2012	313,000	313,000
\$1.00	December 30, 2012	38,850	38,850
\$0.60	January 14, 2015	5,000	5,000
\$1.00	January 31, 2016	5,000	5,000
\$1.00	February 8, 2013	60,000	60,000
\$1.00	March 22, 2013	1,812,446	1,812,446
\$1.00	March 22, 2013	92,500	92,500
\$1.00	March 22, 2013	411,000	411,000
\$1.00	March 22, 2013	80,000	80,000
\$1.00	May 4, 2013	318,000	318,000
\$1.00	May 4, 2013	31,200	31,200
		<b>4,934,327</b>	<b>4,934,327</b>
Weighted average exercise price		\$1.00	\$1.00
Weighted average contractual life remaining in years		0.60	0.44

## Valterra Resource Corporation

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### I. Related Party Information

The Company entered into the following related party transactions during the six months ended June 30, 2012:

(a) Under a 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:

- \$12,000 (2011 - \$14,000) for office space and general administration services, included in administration expenses;
- \$6,000 (2011 - \$7,000), included in professional fees;
- \$3,298 (2011 - \$3,500), included in consulting;
- \$3,500 (2011 - \$3,500), included in investor relations;
- \$62,948 (2011 - \$92,535) for geological consulting services in relation to mineral properties; and
- \$1,202 (2011 - \$2,218) in respect of the mark-up on out-of-pocket expenses, included in administration expenses.

Amounts payable as at June 30, 2012 under the agreement were \$49,927 (December 31, 2011 - \$597).

(b) Fees charged by a law firm privately held by a director and officer of the Company were as follows:

- \$9,688 (2011 - \$19,653), included in professional fees;
- \$4,947 (2011 - \$1,320), for legal consulting services in relation to mineral properties; and
- \$Nil (2011 - \$18,855), included in share issue costs.

Amounts payable as at June 30, 2012 were \$13,457 (December 31, 2011 - \$3,696).

(c) Consulting fees of \$9,625 (2011 - \$Nil) were charged by a private company controlled by an officer of the Company. Amounts payable as at June 30, 2012 were \$10,780 (December 31, 2011 - \$Nil).

(d) In order to facilitate the Star option payment due on May 13, 2010 as per the option agreement, the Company issued promissory notes to one director/officer and three consultants for \$25,494. Amounts payable as at June 30, 2012 were \$7,625 (December 31, 2011 - \$7,625).

(e) Consulting fees relating to corporate development and financing activities of \$Nil (2011 - \$6,500) were charged by a private company controlled by a former director of the Company. Amounts payable as at June 30, 2012 were \$24,675 (December 31, 2011 - \$24,675).

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee benefits or post-employment benefits and compensation awarded to key management during the six months ended June 30, 2012 was as follows:

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	2012	2011
Consulting	\$ 12,625	\$ 3,000
Total	\$ 12,625	\$ 3,000

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## **Valterra Resource Corporation**

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### **J. Financial Instruments**

The Company's financial instruments include cash, reclamation bonds, bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties.

Other than cash, the Company's financial instruments have no material risk exposure. Risk is managed with respect to cash 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. In addition, any investments must be less than one year in duration.

### **K. Events After the Reporting Period and Outlook**

Except as otherwise disclosed, there have been no material events after the reporting period. 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.

### **L. Off-Balance Sheet Arrangements**

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

### **M. 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.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

The audit committee has established 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 Whistleblower policy is in accordance with National Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

Being a venture issuer, the Company is exempted from the certification on Disclosure Controls and Procedures and Internal Control Over Financial Reporting. The Company is required to file Form 52-109FV1 for annual reporting and Form 52-109FV2 for interim reporting.

## **Valterra Resource Corporation**

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### **N. 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.

#### *Operating History and Availability of Financial Resources*

The Company 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.

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.

## **Valterra Resource Corporation**

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For the Six Months Ended June 30, 2012

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### **N. Risks and Uncertainties, continued**

#### *Competition*

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

#### *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.

#### *Government Regulations and Environmental Risks and Hazards*

The Company's conduct 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.

#### *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.

## **Valterra Resource Corporation**

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### **N. Risks and Uncertainties, continued**

#### *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.

### **O. Proposed Transactions**

Other than normal course review of monthly submittals, there are no other new acquisitions or proposed transactions contemplated as at the date of this report.

### **P. 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.