Valterra Resource Corporation

1100 – 1199 West Hastings Street,
Vancouver, BC, V6E 3T5
Tel: 604-684-9384 Fax: 604-688-4670

Condensed Interim Financial Statements

Nine Months Ended September 30, 2014 and 2013

(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 nine months ended September 30, 2014, and comparatives for the nine months ended September 30, 2013, 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
Nine Months Ended September 30, 2014 and 2013
(Expressed in Canadian Dollars, Unaudited)

	Note	Three Months Ended September 30 2014	Three Months Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
Operating Expenses					
Administration		$ -	$ 32,075	$ 448	$ 97,482
Consulting		3,000	35,268	9,000	89,286
Exploration and evaluation	3(c)	14,408	13,798	53,973	290,468
Investor relations		-	11,739	6,701	183,513
Office and general		4,161	21,605	15,271	42,049
Professional fees		-	5,682	18,041	70,340
Regulatory fees and taxes		-	600	9,873	11,031
Share-based payments	8(g)	-	-	-	15,323
Shareholders' communications		1,709	-	3,019	1,680
Transfer agent		993	959	3,269	3,377
Travel and promotion		994	98	994	40,438
		25,265	**121,824**	**120,589**	**844,987**
Interest and other income		(600)	(83)	(1,042)	(646)
Mineral property impairment		-	-	-	3,342
Reversal of flow-through premium		-	-	-	(21,150)
		(600)	**(83)**	**(1,042)**	**(18,454)**
Net Loss and Comprehensive Loss for the Period		**$ 24,665**	**$ 121,741**	**$ 119,547**	**$ 826,533**
Loss per share - basic and diluted		$ 0.00	$ 0.00	$ 0.00	$ 0.03
Weighted average number of common shares outstanding		31,735,295	25,343,101	30,276,500	25,255,165

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)

As at	**Note**		**September 30 2014**		**December 31 2013**
Assets					
Current					
Cash		$	7,483	$	55,206
Receivables			2,594		2,943
Prepaid and deposits			4,522		8,397
			14,599		**66,546**
Non-current					
Mineral properties	3		483,970		447,500
Reclamation bonds	4		15,000		45,000
			498,970		**492,500**
		$	**513,569**	**$**	**559,046**
Liabilities					
Current					
Bank indebtedness	5	$	198,301	$	198,709
Accounts payable and accrued liabilities	8(c)		211,631		280,821
Due to related parties	6		30,898		150,540
			440,830		**630,070**
Equity (Deficit)					
Share capital	8		12,202,977		11,943,801
Share-based payments reserve			312,573		443,605
Deficit			(12,442,811)		(12,458,430)
			72,739		**(71,024)**
		$	**513,569**	**$**	**559,046**

Approved on behalf of the Board

"*Lawrence Page*"	"*Edward Odishaw*"
Lawrence Page, Q.C. Director	Edward Odishaw Director

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 (Deficit)
Nine Months Ended September 30, 2014 and 2013
(Expressed in Canadian Dollars, Unaudited)

	Share Capital		Share-based		Total
	Number of Shares	Amount	Payment Reserve	Deficit	Equity (Deficit)
Balance as at December 31, 2012	**25,145,275**	**$ 11,881,901**	**$ 537,353**	**$ (11,433,867)**	**$ 985,387**
Issued					
Shares for mineral property payment	100,000	14,000	-	-	14,000
Shares for guarantee extension	100,000	10,000	-	-	10,000
Share issue costs	-	(6,850)	-	-	(6,850)
Share-based payments	-	-	15,323	-	15,323
Expiry of options and warrants	-	-	(111,626)	111,626	-
Net loss for the period	-	-	-	(826,533)	(826,533)
Balance as at September 30, 2013	**25,345,275**	**$ 11,899,051**	**$ 441,050**	**$ (12,148,774)**	**$ 191,327**
Balance as at December 31, 2013	**26,345,275**	**$ 11,943,801**	**$ 443,605**	**$ (12,458,430)**	**$ (71,024)**
Issued					
Private placements - non-flow-through	4,105,000	205,250	-	-	205,250
Shares for mineral property payment	500,000	25,000	-	-	25,000
Shares for settlement of debt	785,650	39,283	-	-	39,283
Share issue costs	-	(10,357)	4,134	-	(6,223)
Expiry of options and warrants	-	-	(135,166)	135,166	-
Net loss for the period	-	-	-	(119,547)	(119,547)
Balance as at September 30, 2014	**31,735,925**	**$ 12,202,977**	**$ 312,573**	**$ (12,442,811)**	**$ 72,739**

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
Nine Months Ended September 30, 2014 and 2013
(Expressed in Canadian Dollars, Unaudited)

	2014	2013
Operating Activities		
Net loss for the period	$ (119,547)	$ (826,533)
Items not involving cash:		
Guarantee extension	-	10,000
Mineral property impairment	-	3,342
Reversal of flow-through premium	-	(21,150)
Share-based payments	-	15,323
	(119,547)	(819,018)
Changes in Non-Cash Working Capital		
Receivables	349	39,112
Prepaid and deposits	3,875	42,414
Bank indebtedness	(408)	(139)
Accounts payable and accrued liabilities	(29,907)	131,952
Due to related parties	(119,642)	197,443
	(145,733)	410,782
Cash Used in Operating Activities	**(265,280)**	**(408,236)**
Investing Activities		
Acquisition of mineral properties	(11,470)	(31,110)
Reclamation bond recovery	30,000	-
Cash Provided by (Used in) Investing Activities	**18,530**	**(31,110)**
Financing Activities		
Common shares issued for cash, net	199,027	(6,850)
Cash Provided by (Used in) Financing Activities	**199,027**	**(6,850)**
Decrease in Cash During the Period	**(47,723)**	**(446,196)**
Cash, Beginning of the Period	55,206	449,161
Cash, End of the Period	$ **7,483**	$ **2,965**

Supplemental cash flow information (Note 9)

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

1. Nature 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 for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements. The Company's registered office is 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

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 September 30, 2014, the Company had a working capital deficit of $426,231 (December 31, 2013 - $563,524). The Company incurred a net loss of $119,547 for the nine months ended September 30, 2014 (2013 - $826,533) and had an accumulated deficit of $12,442,811 as at September 30, 2014 (December 31, 2013 - $12,458,430).

As at September 30, 2014, 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 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 and, therefore, a material uncertainty exists that casts substantial doubt over the Company's ability to continue as a going concern.

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 certain financial assets and financial liabilities recorded 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, 2013.

(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

Mineral property acquisition costs as at September 30, 2014, were as follows:

	Bobcaygeon	Swift Katie	Star	Toughnut	Kemano Gold	Total
	$	$	$	$	$	$
Balance as at December 31, 2012	48,233	354,613	118,410	151,144	3,342	675,742
Additions during the year	11,092	33,562	456	-	-	45,110
Impairments during the year	-	-	(118,866)	(151,144)	(3,342)	(273,352)
Balance as at December 31, 2013	59,325	388,175	-	-	-	447,500
Additions during the period	36,470	-	-	-	-	36,470
Balance as at September 30, 2014	**95,795**	**388,175**	**-**	**-**	**-**	**483,970**

Terms of the agreements for these properties are described below:

(a) Bobcaygeon

Pursuant to an option agreement dated June 1, 2012, the Company can earn a 100% undivided interest in the property located in southern Ontario.

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

(i) 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;
(ii) 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
(iii) 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.

3. Mineral Properties, continued

(a) Bobcaygeon, continued

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

(b) Swift Katie

Pursuant to an agreement dated July 21, 2006, as amended, Manex Resource Group Inc. ("Manex"), a private company controlled by a director of the Company, acquired an option to purchase the property located near Salmo, British Columbia. 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% net smelter royalty ("NSR") interest in the property. The Company has the option to purchase one-half of the NSR (1.5%) for $1,000,000 per 1% and the option to purchase a further one-sixth (0.5%) for an additional $1,500,000 at any time prior to the commencement of commercial production.

Beginning December 31, 2010 and annually thereafter, the Company is required to make an annual advance minimum royalty ("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 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.

On March 26, 2014, the Company entered into a definitive option agreement with Riverside Resources (BC) Inc., acting on behalf of its exploration alliance with a wholly owned subsidiary of Antofagasta plc. ("Alliance").

Under the agreement the Alliance can acquire an 80% interest by incurring property expenditures as follows:

(i) Incur not less than an aggregate of $350,000 on or before April 23, 2015;
(ii) Incur not less than an aggregate of $1,000,000 on or before April 23, 2016;
(iii) Incur not less than an aggregate of $2,500,000 on or before April 23, 2017; and
(iv) Incur not less than an aggregate of $5,000,000 on or before April 23, 2018.

All future AMR payments (commencing with the AMR originally due on December 31, 2013 and deferred to June 30, 2014 - paid) will be assumed by the Alliance and, at any time, the Alliance can also purchase two-thirds (2%) of the underlying NSR for $3,000,000.

(Expressed in Canadian Dollars, Unaudited)

3. Mineral Properties, continued

(b) Swift Katie, continued

Upon exercise of the option, the Company and the Alliance shall be deemed to have formed a joint venture. The formal agreement governing the joint venture shall provide that in the event that the Company's interest is reduced to less than 10%, the Company will be deemed to have conveyed its interest to the other party in consideration of the right to receive a 2% NSR, which can be purchased by the other party at any time prior to the commencement of commercial production for $2,000,000.

(c) Exploration and Evaluation Expenditures

Exploration expenditures incurred for the nine months ended September 30, 2014 and 2013, were as follows:

	Bobcaygeon		Swift Katie		Star		Toughnut		Total	
	$	$	$	$	$	$	$	$	$	$
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Assays and analysis	1,045	35,920	765	1,882	2,204	5,422	1,771	4,351	**5,785**	**47,575**
Camp and supplies	-	3,275	-	-	-	-	-	-	**-**	**3,275**
Drilling	-	32,059	-	-	-	-	-	-	**-**	**32,059**
Equipment rental and field supplies	-	15,289	-	-	-	-	-	-	**-**	**15,289**
Geological services	14,282	110,497	-	700	-	-	-	-	**14,282**	**111,197**
Project supervision	21,010	97,068	6,158	4,830	200	250	-	250	**27,368**	**102,398**
Travel	3,038	5,381	-	-	-	-	-	-	**3,038**	**5,381**
	39,375	**299,489**	**6,923**	**7,412**	**2,404**	**5,672**	**1,771**	**4,601**	**50,473**	**317,174**
General exploration / BC METC refunds									**3,500**	**(26,706)**
									53,973	**290,468**

4. 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 funds are held in trust and may be released after required reclamation is satisfactorily completed.

As at September 30, 2014, amounts held were $15,000 (December 31, 2013 - $45,000), of which $5,000 is with respect to Swift Katie (refunded subsequent to the period end), and $10,000 is with respect to Star.

5. 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.

On October 22, 2014, the Company entered into an agreement whereby the guarantee was extended until September 30, 2015. As consideration for the extension, and subject to regulatory approval, the Company will issue 350,000 units, where each unit will consist of one common share and one share purchase warrant exercisable to purchase one additional common share at an exercise price of $0.05 for a period of four years.

6. Related Party Balances and Transactions

In addition to those transactions disclosed elsewhere in these condensed interim financial statements, the Company entered into the following related party transactions during the nine months ended September 30, 2014:

(a) Under a service agreement, ceased effective October 1, 2013 (Note 10), between the Company and a private company controlled by a director and officer of the Company, the Company was charged as follows:

- $nil (2013 - $94,500) for office space and general administration services;
- $nil (2013 - $29,844) for professional services;
- $nil (2013 - $22,986) for consulting services;
- $nil (2013 - $90,095) for investor relations services;
- $30,368 (2013 - $103,998) for geological consulting services; and
- $448 (2013 - $2,982) in respect of the mark-up on out-of-pocket expenses.

As at September 30, 2014, amounts payable were $11,025 (December 31, 2013 - $139,667).

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

- $nil (2013 - $8,876) for professional fees;
- $nil (2013 - $5,784) for legal consulting services in relation to mineral properties; and
- $nil (2013 - $6,288) included in share issue costs.

Amounts payable as at September 30, 2014 were $4,373 (December 31, 2013 - $4,373).

(c) Fees relating to management, geological and mining consulting services of $nil (2013 - $81,200) were charged by a private company controlled by a former officer of the Company (resigned September 11, 2013).

(Expressed in Canadian Dollars, Unaudited)

6. Related Party Balances and Transactions, continued

(d) Fees relating to consulting services of $9,000 (2013 - $4,000) were charged by an officer of the Company. Amounts payable as at September 30, 2014 were $15,500 (December 31, 2013 - $6,500).

(e) Fees relating to geological consulting services of $2,813 (2013 - $nil) were charged by a private company controlled by a director of the Company.

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 or post-employment benefits. A summary of compensation awarded to key management, included in (a), (c), (d) and (e) above, is as follows:

		2014		2013
Short-term benefits	$	11,813	$	97,700
Total	$	11,813	$	97,700

7. Segmented Information

The Company has one operating segment, the exploration of mineral properties in Canada. As at September 30, 2014, the Company's non-current assets are all located in Canada.

8. Share Capital

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

(b) Equity Financings

On February 20, 2014, the Company closed a non-flow-through private placement by issuing 3,105,000 units at a price of $0.05 per unit for gross proceeds of $155,250. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one additional common share at an exercise price of $0.05 for a period of three years.

On June 10, 2014, the Company closed a non-flow-through private placement by issuing 1,000,000 units at a price $0.05 per unit for total gross proceeds of $50,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one additional common share at an exercise price of $0.05 for a period of three years.

(Expressed in Canadian Dollars, Unaudited)

8. Share Capital, continued

(b) Equity Financings, continued

On August 12, 2014, the Company issued 100,000 finders' warrants with each warrant exercisable to purchase one additional common share at an exercise price of $0.05 for a period of three years. The warrants were fair valued at $0.04 per warrant using the Black-Scholes option pricing model (Note 8(f)).

(c) Non-Cash Issuances

On February 21, 2014, the Company completed an agreement to settle a debt of $54,283 by payment of $15,000 and by the issuance of 785,650 units at a price of $0.05 per unit. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase an additional common share at a price of $0.05 per share for a period of three years.

On March 19, 2014, the Company issued 500,000 common shares as per a property option agreement. The fair value recognized of $25,000 was based on the closing quoted market price of $0.05 per share.

(d) 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 September 30, 2014 were as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance December 31, 2013	Expired	Balance September 30, 2014
$1.00	$0.60	February 24, 2014	5,000	5,000	-
$1.00	$0.88	August 11, 2014	129,500	129,500	-
$1.00	$0.20	November 17, 2016	20,000	-	20,000
$0.10	$0.13	July 19, 2017	550,000	55,000	495,000
$0.12	$0.11	December 17, 2017	1,490,000	95,000	1,395,000
$0.17	$0.15	March 1, 2018	100,000	-	100,000
			2,294,500	**284,500**	**2,010,000**
Weighted average exercise price			$0.18	$0.53	$0.13
Weighted average contractual life remaining (years)			3.67		3.11

(Expressed in Canadian Dollars, Unaudited)

8. Share Capital, continued

(d) Stock Options, continued

Stock options outstanding and exercisable as at September 30, 2013 were as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance December 31, 2012	Granted	Expired	Balance September 30, 2013
$1.00	$0.60	February 24, 2014	5,000	-	-	5,000
$1.00	$0.88	August 11, 2014	129,500	-	-	129,500
$1.00	$0.20	November 17, 2016	40,000	-	20,000	20,000
$0.10	$0.13	July 19, 2017	630,000	-	45,000	585,000
$0.12	$0.11	December 17, 2017	1,580,000	-	15,000	1,565,000
$0.17	$0.15	March 1, 2018	-	100,000	-	100,000
			2,384,500	**100,000**	**80,000**	**2,404,500**
Weighted average exercise price			$0.18	$0.17	$0.33	$0.17
Weighted average contractual life remaining (years)			4.65			3.93

(e) Share Purchase Warrants

Share purchase warrants outstanding as at September 30, 2014 were as follows:

Exercise Price	Expiry Date	Balance December 31, 2013	Issued	Balance September 30, 2014
$0.60	January 14, 2015	5,000	-	5,000
$1.00	January 31, 2016	5,000	-	5,000
$0.12	November 22, 2014	7,154,750	-	7,154,750
$0.12	November 30, 2014	312,500	-	312,500
$0.05	February 20, 2017	-	3,105,000	3,105,000
$0.05	February 21, 2017	-	785,650	785,650
$0.05	June 10, 2017	-	1,000,000	1,000,000
$0.05	August 12, 2017	-	100,000	100,000
		7,477,250	**4,990,650**	**12,467,900**
Weighted average exercise price		$0.12	$0.05	$0.09
Weighted average contractual life remaining (years)		0.89		1.07

(Expressed in Canadian Dollars, Unaudited)

8. Share Capital, continued

(e) Share Purchase Warrants, continued

Share purchase warrants outstanding as at September 30, 2013 were as follows:

Exercise Price	Expiry Date	Balance December 31, 2012	Expired	Balance September 30, 2013
$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	2,395,946	2,395,946	-
$1.00	May 4, 2013	349,200	349,200	-
$0.12	November 22, 2014	7,154,750	-	7,154,750
$0.12	November 30, 2014	312,500	-	312,500
		10,282,396	**2,805,146**	**7,477,250**
Weighted average exercise price		$0.36	$1.00	$0.12
Weighted average contractual life remaining (years)		1.44		1.15

(f) Fair Value Determination

The fair value of finders' warrants issued and stock options granted was calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	September 30, 2014		September 30, 2013	
	Finders' Warrants	Stock Options	Finders' Warrants	Stock Options
Risk-free interest rate	1.11%	N/A	N/A	1.30%
Expected share price volatility	156.21%	N/A	N/A	146.31%
Expected life in years	3.00	N/A	N/A	5.00
Expected dividend yield	0.00%	N/A	N/A	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.

(Expressed in Canadian Dollars, Unaudited)

8. Share Capital, continued

(g) Share-based Payments

The total calculated fair value of share-based payments for the nine months ended September 30, 2014 and 2013, were as follows:

	September 30, 2014	September 30, 2013
Statements of Comprehensive Loss		
Directors and officers	$ -	$ -
Consultants	-	15,323
Statements of Changes in Equity		
Finders' warrants	4,134	-
Total	$ 4,134	$ 15,323

9. Supplemental Cash Flow Information

	2014	2013
Cash Items		
Income tax paid	$ -	$ -
Interest paid	5,992	10,130
Interest received	442	646

10. Commitments

(a) Service Agreement

Effective July 1, 2012, under an amended service agreement originally expiring on August 31, 2017, between the Company and a private company controlled by a director and officer of the Company, the Company was charged $10,500 per month for office accommodation and services (“Basic Rent”) and $1,750 per month per dedicated office (“Specific Rent”). The Company could 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.

Effective October 1, 2013, the Company received notice that it was in default of the service agreement and that office accommodation and certain other personnel services would no longer be provided until the default was remedied.

10. Commitments, continued

(b) Flow-through Expenditures

As at September 30, 2014, the Company had completed its commitment to incur qualifying Canadian Exploration Expenditures of $50,000 with respect to the private placement of flow-through shares completed during the year ended December 31, 2013.

11. Events after the Reporting Period

In addition to the other events disclosed elsewhere in these condensed consolidated interim financial statements, the following events occurred subsequent to September 30, 2014:

- On October 29, 2014, 15,000 stock options with an exercise price of $0.10 and 20,000 stock options with an exercise price of $0.12, expired unexercised.

- On November 22, 2014, 7,154,750 share purchase warrants with an exercise price of $0.12 expired unexercised.

1100 – 1199 West Hastings Street,
Vancouver, BC, V6E 3T5
Tel: 604-684-9384 Fax: 604-688-4670

Management's Discussion and Analysis
For the Nine Months Ended September 30, 2014
Dated: November 26, 2014

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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, 2014, and is dated November 26, 2014. 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 nine months ended September 30, 2014, and the Company's audited financial statements for the year ended December 31, 2013, 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 included herein 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 and on SEDAR at www.sedar.com.

B. Qualified Person

Robert W. J. Macdonald, 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. Mr. Macdonald graduated with a B.Sc. degree from Memorial University of Newfoundland and a M.Sc. from the University of British Columbia. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

C. Conversion Tables

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. Summary of Mineral Properties

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements and has been aggressively exploring in British Columbia and Ontario, Canada.

The Company's Bobcaygeon graphite property is located in southern Ontario which is favorably situated within the Precambrian Grenville Province which is a prospective locale for potential graphitic deposits.

The Company's Cu-Au-porphyry Swift Katie property is located within a highly metallogenic area of south-eastern British Columbia that historically has hosted several important mining districts, and is underlain by rocks considered very favourable for the discovery of porphyry-style mineralization.

On March 26, 2014, the Company entered into a definitive option agreement with Riverside Resources (BC) Inc. ("Riverside"), acting on behalf of its exploration alliance with a wholly owned subsidiary of Antofagasta plc. ("Alliance"). Under the agreement the Alliance can acquire an 80% interest in the Swift Katie property by incurring property expenditures totalling $5,000,000.

Bobcaygeon

The property package encompasses over 160 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 2.5 hours' drive north of Toronto and is close to transport, power, and numerous services.

Previous work on the project included: reconnaissance mapping and prospecting; backhoe excavator trenching; diamond drilling; surface geophysics; and whole rock/multi-element analyses. Sampling has identified extensive areas of anomalous to high-grade graphite throughout the property.

Graphitic horizons are associated with the Salerno Creek Deformation Zone that forms a major tectonic boundary between the Bancroft Terrane and Harvey-Cardiff Arch. The terrane contact hosts the majority of past-producing graphite mines and significant graphite occurrences in the belt; mostly within major regional-scaled fault complexes. Five areas, over a 20 kilometre strike length, have been identified by the Company for priority follow-up.

Further regional work including mapping, prospecting and trenching is planned to delineate the full extent of the graphitic stratigraphy throughout the property.

Discovery Zone

High-grade graphite horizons occur at both the Discovery and Salerno Zones. Trenching at the Discovery Zone has uncovered a high-grade vein which returned graphite values of 36.8% Cg over 1.5 metres, 20.2% Cg over 1.4 metres, 14.6% Cg over 0.7 metres. Sampling and mapping has extended the projection of the Discovery Zone mineralization to over 600 metres and now defines a priority drill target that is supported by recent EM and IP/Res geophysics on the property.

D. Summary of Mineral Properties, continued

Bobcaygeon, continued

Salerno Zone

The Salerno Zone is located 24 kilometres northeast of the Discovery Trench and is hosted in rusty marble. Both the strike-length and thickness of the graphite-bearing stratigraphy make this a high priority target with the potential to develop both bulk tonnage and high-grade mineralization. Historic drilling in the 1990's at the Salerno Zone (for zinc) identified graphite-bearing stratigraphy over a +2 kilometre strike length. Mapping in the area has identified two different graphite horizons and sampling has confirmed the high-grade potential of this newly developed occurrence. Current planning would test a +4 kilometre cumulative strike-length of the target area.

Crystal Zone

The Crystal Zone is located approximately 10.5 kilometres north-east of the Discovery Trench. Preliminary mapping in the area has shown that the graphitic horizon is associated with a biotitic/amphibolite gneiss and occurs in a unit ranging from 65 metres to 250 metres wide.

4South Zone

The 4South Zone is located approximately 450 metres northwest of the Discovery Zone trench. The graphite is hosted in amphibolite gneiss and occurs on the edge of an electromagnetic anomaly within the Discovery Zone geophysical grid.

Corridor Zone (Bass Lake North)

The Corridor Zone is located 1 kilometre to the north of the Discovery Trench. Two trends of graphitic stratigraphy may represent parallel target horizons extending the full 1.75 kilometre trend of the currently delineated zone.

Select assay results to date:

Sample No.	Type	Width	Description	Cg(%)
Main Zone				
960540	Channel	1.5m	Graphite lenses in marble	36.8
960541	Channel	1.4m	Graphite lenses in marble	20.2
960061	Channel	0.7m	Graphite plus quartz in marble	14.6
960542	Channel	0.5m	Graphite in amphibolite gneiss	8.7
960513	Grab	0.3m	Quartz vein with coarse graphite	7.8
Salerno Zone				
960685	Chip/Grab	0.1m	Graphite seam in calcitic marble	28.1
960678	Chip	1.5m	Graphite layers in calcitic marble	15.7
960683	Chip	0.6m	Graphite seams in calcitic marble	8.5
960679	Chip	1.2m	Graphite layers in calcitic marble	7.2
960709	Channel	1.7m	Graphite layers in calcitic marble	5.7
960735	Chip	1.0m	Graphite lenses and Breccia in calcitic marble	24.5
960737	Chip	0.4m	Graphite lenses in calcitic marble	14.7
960741	Chip	0.5m	Graphite seams in gneiss	9.4
960740	Chip	1.5m	Graphitic quartz monzonite	3.5

D. Summary of Mineral Properties, continued

Bobcaygeon, continued

Sample No.	Type	Width	Description	Cg(%)
4South Zone				
960701	Channel	1.2m	Mineralized amphibolite gneiss	2.4
960703	Channel	1.2m	Mineralized amphibolite gneiss	2.4
960702	Channel	1.0m	Mineralized amphibolite gneiss	2.1
960668	Chip	1.3m	Amphibolite gneiss	2.0
Corridor Zone				
960677	Grab	0.3m	Amphibolite gneiss/marble contact	2.5
960528	Grab	0.3m	Graphite in amphibolite gneiss	2.2
960530	Chip	1.0m	Graphite in gneiss/marble	2.1
Crystal Zone				
960671	Chip	3.0m	Mineralized amphibolite gneiss	2.3
960715	Channel	2.0m	Gneissose marble	1.8
960742	Chip	7.0m	Layered marble	2.9
960743	Chip	4.5m	Gneissic marble	2.5

Swift Katie

The Swift Katie claims comprise more than 83 square kilometres located near Salmo, British Columbia within in an infrastructure-rich region of the province.

Since acquisition, the Company has completed 15 drill holes (4,866m) and returned several encouraging intercepts indicative of bulk-tonnage Cu-Au-Ag from the main Katie Zone. Mineralization occurs in volcano-sedimentary rocks of the Rossland Group which hosts numerous precious-metal and polymetallic past-producers in the region. 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. Inventory review work included surveying of historic drill collars, an assessment of the historic QA/QC protocols, and drill spacing with the ultimate goal being to develop a NI 43-101 compliant bulk-tonnage Cu-Au-Ag resource.

During 2013 and 2014, Riverside completed a soil sampling program, identifying geochemical anomalies (copper, gold, silver and potassium) within anomalous resistivity and magnetic signatures. These geophysical and geochemical anomalies are coincident with host rocks which are of a prospective age and lithology for hosting mineralization. The Swift target lies immediately south of the Katie deposit which hosts alkalic porphyry copper-gold mineralization. Alkalic porphyry mineralization commonly occurs in clusters, thus the Swift area presents a compelling target.

A recently completed reconnaissance drilling program, completed by Riverside, consisted of five diamond drill holes, totaling 1,423 metres. These holes tested soil and resistivity anomalies over a 1 square kilometre area. Spacing between drill hole collars ranged from 350 metres to 900 metres. The program encountered numerous zones of precious metal mineralization which include 23.4 g/t gold, 0.621% copper and 435 g/t silver over 1.5 metre, and an adjacent 2 metre, interval grading 5.69 g/t gold, 0.128% copper and 26.6 g/t silver from hole SK14-002.

D. Summary of Mineral Properties, continued

Swift Katie, continued

The high-grade gold-silver vein intercepts warrant further exploration and follow-up, as the primary exploration objective to date has only focused on the large-scale copper-gold porphyry potential of the Swift target.

The two zones associated with the high-grade precious metals include 20-40 centimetre wide pyrite-pyrrhotite-chalcopyrite veins at the contact between andesite and a diorite intrusive and sit within a much broader zone of elevated copper mineralization (>100ppm Cu) with zones of strongly anomalous gold and silver. The interval in SK14-002 from 179.5 metres to 181 metres has associated polymetallic mineralization including 0.6% lead. This polymetallic mineralization may be an indication of a porphyry transitional environment.

Drill holes SK14-001 and SK14-003 did not intersect significant copper or gold values, however hydrothermal alteration in the form of chlorite, epidote, calcite, pyrite and magnetite were intercepted in both holes. In addition, indicators of porphyry–style mineralization have been intersected, including zones of potassic alteration (biotite and magnetite) in SK14-002, SK14-004 and SK14-005. The results support the belief that there is a hydrothermal system associated with porphyry Cu-Au at Swift. These results are being evaluated along with property-scale targets to determine the next phase of work.

The Company also believes that the drill results are positive in finding gold mineralization and alkalic porphyry Cu-Au style alteration. Further work may expand these mineralized widths and over a half dozen targets remain to be tested on the property.

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 nine months ended September 30, 2014 and 2013, the Company incurred acquisition costs on its mineral properties as follows:

	Bobcaygeon $	Swift Katie $	Star $	Toughnut $	Kemano Gold $	Total $
Balance as at December 31, 2012	48,233	354,613	118,410	151,144	3,342	675,742
Additions	11,092	33,562	456	-	-	45,110
Impairments	-	-	-	-	(3,342)	(3,342)
Balance as at September 30, 2013	**59,325**	**388,175**	**118,866**	**151,144**	**-**	**717,510**
Balance as at December 31, 2013	59,325	388,175	-	-	-	447,500
Additions	36,470	-	-	-	-	36,470
Balance as at September 30, 2014	**95,795**	**388,175**	**-**	**-**	**-**	**483,970**

D. Summary of Mineral Properties, continued

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 nine months ended September 30, 2014 and 2013, the Company incurred exploration costs on its mineral properties as follows:

	Bobcaygeon		Swift Katie		Star		Toughnut		Total	
	$	$	$	$	$	$	$	$	$	$
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Assays and analysis	1,045	35,920	765	1,882	2,204	5,422	1,771	4,351	**5,785**	**47,575**
Camp and supplies	-	3,275	-	-	-	-	-	-	**-**	**3,275**
Drilling	-	32,059	-	-	-	-	-	-	**-**	**32,059**
Equipment rental and field supplies	-	15,289	-	-	-	-	-	-	**-**	**15,289**
Geological services	14,282	110,497	-	700	-	-	-	-	**14,282**	**111,197**
Project supervision	21,010	97,068	6,158	4,830	200	250	-	250	**27,368**	**102,398**
Travel	3,038	5,381	-	-	-	-	-	-	**3,038**	**5,381**
	39,375	**299,489**	**6,923**	**7,412**	**2,404**	**5,672**	**1,771**	**4,601**	**50,473**	**317,174**
General exploration / BC METC refunds									**3,500**	**(26,706)**
									53,973	**290,468**

E. Results of Operations

During the nine months ended September 30, 2014, the Company reported a net loss and comprehensive loss of $119,547 (2013 - $826,533).

Administration, consulting, investor relations, office and general and professional fees, previously provided under a services agreement, all decreased due to the cessation of the agreement that came into effect on October 1, 2013.

Consulting fees also decreased due to the expiration of a contract for services with the Company's former president during September 2013.

As per the Company's mandate to acquire, explore, and develop mineral resource properties, the Company has continued to invest in its non-joint ventured projects based on financial resources that have been available.

Travel and promotion expenses fluctuate based on the number of conferences and trade shows attended.

Professional fees also decreased as a result of a negotiated reduction in audit and related costs.

Non-cash share-based payments are recognized when options are granted and vest.

E. Results of Operations, continued

During 2013, a flow-through share premium, which was recognized relating to the private placement of flow-through shares, was reversed on fulfillment of the flow-through obligation and an impairment was recognized with respect to the Kemano Gold property which was not pursued.

The following table summarizes variances in the statements of comprehensive loss:

	2014	2013	Increase/(Decrease)	
	$	$	$	%
Administration	448	97,482	(97,034)	(100%)
Consulting	9,000	89,286	(80,286)	(90%)
Exploration and evaluation	53,973	290,468	(236,495)	(81%)
Investor relations	6,701	183,513	(176,812)	(96%)
Office and general	15,271	42,049	(26,778)	(64%)
Professional fees	18,041	70,340	(52,299)	(74%)
Regulatory fees and taxes	9,873	11,031	(1,158)	(10%)
Share-based payments	-	15,323	(15,323)	(100%)
Shareholders communications	3,019	1,680	1,339	80%
Transfer agent	3,269	3,377	(108)	(3%)
Travel and promotion	994	40,438	(39,444)	(98%)
Interest income	(1,042)	(646)	(396)	61%
Mineral property impairment	-	3,342	(3,342)	(100%)
Reversal of flow-through premium	-	(21,150)	21,150	(100%)

F. Summary of Quarterly Results

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

	Sept 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sept 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012
	$	$	$	$	$	$	$	$
Net loss	24,665	47,938	46,944	307,101	121,741	291,561	413,231	467,022
Basic and diluted loss per share	$0.00	$0.00	$0.00	$0.01	$0.00	$0.01	$0.02	$0.04

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 relate to the cessation of a services agreement that came into effect on October 1, 2013, share-based payments which vary as stock options are granted and vest, deferred income tax adjustments relating to flow-through share premiums, and mineral property exploration expenditures and impairments which occur as projects are identified and results are analyzed or other indicators arise. Significant impairment charges were recognized in the three months ended December 31, 2013.

G. Financial Condition, Liquidity and Capital Resources

As at September 30, 2014, the Company had a working capital deficit of $426,231 (December 31, 2013 - $563,524). 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, the Company does not generate any revenue from operations and, without further financing, the Company does not have sufficient capital to meet the requirements for its administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months.

For the foreseeable future, the Company will need to rely on raising capital in the equity markets and/or enter into joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities.

Although the Company has recently been successful 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.

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. On October 22, 2014, the Company entered into an agreement whereby the guarantee was extended until September 30, 2015.

There have been no changes in the Company's approach to capital management during the nine months ended September 30, 2014 and the Company is in compliance with all externally imposed capital requirements.

Service Agreement

Effective October 1, 2013, the Company received notice that it was in default an office services agreement between the Company and a private company controlled by a director and officer of the Company, originally effective July 1, 2012 and expiring on August 31, 2017. Until the default is remedied, office accommodation and certain other personnel services are no longer being provided.

Flow-through Expenditures

As at September 30, 2014, the Company had completed its commitment to incur qualifying Canadian Exploration Expenditures of $50,000 with respect to the private placement of flow-through shares completed during the year ended December 31, 2013.

H. Outstanding Equity and Convertible Securities

i) Issued and outstanding

As at September 30, 2014 and November 26, 2014, the Company had 31,735,925 common shares issued and outstanding.

ii) Stock Options

As at September 30, 2014 and November 26, 2014, stock options outstanding were as follows:

Exercise Price	Expiry Date	Balance September 30, 2014	Expired	Balance November 26, 2014
$1.00	November 17, 2016	20,000	-	20,000
$0.10	July 19, 2017	495,000	15,000	480,000
$0.12	December 17, 2017	1,395,000	20,000	1,375,000
$0.17	March 1, 2018	100,000	-	100,000
		2,010,000	**35,000**	**1,975,000**
Weighted average exercise price		$0.13	$0.11	$0.13
Weighted average contractual life remaining (years)		3.11		2.96

iii) Share Purchase Warrants

As at September 30, 2014 and November 26, 2014, share purchase warrants outstanding were as follows:

Exercise Price	Expiry Date	Balance September 30, 2014	Expired	Balance November 26, 2014
$0.60	January 14, 2015	5,000	-	5,000
$1.00	January 31, 2016	5,000	-	5,000
$0.12	November 22, 2014	7,154,750	7,154,750	-
$0.12	November 30, 2014	312,500	-	312,500
$0.05	February 20, 2017	3,105,000	-	3,105,000
$0.05	February 21, 2017	785,650	-	785,650
$0.05	June 10, 2017	1,000,000	-	1,000,000
$0.05	August 12, 2017	100,000	-	100,000
		12,467,900	**7,154,750**	**5,313,150**
Weighted average exercise price		$0.09	$0.12	$0.06
Weighted average contractual life remaining (years)		1.07		2.17

I. Related Party Information

The Company entered into the following related party transactions during the nine months ended September 30, 2014:

(a) Under a service agreement, ceased effective October 1, 2013, between the Company and a private company controlled by a director and officer of the Company, the Company was charged as follows:

- $nil (2013 - $94,500) for office space and general administration services;
- $nil (2013 - $29,844) for professional services;
- $nil (2013 - $22,986) for consulting services;
- $nil (2013 - $90,095) for investor relations services;
- $30,368 (2013 - $103,998) for geological consulting services; and
- $448 (2013 - $2,982) in respect of the mark-up on out-of-pocket expenses.

As at September 30, 2014, amounts payable were $11,025 (December 31, 2013 - $139,667).

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

- $nil (2013 - $8,876) for professional fees;
- $nil (2013 - $5,784) for legal consulting services in relation to mineral properties; and
- $nil (2013 - $6,288) included in share issue costs.

Amounts payable as at September 30, 2014 were $4,373 (December 31, 2013 - $4,373).

(c) Fees relating to management, geological and mining consulting services of $nil (2013 - $81,200) were charged by a private company controlled by a former officer of the Company (resigned September 11, 2013).

(d) Fees relating to consulting services of $9,000 (2013 - $4,000) were charged by an officer of the Company. Amounts payable as at September 30, 2014 were $15,500 (December 31, 2013 - $6,500).

(e) Fees relating to geological consulting services of $2,813 (2013 - $nil) were charged by a private company controlled by a director of the Company.

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 or post-employment benefits. A summary of compensation awarded to key management, included in (a), (c), (d) and (e) above, is as follows:

		2014		**2013**
Short-term benefits	$	11,813	$	97,700
Total	$	11,813	$	97,700

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.

These 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 entering into any such arrangements 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.

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.

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.

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 and on-going plans to raise finance, there are no other 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.