Valterra Resource Corporation

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Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALTERRA RESOURCE CORPORATION

We have audited the accompanying consolidated financial statements of Valterra Resource Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Valterra Resource Corporation as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 26, 2018

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Valterra Resource Corporation

(An Exploration Stage Company)
Consolidated Statements of Comprehensive Loss
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Note		2017		2016
Operating Expenses					
Administration	8	$	60,000	$	25,000
Consulting	8		21,134		28,024
Exploration and evaluation	6 & 8		315,121		348,483
Investor relations	8		96,167		92,613
Office and general	8 & 9		22,907		25,077
Professional fees	8		91,235		90,776
Regulatory fees and taxes			23,404		41,573
Share-based payments	9		201,803		-
Shareholders' communications			1,338		2,745
Transfer agent			3,189		8,128
			836,298		**662,419**
Foreign exchange gain			(164)		-
Gain on settlement of debt	12		-		(5,200)
Reversal of flow-through premium	13		(728)		(34,722)
			(892)		**(39,922)**
Net Loss and Comprehensive Loss for the Year		**$**	**835,406**	**$**	**622,497**
Loss per share - basic and diluted		$	0.01	$	0.02
Weighted average number of common shares outstanding			63,657,441		38,777,861

The accompanying notes are an integral part of these consolidated financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Note		December 31 2017		December 31 2016
Assets					
Current					
Cash	11	$	8,672	$	534,194
Receivables			3,244		20,118
Prepaids			5,345		2,785
			17,261		**557,097**
Non-current					
Mineral properties	6		304,183		194,197
Reclamation bond	7		12,000		12,000
			316,183		**206,197**
		$	**333,444**	**$**	**763,294**
Liabilities					
Current					
Accounts payable and accrued liabilities	13	$	478,183	$	460,902
Due to related parties	8		164,473		55,961
			642,656		**516,863**
Equity (Deficit)					
Share capital	9		13,449,358		13,371,398
Share-based payments reserve			227,608		225,874
Warrant reserve			201,290		201,290
Deficit			(14,187,468)		(13,552,131)
			(309,212)		**246,431**
		$	**333,444**	**$**	**763,294**

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 consolidated financial statements

Valterra Resource Corporation

(An Exploration Stage Company)
Consolidated Statements of Changes in Equity (Deficit)
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Share Capital		Share-based			Total
	Number of Shares	Amount	Payments Reserve	Warrant Reserve	Deficit	Equity (Deficit)
Balance as at December 31, 2015	**32,735,925**	**$ 12,212,977**	**$ 237,867**	**$ -**	**$ (12,952,109)**	**$ (501,265)**
Issued						
Private placement - non flow-through	16,584,000	663,360	-	165,840	-	829,200
Private placement - flow-through	12,720,215	600,561	-	35,450	-	636,011
Value attributed to flow-through premium	-	(35,450)	-	-	-	(35,450)
For guarantee extension	350,000	14,000	-	-	-	14,000
Share issue costs	-	(84,050)	10,482	-	-	(73,568)
Expiry of options and warrants	-	-	(22,475)	-	22,475	-
Net loss	-	-	-	-	(622,497)	(622,497)
Balance as at December 31, 2016	**62,390,140**	**$ 13,371,398**	**$ 225,874**	**$ 201,290**	**$ (13,552,131)**	**$ 246,431**
Issued						
Shares for mineral property	2,598,680	77,960	-	-	-	77,960
Share-based payments	-	-	201,803	-	-	201,803
Expiry of options and warrants	-	-	(200,069)	-	200,069	-
Net loss	-	-	-	-	(835,406)	(835,406)
Balance as at December 31, 2017	**64,988,820**	**$ 13,449,358**	**$ 227,608**	**$ 201,290**	**$ (14,187,468)**	**$ (309,212)**

The accompanying notes are an integral part of these consolidated financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
Operating Activities		
Net loss	$ (835,406)	$ (622,497)
Items not involving cash:		
Gain on settlement of debt	-	(5,200)
Guarantee extension	-	14,000
Reversal of flow-through premium	(728)	(34,722)
Share-based payments	201,803	-
	(634,331)	(648,419)
Changes in Non-Cash Working Capital		
Receivables	16,874	(9,944)
Prepaids	(2,560)	(2,785)
Accounts payable and accrued liabilities	22,672	(3,391)
Due to related parties	98,968	4,443
	135,954	(11,677)
Cash Used in Operating Activities	**(498,377)**	**(660,096)**
Investing Activities		
Acquisition of mineral property	(26,525)	(185,513)
Reclamation bond	-	(12,000)
Cash Used in Investing Activities	**(26,525)**	**(197,513)**
Financing Activities		
Shares issued for cash	-	1,465,211
Share issue costs paid	(5,620)	(67,948)
Loans received from related parties	5,000	1,000
Loans repaid to related parties	-	(6,460)
Cash (Used In) Provided by Financing Activities	**(620)**	**1,391,803**
(Decrease) Increase in Cash During the Year	**(525,522)**	**534,194**
Cash, Beginning of the Year	534,194	-
Cash, End of the Year	$ **8,672**	$ **534,194**

Supplemental cash flow information (Note 11)

The accompanying notes are an integral part of these consolidated 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 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 consolidated 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 December 31, 2017, the Company had a working capital deficit of $625,395 (2016 - working capital of $40,234). The Company incurred a net loss of $835,406 for the year ended December 31, 2017 (2016 - $622,497) and had an accumulated deficit of $14,187,468 as at December 31, 2017 (2016 - $13,552,131).

As at December 31, 2017, the Company does not have sufficient capital to meet the requirements for its administrative overhead or maintaining its mineral interests. 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. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern.

These consolidated 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. Such adjustment could be material.

2. Basis of Preparation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis, except for cash flow information and financial instruments measured at fair value, and incorporate the consolidated financial statements of the Company and Valterra Resource (US) Corporation, an entity wholly-controlled by the Company incorporated in Nevada, USA. All intercompany transactions and balances have been eliminated upon consolidation. The functional and presentation currency of the Company and its subsidiary is the Canadian dollar.

2. Basis of Preparation, continued

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 26, 2018.

3. Summary of Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the consolidated financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements include:

Control

Management consolidates all entities which it is determined that the Company controls.

Control is evaluated on the ability of the Company to direct the activities of the entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment of long-lived assets

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

3. Summary of Significant Accounting Policies, continued

(a) Significant Accounting Estimates and Judgments, continued

Determination of, and provision for, reclamation and remediation obligations

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model at the date of grant and are expensed to net loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Deferred taxes

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

(b) Mineral Properties

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries which are recorded when receivable, until these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

All expenditures related to the exploration and evaluation of mineral properties, net of recoveries which are recorded when receivable, are expensed to net loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements.

3. Summary of Significant Accounting Policies, continued

(b) Mineral Properties, continued

Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining acquisition assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision. Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded.

(c) Reclamation Bonds

Reclamation bonds are recorded at amortized cost and held by government agencies or in trust.

(d) Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

3. Summary of Significant Accounting Policies, continued

(e) Foreign Currency Translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the reporting date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

(f) Share Capital

Equity units

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds prorated to common shares and share purchase warrants.

Flow-through units

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares.

Any excess difference between the market value of the common shares, plus any attached share purchase warrants, and proceeds received is deemed equal to an estimated premium investors pay for the flow-through feature and is initially recorded as a liability. The amount recorded as a liability relating to the sale of tax benefits is reversed when the obligation is fulfilled. The difference between the amount originally recorded as a liability and the estimated income tax benefits on date of renouncement is recognized in profit or loss. The tax effect of the renunciation is recorded at the time expenditures are made, which may differ from the effective date of renunciation.

(g) Non-monetary Consideration

Shares issued for non-monetary consideration to non-employees are recorded at the fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

3. Summary of Significant Accounting Policies, continued

(h) Share-based Payments

Share-based payments for employees are measured at fair value of the instruments issued on the date of grant and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of stock options is charged to profit or loss using the graded vesting method, with the offset credit to share-based payment reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value previously recorded is transferred from share-based payment reserve to share capital.

Upon expiry, related fair value previously recorded is transferred from share-based payment reserve to deficit.

(i) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date. Deferred tax assets also result from unused tax losses carried forward, resource related tax pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

3. Summary of Significant Accounting Policies, continued

(k) Financial Instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss ("FVTPL")

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss.

Available-for-sale ("AFS")

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost.

3. Summary of Significant Accounting Policies, continued

(k) Financial Instruments, continued

Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date.

(l) Future Accounting Standards Changes

IFRS 9: *Financial Instruments* will eventually form a complete replacement for IAS 39: *Financial Instruments: Recognition and Measurement*.

All financial assets are classified as measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified at fair value through profit and loss, financial guarantees and certain other exceptions.

The mandatory effective date of IFRS 9 is for annual periods beginning on January 1, 2018. The Company is currently assessing the impact of IFRS 9.

4. Financial Instruments

(a) Categories of Financial Instruments

The Company's financial instruments include cash, reclamation bond, accounts payable and accrued liabilities and due to related parties. The Company has classified its financial instruments into the following categories:

Financial Instrument	Category	Carrying Value
Cash	FVTPL	Fair Value
Reclamation Bond	Loans and Receivables	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost

(b) Fair Value

The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and carrying value approximates fair value.

4. Financial Instruments, continued

(c) Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, credit risk, interest rate risk and other price risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

(i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure.

As at December 31, 2017, all of the Company's financial liabilities are either past due or have contractual maturities of less than 90 days. The Company does not have sufficient resources to meet requirements for administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations.

(ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars).

The Company does not manage currency risks through hedging or other currency management tools. As at December 31, 2017, cash totalling $44 (2016 - $nil) was held in US dollars. As at December 31, 2017, accounts payable and accrued liabilities totalling $16,899 (2016 - $189) and due to related parties totalling $4,149 (2016 - $nil) were payable in US dollars.

Based on forecast exchange rate movements for the next twelve months assuming all other variables remain constant, the Company considers its financial performance and cash flows would not be materially affected by a weakening or strengthening of the US dollar.

(iii) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash, which is held with a Canadian financial institution. The Company mitigates credit risk by risk management policies that require significant cash deposits be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration.

(Expressed in Canadian Dollars)

4. Financial Instruments, continued

(c) Financial Risk Management, continued

(iv) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to material interest rate risk.

(v) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to material other price risk.

5. Capital Management

The Company's capital includes components of equity (deficit). The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders.

To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been substantially funded by the issuance of equity instruments. The Company will continue to rely on equity issuances for future funding depending upon market and economic conditions at the time. There have been no changes in the Company's approach to capital management during the year ended December 31, 2017.

6. Mineral Properties

Mineral property acquisition costs as at December 31, 2017, were as follows:

	Swift Katie $	Weepah $	Total $
Balance as at December 31, 2015	-	-	-
Additions	194,197	-	194,197
Balance as at December 31, 2016	194,197	-	194,197
Additions	700	109,286	109,986
Balance as at December 31, 2017	**194,897**	**109,286**	**304,183**

6. Mineral Properties, continued

Swift Katie

Pursuant to an agreement dated July 21, 2006, as amended, 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 subsequently assigned to the Company for $2,500.

The property is subject to a 3% net smelter royalty ("NSR") of which the Company has the option to purchase one-half (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 base of December 31, 2006 and are deductible from future NSR payments (2017 - paid subsequent to year-end).

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.

Weepah

Pursuant to an agreement dated June 23, 2017, the Company has the right to acquire a 100% interest in certain unpatented and patented mining claims in Esmeralda County, Nevada. To acquire the interest, the Company is required to make the following payments:

- US$100,000 at closing (paid via issuance of 2,598,680 common shares on July 6, 2017 with a fair value of $0.03 per share);
- US$100,000 on June 23, 2018 (which may be paid in common shares);
- US$200,000 on June 23, 2019;
- US$200,000 on June 23, 2020; and
- US$400,000 on June 23, 2021.

The property is subject to NSR royalties totaling 3% of which the Company may reduce to 2% for US$2,500,000. AMR payments will be due upon the anniversary of the option exercise as follows: US$25,000 on first, second and third anniversaries, and US$35,000 on subsequent anniversaries.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

(Expressed in Canadian Dollars)

6. Mineral Properties, continued

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. 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 mineral properties, the potential for production on the properties may be diminished or negated.

Title to Mineral Properties

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

Realization of Assets

Realization of the Company's investment in mineral properties is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements, the attainment of successful production from the properties, or from the proceeds of their disposal. The attainment of commercial production is in turn dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interest, and upon future profitable production.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the years ended December 31, 2017 and 2016, were:

	Swift Katie		Weepah		Total	
	$	$	$	$	$	$
	2017	2016	2017	2016	2017	2016
Assays and analysis	51,715	29,169	508	-	**52,223**	**29,169**
Drilling	111,908	156,028	-	-	**111,908**	**156,028**
Equipment rental and field supplies	11,104	17,798	-	-	**11,104**	**17,798**
Geological services	26,081	21,508	22,299	-	**48,380**	**21,508**
Project supervision	76,453	105,895	2,415	-	**78,868**	**105,895**
Travel	8,950	16,823	-	-	**8,950**	**16,823**
	286,211	**347,221**	**25,222**	**-**	**311,433**	**347,221**
General					**3,688**	**1,262**
					315,121	**348,483**

7. Reclamation Bond

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

As at December 31, 2017, the amount on deposit was $12,000 (2016 - $12,000).

8. Related Party Balances and Transactions

Except as disclosed elsewhere in these consolidated financial statements, the Company entered into the following related party transactions:

(a) Fees were charged by a company controlled by a director and officer of the Company as follows:

- $60,000 (2016 - $25,000) for office space and administration services;
- $9,134 (2016 - $14,024) for consulting services;
- $32,500 (2016 - $13,000) for professional services;
- $42,728 (2016 - $8,835) for investor relations services;
- $47,380 (2016 - $49,270) for geological consulting services; and
- $5,569 (2016 - $999) for mark-up on out of pocket expenses.

Accounts payable as at December 31, 2017 were $113,374 (2016 - 21,939).

(b) Fees in the amount of $42,706 (2016 - $75,580) were charged by or accrued to law firms controlled by a director and officer of the Company and included in professional fees, mineral property acquisition or exploration expenditures or share issue costs where applicable. Amounts payable as at December 31, 2017 were $33,550 (2016 - $16,862).

(c) Fees in the amount of $12,000 (2016 - $12,000) were charged by an officer of the Company for consulting services. Amounts payable as at December 31, 2017 were $7,350 (2016 - $1,000).

(d) Fees in the amount of $31,750 (2016 - $56,625) were charged by a company controlled by a director of the Company for geological consulting services. Amounts payable as at December 31, 2017 were $1,050 (2016 - $16,160).

(e) Fees in the amount of US$3,300 (2016 - US$nil) were charged by a director of the Company (appointed on May 29, 2017) for geological consulting services. Amounts payable as at December 31, 2017 were $4,149 (US$3,300) (2016 - $nil).

(f) Loans totalling $5,000 (December 31, 2016 - $nil) are payable to a company controlled by a director and officer of the Company with respect to funds advanced.

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.

(Expressed in Canadian Dollars)

8. Related Party Balances and Transactions, continued

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, including amounts in (c) and (e) above, was as follows:

	2017	2016
Short-term benefits	$ 16,294	$ 12,000
Share-based payments	115,316	-
Total	$ 131,610	$ 12,000

9. Share Capital

(a) Authorized

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

(b) Equity Financings

Year ended December 31, 2016

On October 5, 2016, the Company closed a non-flow-through private placement and issued 16,584,000 units at a price of $0.05 per unit for gross proceeds of $829,200. Each unit consisted of one common share and one share purchase warrant exercisable to purchase one common share at an exercise price of $0.10 for a period of five years.

On October 5, 2016, the Company closed a flow-through private placement and issued 7,090,000 flow-through units at a price of $0.05 per unit for gross proceeds of $354,500. Each unit consisted of one flow-through common share and one half share purchase warrant, with each whole warrant exercisable to purchase one common share at an exercise price of $0.10 for a period of five years.

The Company also issued 120,000 finders' share purchase warrants exercisable to purchase one common share at an exercise price of $0.10 for a period of five years. The warrants were fair valued at $0.05 per warrant using the Black-Scholes option-pricing model (Note 9(f)).

On December 29, 2016, the Company closed a flow-through private placement and issued 5,630,215 flow-through units at a price of $0.05 per unit for gross proceeds of $281,511. Each unit consisted of one flow-through common share and one half share purchase warrant, with each whole warrant exercisable to purchase one common share at an exercise price of $0.10 for a period of five years.

(Expressed in Canadian Dollars)

9. Share Capital, continued

(b) Equity Financings, continued

The Company also issued 105,600 finders' share purchase warrants exercisable to purchase one common share at an exercise price of $0.10 for a period of five years. The warrants were fair valued at $0.04 per warrant using the Black-Scholes option-pricing model (Note 9(f)).

(c) Non-Cash Issuances

Year ended December 31, 2016

On November 14, 2016, pursuant to a previous bank indebtedness guarantee extension agreement, the Company issued 350,000 units. Each unit consisted of one common share and one share purchase warrant exercisable to purchase one common share for a period of one year at an exercise price of $0.05. The fair value recognized of $14,000 was based on the closing quoted market price of $0.04 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.

On March 27, 2017, a total of 4,200,000 fully vested stock options, exercisable for a period of five years with an exercise price of $0.05 per share, were granted to directors, officers and consultants.

Stock options outstanding and exercisable as at December 31, 2017 were as follows:

Exercise Price	Expiry Date	Balance December 31, 2016	Granted	Cancelled / Expired	Balance December 31, 2017
$0.10	July 19, 2017	445,000	-	445,000	-
$0.12	December 17, 2017	1,265,000	-	1,265,000	-
$0.17	March 1, 2018	100,000	-	-	100,000
$0.05	March 27, 2022	-	4,200,000	-	4,200,000
		1,810,000	**4,200,000**	**1,710,000**	**4,300,000**
Weighted average exercise price		$0.12	$0.05	$0.11	$0.05
Weighted average contractual life remaining (years)		0.87			4.14

(Expressed in Canadian Dollars)

9. Share Capital, continued

(d) Stock Options, continued

Stock options outstanding and exercisable as at December 31, 2016 were as follows:

Exercise Price	Expiry Date	Balance December 31, 2015	Cancelled / Expired	Balance December 31, 2016
$1.00	November 17, 2016	20,000	20,000	-
$0.10	July 19, 2017	480,000	35,000	445,000
$0.12	December 17, 2017	1,375,000	110,000	1,265,000
$0.17	March 1, 2018	100,000	-	100,000
		1,975,000	**165,000**	**1,810,000**
Weighted average exercise price		$0.13	$0.22	$0.12
Weighted average contractual life remaining (years)		1.86		0.87

(e) Share Purchase Warrants

Share purchase warrants outstanding as at December 31, 2017 were as follows:

Exercise Price	Expiry Date	Balance December 31, 2016	Expired	Balance December 31, 2017
$0.05	February 20, 2019 (Note 1)	3,105,000	-	3,105,000
$0.05	February 21, 2017	785,650	785,650	-
$0.05	June 10, 2019 (Note 2)	1,000,000	-	1,000,000
$0.05	August 12, 2017	100,000	100,000	-
$0.10	October 5, 2021	16,584,000	-	16,584,000
$0.10	October 5, 2021	3,545,000	-	3,545,000
$0.10	October 5, 2021	120,000	-	120,000
$0.05	November 14, 2017	350,000	350,000	-
$0.10	December 29, 2021	2,815,107	-	2,815,107
$0.10	December 29, 2021	105,600	-	105,600
		28,510,357	**1,235,650**	**27,274,707**
Weighted average exercise price		$0.09	$0.05	$0.09
Weighted average contractual life remaining (years)		3.94		3.41

(1) Effective January 13, 2017 expiry date extended from February 20, 2017 to February 20, 2019.
(2) Effective January 13, 2017 expiry date extended from June 10, 2017 to June 10, 2019.

(Expressed in Canadian Dollars)

9. Share Capital, continued

(e) Share Purchase Warrants, continued

Share purchase warrants outstanding as at December 31, 2016 were as follows:

Exercise Price	Expiry Date	Balance December 31, 2015	Issued	Expired	Balance December 31, 2016
$1.00	January 31, 2016	5,000	-	5,000	-
$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
$0.10	October 5, 2021	-	16,584,000	-	16,584,000
$0.10	October 5, 2021	-	3,545,000	-	3,545,000
$0.10	October 5, 2021	-	120,000	-	120,000
$0.05	November 14, 2017	-	350,000	-	350,000
$0.10	December 29, 2021	-	2,815,107	-	2,815,107
$0.10	December 29, 2021	-	105,600	-	105,600
		4,995,650	**23,519,707**	**5,000**	**28,510,357**
Weighted average exercise price		$0.05	$0.10	$1.00	$0.09
Weighted average contractual life remaining (years)		1.21			3.94

(f) Fair Value Determination

The weighted average fair value of options granted was $0.05 (2016 - $nil) and finders warrants issued was $nil (2016 - $0.05). Fair values were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Risk-free interest rate	1.09%	0.90%
Expected share price volatility	183.59%	203.67%
Expected life (years)	5.00	5.00
Expected dividend yield	0.00%	0.00%

The expected volatility assumptions have been developed taking into consideration historical volatility of the Company's share price. The total calculated fair value of share-based payments recognized was as follows:

(Expressed in Canadian Dollars)

9. Share Capital, continued

(f) Fair Value Determination, continued

		2017		2016
Consolidated Statements of Comprehensive Loss				
Directors and officers	$	115,316	$	-
Consultants		86,487		-
		201,803		-
Consolidated Statements of Changes in Equity (Deficit)				
Finders' warrants		-		10,482
Total	$	201,803	$	10,482

10. Segmented Information

The Company has one operating segment, the acquisition and exploration of mineral properties. As at December 31, 2017, the Company's non-current assets were located in Canada ($206,897) and the United States of America ($109,286).

11. Supplemental Cash Flow Information

		2017		2016
Cash comprised of:				
Cash	$	1,952	$	245,405
Cash reserved for flow-through expenditures		6,720		288,789
Total Cash	$	8,672	$	534,194
Cash Items				
Income tax paid	$	-	$	-
Interest paid	$	-	$	-
Interest received	$	-	$	-
Non-Cash Items				
Investing Activities				
Shares issued for mineral property	$	77,960	$	-
Mineral property acquisition in accounts payable	$	4,021	$	8,684
Mineral property acquisition in due to related parties	$	10,164	$	-
Financing Activities				
Share issue costs in due to related parties	$	-	$	5,620

(Expressed in Canadian Dollars)

12. Gain on Settlement of Debt

During the course of negotiating settlements of its debts, the Company recognized a gain on settlement of debt of $nil (2016 - $5,200).

13. Flow-through Expenditures

As at December 31, 2017, the Company had completed its remaining commitment to incur qualifying Canadian Exploration Expenditures of $7,278 (2016 - $347,221) with respect to a private placement of flow-through shares completed during October 2016. A flow-through share premium of $35,450 was originally recognized relating to this private placement, of which $728 (2016 - $34,722) was reversed upon completion of qualifying expenditure. Included within accounts payable and other liabilities is an amount of $nil (2016 - $728) with respect to the remaining flow-through share premium recognized.

As at December 31, 2017, the Company had completed its commitment to incur qualifying Canadian Exploration Expenditures of $281,511 with respect to a private placement of flow-through shares completed during December 2016.

14. Income Tax

A reconciliation of the income tax expense computed at statutory rates to the reported loss before taxes is as follows:

	2017	2016
Income tax benefit at statutory rate of 26.00% (2016 - 26.00%)	$ 217,206	$ 161,849
Permanent differences	(133,924)	10,380
Temporary differences	5,474	(78,361)
Other	2,925	5,817
Unused tax losses and tax offsets not recognized	(157,216)	(99,685)
Effect of change in tax rate	65,535	-
	$ -	$ -

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2017	2016
Non-capital losses	$ 5,178,134	$ 4,837,079
Share issue costs	45,383	63,763
Tax value over book value of mineral properties	1,305,658	1,284,427
Tax value over book value of income tax credits	21,432	26,929
Tax value over book value of equipment	29,417	29,417
	$ 6,580,024	$ 6,241,615

(Expressed in Canadian Dollars)

14. Income Tax, continued

The Company's unrecognized non-capital losses expire as follows:

	CDN $	US $
2026	374,000	-
2027	564,000	-
2028	594,000	-
2029	594,000	-
2030	512,000	-
2031	369,000	-
2032	521,000	-
2033	667,000	-
2034	174,000	-
2035	112,000	-
2036	356,000	-
2037	336,000	4,000
	5,173,000	4,000

15. Events after the Reporting Period

Other than the transactions disclosed elsewhere in these consolidated financial statements, the following occurred subsequent to December 31, 2017:

- On March 1, 2018, a total of 100,000 stock options with an exercise price of $0.17 expired unexercised.
- During March and April 2018, the Company closed two tranches of a non-brokered private placement and issued 11,203,667 units at a price of $0.03 per unit for gross proceeds of $336,110. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one common share at an exercise price of $0.05 per share for a period of three years. The Company also issued 169,190 finders' share purchase warrants exercisable to purchase one common share at an exercise price of $0.05 for a period of three years.

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Management's Discussion and Analysis
For the Year Ended December 31, 2017
Dated: April 26, 2018

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the consolidated operating results and financial condition of Valterra Resource Corporation (the "Company") is for the year ended December 31, 2017, and is dated April 26, 2018. 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 audited consolidated financial statements for the year ended December 31, 2017, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's functional and presentation currency is the Canadian dollar and all amounts included herein are in Canadian dollars, unless otherwise indicated.

The Company's shares are listed on the TSX Venture Exchange ("VQA.V"), the Frankfurt Stock Exchange ("3VA.F") and the OTCQB Marketplace ("VRSCF").

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

B. Qualified Persons

Robert Macdonald, MSc. P. Geo., is the qualified person as defined by 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 program at Swift Katie. 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.

Joseph A. Kizis, Jr., AIPG Certified Professional Geologist No. CPG-11513, is the qualified person as defined by 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 program at Weepah. Mr. Kizis graduated from University of Colorado with a M.S. in Geology and from Kent State University with a B.S. in Geology, and has many years of experience in minerals exploration both with major mining and junior exploration companies.

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			

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.

Swift Katie

The property consists of 19 contiguous MTO mineral claims, covering over 83 square kilometres and is located near Salmo, British Columbia. The area has hosted several important mining districts and is underlain by rocks considered very favourable for the discovery of gold-quartz veins and porphyry-style mineralization.

During July 2017, the Company completed eight NQ2-sized diamond drill holes totaling 1,392 metres at the Swift Zone which successfully identified two shallow mineralized gold zones along the target NE-SW oriented structure.

Highlights from the 2017 drill program include:

- **30.9g/t Au and 17.8g/t Ag over 0.8m within a broader 2.5m zone averaging 11.5g/t Au and 6.7 g/t Ag from hole SK17-015;**
- **an additional 22.6m interval averaging 1.1g/t Au and 0.5g/t Ag from hole SK17-015; and**
- **9.7g/t Au and 7.6g/t Ag over 1.4m within a broader 8.6m interval averaging 3.1g/t Au and 2.0g/t Ag from hole SK17-019.**

Previous drill highlights at Swift include:

- **0.96 g/t Au over 6.6m in hole SK16-011**
- **13.3 g/t Au, 201 g/t Ag & 0.33% Cu over 3.5m from hole SK14-002**
- **1.83 g/t Au over 10m from hole 87-6, including 5.15g/t Au over 2.0m***

* *Historical assay results have not been verified and should not be relied upon as such.*

Higher grade gold values were returned from quartz veins and silicified intervals within a strongly foliated and quartz-carbonate-altered volcanic rock which can form zones several 10's of metres thick in any given drill hole. Alteration appears largely structurally controlled and forms an anastomosing network of northeast-striking shear zones that dip moderately to the southeast.

Gold mineralization has been intersected in relatively shallow drilling (<200 metre depth) with the thickness of some intercepts, particularly in hole SK17-015 comparable to mineralized intervals at Prize Mining's Kena Gold Project, located 30 kilometres to the northeast, which is currently modelled as a bulk-tonnage porphyry gold target.

Recent drilling tested three areas along an approximate 1,000 metre strike length of the target structure which had been previously traced by a combination of surface rock and soil sampling, historical trenching and shallow drilling from the 1980's, and most recently by the Company in 2016. Only part of the full strike-length of the structural target has been drill tested; several additional target areas have been prioritized for testing in future programs.

D. Summary of Mineral Properties, continued

Swift Katie, continued

The 2017 drill program successfully confirmed high-grade gold mineralization in two locations along the tested strike-length of the target structure and returned a significant cumulative thickness of +1g/t Au mineralization in hole SK17-015. Both gold-enriched areas are open along strike and down dip and require additional drill testing.

Exploration results to date support the Company's belief that a widespread gold-enriched, vein system exists at the Swift target and a large alkali porphyry system exists at the Katie target. Further work will be designed to continue to expand the known mineral systems and to evaluate several other targets that remain to be tested on the property.

Weepah

The property consists of 76 lode mining claims and one patented claim, totaling approximately 590 hectares, and is accessible from Highway 95 approximately 32 kilometres southwest of the town of Tonopah, Nevada. The property lies within the prolific Walker Lane Gold belt in western Nevada and is surrounded by active advanced exploration and development gold projects with growing mineral resources and reserves.

Historical production occurred from shallow underground mines and a small open pit during two separate time intervals. From 1935 to 1939, Weepah Nevada Mining Co. produced gold from 305,000 metric tonnes grading 5.8g/t. From 1986 to 1987, Sunshine Mining Co. produced at various grades approximately 60,000 oz. of additional gold with accessory silver. Historic production figures are from several published and unpublished company reports; however, a qualified person has not done sufficient work to verify these grades and tonnages, and the Company cautions that these historic production figures should not be relied upon.

Gold mineralization occurs within two broad shear zones. The western shear zone was exploited by the small open pit and adjacent underground workings. The eastern shear zone was exploited by historic workings and was extended by recent drilling. The zones have been traced for several hundred meters along strike and variably down dip. Portions of the shear zones are exposed at surface or in workings and portions have been traced by widely spaced drill holes beneath shallow gravel cover, which is generally less than 10 metres to 30 metres thick. Vein textures and geochemistry suggest the mineralization is similar to many other mesothermal vein deposits along the western margin of North America.

Work conducted by the Company to date includes data compilation, 3D modeling, and identification of drill targets. Confirmation sampling in the open pit yielded results similar to those reported by others and highlights include:

- South Pit face - Chip-channel samples of up to 3m of 9.01 g/t Au and 7m of 5.67 g/t Au in two adjacent samples,
- North Pit face - Chip-channel samples of up to 8m of 3.50 g/t Au and 1.2m of 2.81 g/t Au in two adjacent samples, and
- Center of Pit – A float sample returned 16.2g/t Au and 10.6g/t Ag.

D. Summary of Mineral Properties, continued

Weepah, continued

Historic data provided with the property includes various geophysical surveys, geological mapping, bedrock sampling, interpretation of satellite imagery, and 4,300 metres in twenty-four reverse circulation drill holes. Based on historic drilling, CSAMT & magnetics, the two approximately 50-metre-wide mineralized structural zones have a combined strike potential of approximately 2,000 metres. Other advantages of the property include excellent infrastructure, low topography, and minimal cultural and environmental concerns.

The Company is planning an initial 2,250 metre drill program consisting of five fences along the two identified shear zones, with each fence consisting of three drill holes each for a total of fifteen holes. A permit has been obtained for 19 drill sites, subject to posting of a bond. Additional sampling is planned to identify other potential shear zones and zoning patterns that have been indicated by multi-element geochemistry from very limited surface sampling.

Acquisition Costs

Mineral property acquisition costs as at December 31, 2017, were:

	Swift Katie $	Weepah $	Total $
Balance as at December 31, 2015	-	-	-
Additions	194,197	-	194,197
Balance as at December 31, 2016	194,197	-	194,197
Additions	700	109,286	109,986
Balance as at December 31, 2017	**194,897**	**109,286**	**304,183**

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the years ended December 31, 2017 and 2016, were:

	Swift Katie		Weepah		Total	
	$ 2017	$ 2016	$ 2017	$ 2016	$ 2017	$ 2016
Assays and analysis	51,715	29,169	508	-	**52,223**	**29,169**
Drilling	111,908	156,028	-	-	**111,908**	**156,028**
Equipment rental and field supplies	11,104	17,798	-	-	**11,104**	**17,798**
Geological services	26,081	21,508	22,299	-	**48,380**	**21,508**
Project supervision	76,453	105,895	2,415	-	**78,868**	**105,895**
Travel	8,950	16,823	-	-	**8,950**	**16,823**
	286,211	**347,221**	**25,222**	**-**	**311,433**	**347,221**
General					**3,688**	**1,262**
					315,121	**348,483**

E. Results of Operations

The Company incurred a net loss and comprehensive loss of $835,406 for the year ended December 31, 2017 (2016 - $622,497).

A summary of variances is as follows:

	2017 $	2016 $	Change $
Administration	60,000	25,000	35,000
Consulting	21,134	28,024	(6,890)
Exploration and evaluation	315,121	348,483	(33,362)
Investor relations	96,167	92,613	3,554
Office and general	22,907	25,077	(2,170)
Professional fees	91,235	90,776	459
Regulatory fees and taxes	23,404	41,573	(18,169)
Share-based payments	201,803	-	201,803
Shareholders communications	1,338	2,745	(1,407)
Transfer agent	3,189	8,128	(4,939)
Foreign exchange gain	(164)	-	(164)
Gain on settlement of debt	-	(5,200)	5,200
Reversal of flow-through premium	(728)	(34,722)	33,994

Differences in administration, consulting, investor relations, office and general and professional fees arose partly as a result of reinstatement of charges for such service fees (*I - Related Party Transactions*).

As per the Company's mandate to acquire, explore, and develop mineral resource properties, the Company completed two drill programs at Swift Katie and initial assessment work at Weepah (*D - Summary of Mineral Properties*).

Non-cash share-based payments expense was recognized with respect to fully vested stock options that were granted to directors, officers and consultants.

A flow-through share premium that related to a private placement of flow-through shares was reversed upon completion of the qualifying expenditure.

During the prior period, additional professional and regulatory fees were incurred with respect to obtaining a listing on the OTCQB Marketplace, additional investor relations costs were incurred due to the engagement of external investor relations consultants and increased activity associated with on-going financing and promotional initiatives, a non-cash charge was recognized with respect to the fair value of 350,000 units issued pursuant to a previous bank indebtedness guarantee extension agreement and a gain on settlement of debt was recognized with respect to negotiations undertaken with certain vendors.

F. Summary of Quarterly Results

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

	Dec 31 2017 $	Sept 30 2017	Jun 30 2017 $	Mar 31 2017 $	Dec 31 2016 $	Sept 30 2016 $	Jun 30 2016 $	Mar 31 2016 $
Net loss	74,340	303,793	121,507	335,766	420,038	163,957	26,526	11,976
Basic and diluted loss per share	$0.00	$0.00	$0.00	$0.01	$0.01	$0.01	$0.00	$0.00

Due to the nature of its current operations, the Company earned no revenue during the periods presented. Quarterly fluctuations mainly relate to mineral property exploration expenditures and impairments which occur as projects are identified and results are analyzed or other indicators arise. Certain costs increased in the three months ended September 30, 2016 and onward as a result of reinstatement of charges (*I - Related Party Transactions*). A significant share-based payments expense was recognized in the three months ended March 31, 2017 with respect to a grant of fully vested stock options.

G. Fourth Quarter

During the three months ended December 31, 2017, the Company completed its commitment to incur qualifying Canadian Exploration Expenditures of $281,511 with respect to a private placement of flow-through shares completed during December 2016. No other unusual events affected the Company's financial performance or cash flows during the fourth quarter.

H. Summary of Annual Information

The following represents certain financial data for the previous three fiscal years:

	2017 $	2016 $	2015 $
Net loss	(835,406)	(622,497)	(429,013)
Basic and diluted loss per share	(0.01)	(0.02)	(0.01)
Current assets	17,261	557,097	10,174
Other non-current assets	12,000	12,000	-
Mineral properties	304,183	194,197	-
Total assets	333,444	763,294	10,174
Total non-current financial liabilities	-	-	-
Cash dividends per common share	-	-	-

H. Summary of Annual Information, continued

The Company earned no revenue during the periods presented due to the nature of the industry and its current operations.

The Company's operating costs fluctuate as financing or other ad-hoc projects are undertaken. Certain costs increased in the year ended December 31, 2016 as a result of reinstatement of charges (*I - Related Party Transactions*). The Company continues to invest in its mineral properties as finance and assessments have permitted. Impairment charges are recognized as relevant indicators arise.

To date, the Company has not paid dividends and does not have any long-term financial liabilities.

I. Related Party Transactions

The Company entered into the following related party transactions during the year ended December 31, 2017:

(a) Fees were charged by a company controlled by a director and officer of the Company as follows:

- $60,000 (2016 - $25,000) for office space and administration services;
- $9,134 (2016 - $14,024) for consulting services;
- $32,500 (2016 - $13,000) for professional services;
- $42,728 (2016 - $8,835) for investor relations services;
- $47,380 (2016 - $49,270) for geological consulting services; and
- $5,569 (2016 - $999) for mark-up on out of pocket expenses.

Accounts payable as at December 31, 2017 were $113,374 (2016 - $21,939).

(b) Fees in the amount of $42,706 (2016 - $75,580) were charged by or accrued to law firms controlled by a director and officer of the Company and included in professional fees, mineral property acquisition or exploration expenditures or share issue costs where applicable. Amounts payable as at December 31, 2017 were $33,550 (2016 - $16,862).

(c) Fees in the amount of $12,000 (2016 - $12,000) were charged by an officer of the Company for consulting services. Amounts payable as at December 31, 2017 were $7,350 (2016 - $1,000).

(d) Fees in the amount of $31,750 (2016 - $56,625) were charged by a company controlled by a director of the Company for geological consulting services. Amounts payable as at December 31, 2017 were $1,050 (2016 - $16,160).

(e) Fees in the amount of US$3,300 (2016 - US$nil) were charged by a director of the Company (appointed on May 29, 2017) for geological consulting services. Amounts payable as at December 31, 2017 were $4,149 (US$3,300) (2016 - $nil).

(f) Loans totalling $5,000 (December 31, 2016 - $nil) are payable to a company controlled by a director and officer of the Company with respect to funds advanced.

I. Related Party Transactions, continued

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, including amounts in (c) and (e) above, was as follows:

		2017		2016
Short-term benefits	$	16,294	$	12,000
Share-based payments		115,316		-
Total	$	131,610	$	12,000

J. Financial Condition, Liquidity and Capital Resources

As at December 31, 2017, the Company had a working capital deficit of $625,395 (2016 - working capital of $40,234). Wherever possible, the Company has been negotiating its trade payables and reviewing its future commitments to identify opportunities to reduce or delay spending and payments. However, the Company does not generate any revenue from operations and does not have sufficient capital to meet the requirements for its administrative overhead and maintaining its mineral interests.

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 activities. Although the Company has 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 future financing. Failure to do so could result in delay or indefinite postponement of further exploration and reduction or termination of operations.

A Notice of Claim filed in Small Claims Court regarding disputed amounts owed to a certain vendor remains outstanding in an amount of $25,000 plus interest and costs.

During March and April 2018, the Company closed two tranches of a non-brokered private placement and issued 11,203,667 units at a price of $0.03 per unit for gross proceeds of $336,110. The Company also issued 169,190 finders' share purchase warrants exercisable to purchase one common share at an exercise price of $0.05 for a period of three years. Net proceeds are being used to fund costs associated with property maintenance, corporate overhead and for working capital.

K. Outstanding Equity and Convertible Securities

i) Issued and outstanding

As at April 26, 2018, the Company had 76,192,487 common shares issued and outstanding.

K. Outstanding Equity and Convertible Securities, continued

ii) Stock Options

As at April 26, 2018, stock options outstanding and exercisable were as follows:

Exercise Price	Expiry Date	Balance December 31, 2017	Cancelled / Expired	Balance April 26, 2018
$0.17	March 1, 2018	100,000	100,000	-
$0.05	March 27, 2022	4,200,000	-	4,200,000
		4,300,000	**100,000**	**4,200,000**
Weighted average exercise price		$0.05	$0.17	$0.05
Weighted average contractual life remaining (years)		4.14		3.92

iii) Share Purchase Warrants

As at April 26, 2018, share purchase warrants outstanding were as follows:

Exercise Price	Expiry Date	Balance December 31, 2017	Issued	Balance April 26, 2018
$0.05	February 20, 2019	3,105,000	-	3,105,000
$0.05	June 10, 2019	1,000,000	-	1,000,000
$0.10	October 5, 2021	16,584,000	-	16,584,000
$0.10	October 5, 2021	3,545,000	-	3,545,000
$0.10	October 5, 2021	120,000	-	120,000
$0.10	December 29, 2021	2,815,107	-	2,815,107
$0.10	December 29, 2021	105,600	-	105,600
$0.05	March 28, 2021	-	7,753,667	7,753,667
$0.05	March 28, 2021	-	29,190	29,190
$0.05	April 23, 2021	-	3,450,000	3,450,000
$0.05	April 23, 2021	-	140,000	140,000
		27,274,707	**11,372,857**	**38,647,564**
Weighted average exercise price		$0.09	$0.05	$0.08
Weighted average contractual life remaining (years)		3.41		3.05

L. Financial Instruments

The Company's financial instruments include cash, reclamation bond, accounts payable and accrued liabilities and amounts due to related parties. The Company has classified its financial instruments into the following categories:

L. Financial Instruments, continued

Financial Instrument	Category	Carrying Value
Cash	FVTPL	Fair Value
Reclamation Bond	Loans and Receivables	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost

The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and carrying value approximates fair value.

These financial instruments have no material risk exposure. Risk is managed with respect to cash by risk management policies that require significant 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, all investments must be less than one year in duration.

M. Events After the Reporting Period and Outlook

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

The Company is confident that its properties have potential warranting continued exploration and activities over the ensuing year will focus on this. The Company also expects to continue its strategy of acquiring properties and collaborating with experienced mining companies to develop such properties to advance them to production.

N. 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.

O. 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.

P. 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 exploration programs will result in the establishment or expansion of resources or reserves.

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.

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 and such reliance on the issuance of securities for future financing 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.

P. Risks and Uncertainties, continued

Price Volatility and Lack of Active Market

For some time, 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.

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 interests 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.

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.

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 effect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

Government Regulations and Environmental Risks and Hazards

The Company conducts exploration activities in the United States and Canada, and is subject to various federal, provincial, state laws, rules and regulations.

P. Risks and Uncertainties, continued

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, that are unknown to the Company at present, which 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.

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.

Q. Changes in Accounting Policies Including Initial Adoption

Future Accounting Standards Changes

IFRS 9: *Financial Instruments* will eventually form a complete replacement for IAS 39: *Financial Instruments: Recognition and Measurement.*

All financial assets are classified as measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified at fair value through profit and loss, financial guarantees and certain other exceptions.

The mandatory effective date of IFRS 9 is for annual periods beginning on January 1, 2018. The Company is currently assessing the impact of IFRS 9.

R. Proposed Transactions

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

S. 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.

S. Forward-Looking Statements, continued

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.