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Condensed Interim Financial Statements

Nine Months Ended September 30, 2011 and 2010

Expressed in Canadian Dollars

(Unaudited)

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Financial Statements

Valterra Resource Corporation
Condensed Interim Financial Statements
Nine Months Ended September 30, 2011 and 2010
Expressed in Canadian Dollars
(Unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim financial statements of the Company for the nine months ended September 30, 2011 and comparatives for the nine months ended September 30, 2010 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 Statement of Comprehensive Loss
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010 Restated (Note 15)	2011	2010 Restated (Note 15)
Operating Expenses				
Administration	$ 5,389	$ 26,691	$ 21,607	$ 80,183
Consulting	2,100	10,791	5,600	51,397
Independent director fees	-	-	-	23,250
Interest	1,105	1,612	2,806	4,500
Investor relations	10,515	6,023	31,620	27,591
Mineral Property Exploration Expenditures (Note 7)	360,097	302,995	552,955	523,868
Office and general	4,838	5,641	28,433	23,436
Professional fees	17,755	26,327	65,836	79,304
Regulatory fees and taxes	3,497	1,106	37,561	18,049
Shareholders communications	700	430	1,914	1,628
Transfer agent	999	788	14,863	4,108
Travel and promotion	691	-	14,045	805
Total Operating Expenses	**407,686**	**382,404**	**777,240**	**838,119**
Other Items				
Realized gain on sale of investment	-	-	(23,138)	-
Reversal of flow-through share premium	-	-	-	(271,807)
Total Other Items	**-**	**-**	**(23,138)**	**$ (271,807)**
Loss Before Deferred Income Tax	**407,686**	**382,404**	**754,102**	**566,312**
Deferred income tax expense (recovery)	-	(437)	1,250	1,125
Net Loss for the Period	**407,686**	**381,967**	**755,352**	**567,437**
Other Comprehensive Loss				
Adjustment for fair value of investment	-	(3,500)	-	9,000
Comprehensive Loss for the Period	**$ 407,686**	**$ 378,467**	**$ 755,352**	**$ 576,437**
Loss per share - basic and diluted	$ 0.00	$ 0.01	$ 0.01	$ 0.02
Weighted average number of common shares outstanding	93,115,322	37,832,543	84,090,291	37,809,803

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

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Financial Position
(Unaudited)

(Unaudited)	Note		September 30, 2011		December 31 2010 Restated (Note 15)		January 1 2010 Restated (Note 15)
Assets							
Current							
Cash		$	363,929	$	250,111	$	587,199
Receivables			45,779		43,155		11,828
Prepaid and deposits			24,449		14,290		2,081
			434,157		**307,556**		**601,108**
Non-Current							
Mineral properties	7		500,619		259,897		186,826
Investment	6		-		30,000		20,000
Reclamation bonds	8		45,000		45,000		45,000
			545,619		**334,897**		**251,826**
Total Assets		**$**	**979,776**	**$**	**642,453**	**$**	**852,934**
Liabilities							
Current							
Bank indebtedness	9	$	194,448	$	197,619	$	197,808
Accounts payable and accrued liabilities			83,208		197,270		419,305
Due to related parties	10		37,410		189,370		463,737
			315,066		**584,259**		**1,080,850**
Shareholders' Equity (Deficit)							
Share capital	12		10,786,802		9,507,868		8,332,877
Contributed Surplus			494,510		449,362		462,129
Accumulated Other Comprehensive Income (Loss)			-		3,750		(5,000)
Deficit			(10,616,603)		(9,902,786)		(9,017,922)
Total Shareholders' Equity (Deficit)			**664,710**		**58,194**		**(227,916)**
Total Liabilities and Equity		**$**	**979,776**	**$**	**642,453**	**$**	**852,934**

Nature and continuance of operations (Note 1)

Commitments (Note 14)

Subsequent events (Note 16)

Approved on behalf of the Board

"Lawrence Page"	*"Derek Page"*
Lawrence Page, Q.C.	Derek Page
Director	Director

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

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Changes in Equity
(Unaudited)

	Number of shares	Amount (Note 15)	Contributed Surplus Restated (Note 15)	Deficit Restated (Note 15)	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit) Restated (Note 15)
Balance as at December 31, 2009, restated (Note 15)	**37,682,543**	**$ 8,332,877**	**$ 462,129**	**$ (9,017,922)**	**$ (5,000)**	**$ (227,916)**
Issued						
Shares for mineral property payment	150,000	6,000	-	-	-	6,000
Subtotal	150,000	6,000	-	-	-	6,000
Value assigned to warrants, mineral property payment	-	-	2,841	-	-	2,841
Value of options and warrants cancelled or expired	-	-	(22,959)	22,959	-	-
Unrealized gain on investment, net of taxes	-	-	-	-	(2,875)	(2,875)
Net loss for the period, restated (Note 15)	-	-	-	(567,437)	-	(567,437)
Balance as at September 30, 2010, restated (Note 15)	**37,832,543**	**$ 8,338,877**	**$ 442,011**	**$ (9,562,400)**	**$ (7,875)**	**$ (789,387)**
Balance as at December 31, 2010, restated (Note 15)	**62,665,862**	**$ 9,507,868**	**$ 449,362**	**$ (9,902,786)**	**$ 3,750**	**$ 58,194**
Issued						
Private placements - non-flow-through	21,304,460	1,065,223	-	-	-	1,065,223
Private placements - flow-through	8,220,000	411,000	-	-	-	411,000
Shares for mineral property payment	925,000	47,250	-	-	-	47,250
Subtotal	30,449,460	1,523,473	-	-	-	1,523,473
Share issue costs	-	(185,864)	-	-	-	(185,864)
Value assigned to finders' warrants	-	(58,674)	58,674	-	-	-
Value assigned to warrants, mineral property payment	-	-	28,009	-	-	28,009
Value of options and warrants cancelled or expired	-	-	(41,535)	41,535	-	-
Realized gain on investment	-	-	-	-	(3,750)	(3,750)
Net loss for the period	-	-	-	(755,352)	-	(755,352)
Balance as at September 30, 2011	**93,115,322**	**$ 10,786,803**	**$ 494,510**	**$ (10,616,603)**	**$ -**	**$ 664,710**

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

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Cash Flows
(Unaudited)

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Cash provided by (used for):		
Operating Activities		
Net loss for the period	$ (755,352)	$ (567,437)
Items not involving cash:		
Gain on sale of investments	(23,138)	-
Flow-through share premium	-	(271,807)
Tax benefits renounced to flow-through shares	1,250	1,125
	(777,240)	(838,119)
Changes in Non-Cash Working Capital		
Receivables	(2,624)	(29,984)
Prepaid and deposits	(10,159)	(2,134)
Bank indebtedness	(3,171)	(551)
Accounts payable and accrued liabilities	(114,062)	11,099
Due to related parties	(151,960)	329,762
	(281,976)	308,192
Cash Used in Operating Activities	**(1,059,216)**	**(529,927)**
Investing Activities		
Expenditures on mineral properties	(165,463)	(36,094)
Proceeds from disposal of investment	48,138	-
Cash Used in Investing Activities	**(117,325)**	**(36,094)**
Financing Activity		
Common shares issued for cash	1,476,223	-
Share issuance costs	(185,864)	-
Cash Provided by Financing Activities	1,290,359	-
Increase (Decrease) in Cash During the Period	**113,818**	**(566,021)**
Cash, Beginning of the Period	250,111	587,199
Cash, End of the Period	**$ 363,929**	**$ 21,178**

Supplemental cash flow information (Note 13)

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

1. Nature and Continuance of Operations

Valterra Resource Corporation (the "Company") was incorporated in Alberta, continued to the Yukon on May 8, 1997 and subsequently continued to British Columbia on February 22, 2008. Effective June 28, 2011 the Company's shares were listed and commenced trading on the TSX Venture Exchange. The Company's shares were previously listed on the Canadian National Stock Exchange up to July 4, 2011.

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties. The Company's registered office is in Vancouver, Canada. All current mineral properties are located in British Columbia, Canada.

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 current 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, 2011, the Company had working capital of $119,091 (December 31, 2010: net working capital deficiency $276,703). As at September 30, 2011, the Company had an accumulated deficit of $10,616,603 (December 31, 2010: $9,902,786).

The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of share capital to finance future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

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. Comparatives

Certain comparative amounts have been reclassified to conform to the current period's presentation.

3. Summary of Significant Accounting Policies and Future Accounting Changes

(a) Basis of Presentation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its condensed interim financial statements for the three months ended March 31, 2011. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting ("IAS 34") and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1").

These condensed interim financial statements do not include all the information and notes required by IFRS for complete financial statements for year-end reporting purposes. The accounting principles applied in the preparation of these condensed interim financial statements included herein have been applied consistently for each of the periods presented and are based on IFRS issued and outstanding as of November 15, 2011, the date the Board of Directors approved the condensed interim financial statements. Any subsequent changes to IFRS that are reflected in the Company's financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

Note 15 includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, and reconciliations of equity, comprehensive loss and cash flows for comparative periods and equity.

The condensed interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

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

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

(b) Mineral Property

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries, until these mineral properties are placed into commercial production, sold, or abandoned. The costs incurred to date do not necessarily reflect present or future values. 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 the statement of comprehensive loss in that period.

All expenditures related to the exploration and development of mineral properties are expensed to the statement of comprehensive 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. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are capitalized as part of acquisition costs. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in the statement of comprehensive loss.

All capitalized mineral property expenditures are reviewed quarterly, 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.

(c) Reclamation Bonds

Reclamation bonds are non-interest-bearing, recorded at cost, and held by Canadian government agencies or in trust.

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

(d) Financial Instruments

Financial instruments are classified as one of the following five categories: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recognized in profit and loss. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive loss and classified as a component of shareholders' equity until the investment is no longer recognized or is impaired, at which time the amounts are included in profit and loss.

Financial instruments, other than those classified as fair value through profit and loss, are assessed for indicators of impairment at each period-end. Financial instruments are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial instrument, the estimated future cash flows have been impacted. The carrying value of all financial instruments are directly reduced by an impairment loss.

For financial instruments carried at amortized cost, the amount of the impairment is the difference between the instrument's carrying amount and the present value of the estimated future cash flows, discounted at the financial instrument's original effective interest rate.

With the exception of available-for-sale financial instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of comprehensive loss. On the date of impairment reversal, the carrying amount of the financial instrument cannot exceed its amortized cost had impairment not been recognized.

(e) Share Capital

The Company uses the residual value method with respect to the issue of units, wherein the fair value of the common shares is determined by the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

Shares issued for non-monetary consideration are recorded at fair value 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 and Future Accounting Changes, continued

(f) Flow-Through Shares

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.

To account for flow-through shares, the Company allocates total proceeds from the issuance of flow-through shares between the offering of shares and the sale of tax benefits. The total amount allocated to the offering of shares is based on the quoted price of the underlying shares. The remaining amount, which is allocated to the sale of tax benefits, is recorded as a liability and is reversed when the tax benefits are renounced. The difference between the amount originally recorded as a liability and the estimated income tax benefits on date of renouncement is recognized in earnings. The tax effect of the renunciation is recorded at the time the Company makes the renunciation, which may differ from the effective date of renunciation.

(g) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding 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 and warrants that would be anti-dilutive.

(h) Share-Based Payments

Share-based payments for employees are measured at fair value of the instruments issued 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 the options is charged to profit and loss using the graded vesting method, with the offset credit to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value calculated is transferred from contributed surplus to share capital. Upon expiry, related fair value calculated is transferred from contributed surplus to deficit.

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

(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 income in the period that includes the enactment date. A valuation allowance is provided against deferred tax assets when it is more likely than not that the tax asset will not be utilized.

(j) Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position, and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates appear throughout the financial statements and may require adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other relevant factors that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- restoration, rehabilitation, and environmental provisions;
- accrued liabilities;
- determination of the valuation allowance for future income tax assets; and
- the assumptions used in the calculation of the fair value assigned to stock-based payments.

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

(j) Significant Accounting Estimates and Judgments, continued

Critical Accounting Judgments

Management must make judgments given the various options available as per accounting standards for items included in the financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. A summary of items involving management judgment include, but are not limited to:

- the determination of the categories in which financial assets and financial liabilities are classified;
- the determination of environmental obligations;
- the impairment and recoverability of capitalized mineral property acquisition costs; and
- the rate and timing of depreciation.

(k) Restoration, Rehabilitation, and Environmental Obligations

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 and 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. The Company has determined that it has no material obligations of this nature to record in these condensed interim financial statements.

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

(l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Segmented Information

The Company reports segmented information based on its operating and geographic segments.

(n) Future Accounting Changes

In 2011, the IASB issued four new IFRSs and IASs, which will come into effect for reporting periods beginning on or after January 1, 2013. Earlier application is permitted. The Company will evaluate the impact of these new standards on its financial statements when applicable. The new IFRSs and IASs are as follows:

- IFRS 9: *Financial Instruments* to replace IAS 39: *Financial Instruments: Recognition and Measurement*.
- IFRS 10: *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 supersedes IAS 27: *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities*.
- IFRS 11: *Joint Arrangements* is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

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

(n) Future Accounting Changes, continued

- IFRS 12: *Disclosure of Interests in Other Entities*, which combines, enhances, and replaces the disclosure requirements for subsidiaries, joint arrangements, associates, and unconsolidated structured entities.
- IFRS 13: *Fair Value Measurement*, which defines fair value, sets out in a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements.
- IAS 27 *Separate Financial Statements (as amended in* 2011) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. In completing IFRS 10, the IASB removed from IAS 27 all requirements relating to consolidated financial statements.
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

4. Financial Instruments

(a) Categories of Financial Instruments

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

Financial Instrument	Category	Carrying Value
Cash	Fair Value Through Profit or Loss	Fair Value
Reclamation Bonds	Loans and Receivables	Amortized Cost
Bank Indebtedness	Other Financial Liabilities	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Related Parties Accounts Payable	Other Financial Liabilities	Amortized Cost

(b) Fair Value

The carrying values of cash, bank indebtedness, accounts payable and accrued liabilities and amounts due to related parties estimate their fair values due to the short period to maturity. Reclamation bonds are non-interest-bearing and are recorded at their 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, interest rate risk, credit 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 and anticipated investing and financing activities and through management of its capital structure.

As at September 30, 2011, the cash balance of $363,929 would not be sufficient to meet the cash requirements for the Company's 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. The Company does not use any hedges or other derivatives to mitigate the risk against foreign exchange fluctuations.

In May 2008, the Company entered into an option agreement to acquire a 100% undivided interest in Star claims group (the "Star Property"), whereby the Company is required to make further payments totaling US $230,000. An appreciation or depreciation of the US dollar by 10% could affect the Company's cash flow by $24,109 over the remaining term of the agreement.

As at September 30, 2011, the Company had no amounts receivable or payable in foreign currencies.

(iii) Interest Rate Risk

The Company is exposed to interest rate risk on its bank indebtedness, as the payments fluctuate with changes in interest rates. Based on the current balance of the bank indebtedness, an assumed 0.5% increase or decrease in interest rates would not have a significant effect on the Company's results of operations.

4. Financial Instruments, continued

(c) Financial Risk Management, continued

(iv) Credit Risk

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

(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 other price risk.

5. Capital Management

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

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

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

There have been no changes in the Company's approach to capital management during the nine months ended September 30, 2011. The Company is not subject to externally imposed capital requirements other than those related to its credit facility, as disclosed in Note 9. The Company is in compliance with the externally imposed capital requirements.

6. Investment

On April 20, 2011, the Company received the funds from the sale of its investment of 100,000 common shares in Tosca Mining Corporation ("Tosca") for gross proceeds of $48,138. The Tosca shares were obtained in consideration for payments required pursuant to an earn-in agreement on the Swift Katie property, located in the Nelson Mining Division, British Columbia, Canada (note 7(b)). The Company held less than 1% of the total number of outstanding shares of Tosca at each of the previous reporting periods.

	Cost	Fair Value
December 31, 2009	$ 25,000	$ 20,000
Fair value adjustment	-	10,000
December 31, 2010	25,000	30,000
Proceeds received	(48,138)	(48,138)
Realized gain on sale	23,138	23,138
Fair value adjustment	-	(5,000)
September 30, 2011	$ -	$ -

7. Mineral Properties

The Company has interests in four mineral properties called Star, Swift Katie, Toughnut, and Rozan. All the properties are located near the towns of Nelson and Salmo, British Columbia. All acquisition costs are capitalized until such time these mineral properties are placed into commercial production, sold, or abandoned.

A summary of total mineral property acquisition costs as at September 30, 2011 is as follows:

	Star $	Swift Katie $	Toughnut $	Rozan $	Total $
Acquisition costs					
Balance as at December 31, 2009	33,484	133,889	19,453	-	186,826
Additions during the year	26,479	2,753	34,349	9,490	73,071
Balance as at December 31, 2010	59,963	136,642	53,802	9,490	259,897
Additions during the period	27,423	112,238	38,142	62,919	240,722
Balance as at September 30, 2011	**87,386**	**248,880**	**91,944**	**72,409**	**500,619**

7. Mineral Properties, continued

(a) Star Property

Pursuant to an agreement dated May 13, 2008, the Company can earn a 100% undivided interest in the Star Property subject to a net smelter return royalty ("NSR") of 3% with a buy-down option to 2% before the commencement of commercial production for US $1,500,000. To earn a 100% undivided interest in the Star Property, the Company is required to make staged payments totaling US $300,000 and incur total exploration expenditures of $400,000 as follows:

(i) US $20,000 and incur in the aggregate a minimum of $100,000 in exploration expenditures on or before May 13, 2009 (paid and incurred);
(ii) US $25,000 and incur in the aggregate a minimum of $200,000 in exploration expenditures on or before May 13, 2010 (paid and incurred);
(iii) US $25,000 and incur in the aggregate a minimum of $300,000 in exploration expenditures on or before May 13, 2011 (paid and incurred);
(iv) US $30,000 and incur in the aggregate a minimum of $400,000 (incurred) in exploration expenditures on or before May 13, 2012; and
(v) US $40,000 on or before May 13, 2013, 2014 and 2015; US $50,000 on or before May 13, 2016; and US $30,000 on or before May 13, 2017.

In order to facilitate the Star option payment on May 13, 2010, as per the option agreement, the Company issued promissory notes to one director/officer and three consultants of the Company for $25,494. As at September 30, 2011, the remaining amount outstanding is $7,625 and is included in due to related parties.

(b) Swift Katie Property

Pursuant to an agreement dated July 21, 2006, as amended, Manex Resource Group Inc. ("Manex"), a private company controlled by the President of the Company, acquired an option from the optionors to purchase the Swift Katie Property. The option was assigned by Manex to the Company for $2,500.

Pursuant to the amended option agreement dated December 18, 2008, the Company owns a 60% interest in the Swift Katie Property and expects to increase its interest in 2011 to 100% by making cash payments, incur exploration expenditures, and issue shares to the optionors as follows:

(i) Pay $60,000, incur $350,000 in exploration expenditures and issue 225,000 common shares on or before December 31, 2010 (paid, incurred, and issued); and
(ii) Pay an additional $60,000, incur an additional $350,000 in exploration expenditures, and issue an additional 225,000 common shares on or before December 31, 2011.

7. Mineral Properties, continued

(b) Swift Katie Property, continued

The optionors of the property retain a 2% NSR on the property if the Company earns a 60% interest and a 3% NSR if the Company earns a 100% interest in the property. The Company has the option to purchase one-half of the NSR for $1,000,000 per 1% 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 $35,000, increasing to $50,000 annually in December 2012 and thereafter. These payments will be adjusted annually according to the Consumer Price Index ("CPI") base of December 31, 2006. Annual AMR payments are deductible from future NSR royalty payments. On March 23, 2011, the Company paid the AMR due December 31, 2010 of an amount of $37,600. The CPI base was calculated to be 1.074.

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 August 21, 2009, the Company entered into an earn-in option agreement with JRTL Capital Corp. ("JRTL") on the Swift Katie Property. On December 3, 2009, JRTL changed its name to Tosca. In December 2010, Tosca terminated the option agreement.

(c) Toughnut Property

On March 10, 2009, the Company entered into an option agreement to acquire a 100% undivided interest in the Toughnut Property, comprising nine mineral claims and one Crown grant.

On March 16, 2009 and March 4, 2010, the agreement was amended for the requirements on cash payments, exploration expenditures, and share issuances. Pursuant to the amended agreement to acquire a 100% interest in the Toughnut Property, the Company is required to make staged payments totaling $200,000, incur total exploration expenditures of $1,250,000, and issue 450,000 of its common shares to the optionors over five years as follows:

- **(i)** Pay $5,000 and issue 100,000 common shares on March 9, 2009 (paid and issued);
- **(ii)** Issue 100,000 common shares on or before March 10, 2010 (issued);
- **(iii)** Pay $30,000 on or before August 1, 2010 (paid);
- **(iv)** Incur not less than $300,000 of exploration expenditures on or before September 30, 2010 (incurred);
- **(v)** Pay $35,000, issue 50,000 common shares and incur not less than an aggregate $500,000 of exploration expenditures on or before March 10, 2011 (paid, issued, and incurred);
- **(vi)** Pay $40,000, issue 50,000 common shares and incur not less than an aggregate $750,000 of exploration expenditures on or before March 10, 2012;

7. Mineral Properties, continued

(c) Toughnut Property, continued

(vii) Pay $40,000, issue 50,000 common shares and incur not less than an aggregate $1,000,000 of exploration expenditures on or before March 10, 2013; and
(viii) Pay $50,000, issue 100,000 common shares and incur not less than an aggregate $1,250,000 of exploration expenditures on or before March 10, 2014.

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

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

(d) Rozan Property

On January 13, 2010, the Company entered into an option agreement to acquire a 100% undivided interest in the Rozan property, comprising thirty-two mineral claims located near Nelson, BC. To acquire a 100% interest in the Rozan Property, the Company is required to make staged payments totaling $200,000, incur total exploration expenditures of $1,000,000, and issue 350,000 units* to the optionors over the next five years as follows:

(i) Issue 50,000 units on the signing of the agreement (issued);
(ii) Pay $30,000**, issue 50,000 units (issued), and incur not less than an aggregate $50,000 of exploration expenditures on or before January 13, 2011**;
(iii) Pay $30,000, issue 50,000 units, and incur not less than an aggregate $250,000 of exploration expenditures on or before January 13, 2012**;
(iv) Pay $40,000, issue 50,000 units, and incur not less than an aggregate $500,000 of exploration expenditures on or before January 13, 2013;
(v) Pay $40,000, issue 50,000 units, and incur not less than an aggregate $750,000 of exploration expenditures on or before January 13, 2014; and
(vi) Pay $60,000, issue 100,000 units, and incur not less than an aggregate $1,000,000 of exploration expenditures on or before January 13, 2015.

*Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable for a period of five years with the exercise price based on the quoted market value of the Company's shares at the date of issuance, subject to a minimum exercise price of $0.10 per share.

7. Mineral Properties, continued

(d) Rozan Property, continued

**On February 8, 2011, the Company and the optionors for the Rozan Property amended the agreement. The Company issued 600,000 units to the optionors in lieu of the $30,000 cash payment. The units consist of one common share and one share purchase warrant. Each share purchase warrant is exercisable to purchase one common share at an exercise price of $0.10 for a period of two years. During March 2011, the parties mutually agreed to defer the requirement to incur not less than an aggregate $50,000 of exploration expenditures to on or before January 13, 2012.

The optionors of the Rozan Property retain a 2% NSR on the mineral claims of the property. The Company has the option to purchase one-half of the NSR by paying $500,000 to the optionors.

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

(e) Environmental

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

Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. Environmental legislation is becoming increasingly stringent and the cost of regulatory compliance is increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

7. Mineral Properties, continued

(f) Title to Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous 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.

(g) 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 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 the sale of the mineral properties. The carrying value of the Company's mineral properties may not reflect current or future values.

(h) Mineral property exploration expenditures

Exploration expenditures incurred for the nine-month period ended September 30, 2011 were as follows:

	Star $	Swift Katie $	Toughnut $	Rozan $	Total $
Assays and analysis	25,527	948	20,115	130	**46,720**
Camp and supplies	3,233	223	3,146	549	**7,151**
Drilling	166,108	-	32,954	-	**199,062**
Equipment rental and field supplies	4,316	2,275	10,136	1,238	**17,965**
Geological services	64,348	19,074	48,024	11,841	**143,288**
Project supervision	46,540	30,385	38,760	18,720	**134,405**
Travel	78	819	108	-	**1,006**
	310,151	53,725	153,243	32,478	**549,597**
General exploration					**3,358**
Total mineral property exploration expenditures					**552,955**

7. Mineral Properties, continued

(h) Mineral property exploration expenditures, continued

Exploration expenditures incurred for the nine-month period ended September 30, 2010 were as follows:

	Star	Swift Katie	Toughnut	Rozan	Total
	$	$	$	$	$
Assays and analysis	17,686	-	23,400	1,020	**42,106**
Camp and supplies	3,148	-	5,064	788	**9,000**
Drilling	66,878	-	114,827	-	**181,705**
Environmental expenses	930	-	2,695	-	**3,625**
Equipment rental and field supplies	7,676	-	10,680	757	**19,113**
Geological services	53,517	-	81,686	6,070	**141,273**
Other	73	-	73	-	**146**
Project supervision	62,947	-	31,624	12,495	**107,066**
Travel	-	-	559	-	**559**
	212,855	-	270,608	21,130	**504,593**
General exploration					**19,275**
Total mineral property exploration expenditures					**523,868**

8. 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, 2011, the amount on deposit was $45,000 (December 31, 2010: $45,000), of which $35,000 is for the Swift Katie Property, and $10,000 is for the Star Property.

9. Bank Indebtedness

Bank indebtedness is due on demand, bears interest at prime plus 1% per annum, and is secured by a letter of credit from Schroders (C.I.) supported by a guarantee by a company owned by a shareholder of the Company. During 2006, the Company issued 200,000 common shares at an agreed price of $0.20 per share, as consideration for the guarantee. Under the credit facility letter, the Company is required to obtain written consent from the bank prior to paying or declaring any dividends, reducing its share capital, reorganizing, or changing control. The balance outstanding as at September 30, 2011 was $194,448 (December 31, 2010: $197,619) (January 1, 2010: $197,808).

10. Related Party Balances and Transactions

In addition to those transactions disclosed elsewhere in these financial statements, the Company entered into the following related party transactions during the nine months ended September 30, 2011, as follows:

(a) Under the service agreement, as amended, between the Company and a company privately held by a director and officer of the Company, the Company was charged as follows:

- $18,000 (September 30, 2010: $77,619) for office space and general administration services, included in administration expenses;
- $9,000 (September 30, 2010: $33,584), included in professional fees;
- $4,500 (September 30, 2010: $27,285), included in consulting;
- $4,500 (September 30, 2010: $19,811), included in investor relations;
- $136,403 (September 30, 2010: $121,325) for geological consulting services in relation to mineral properties; and
- $3,607 (September 30, 2010: $2,583) in respect of the mark-up on out-of-pocket expenses, included in administration expenses.

Amounts prepaid at September 30, 2011 under the agreement were $17,126 (December 31, 2010: $55,366 amounts payable).

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

- $35,407 (September 30, 2010: $20,030), included in professional fees;
- $3,410 (September 30, 2010: $2,625), for legal consulting services in relation to mineral properties; and
- $18,855 (September 30, 2010: $838), included in share issue costs.

Amounts payable as at September 30, 2011 were $5,110 (December 31, 2010: $11,243).

(c) Consulting fees relating to office administration of $Nil (September 30, 2010: $14,000) were charged by a private company controlled by an officer of the Company (resigned as an officer effective July 31, 2010). Amounts payable as at September 30, 2011 were $Nil (December 31, 2010: $25,340).

(d) Independent directors' fees of $Nil (September 30, 2010: $23,250) were incurred by the Company (independent directors' fees were discontinued as of July 1, 2010). Amounts payable as at September 30, 2011 were $Nil (December 31, 2010: $50,378).

(e) In order to facilitate the Star option payment due on May 13, 2010 as per the option agreement, the Company issued promissory notes to one director/officer and three consultants for $25,494. Amounts payable as at September 30, 2011 were $7,625 (December 31, 2010: $17,868).

(f) Consulting fees relating to corporate development and financing activities were previously charged by a private company controlled by a former director of the Company. Amounts payable as at September 30, 2011 were $24,675 (December 31, 2010: $29,175).

10. Related Party Balances and Transactions, continued

The total amount due to related parties as at September 30, 2011 was $37,410 (December 31, 2010: $189,370) (January 1, 2010: $463,737). 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. With the exception of the fees paid to independent directors and consulting fees in the amount of $4,500 (September 30, 2010: $22,500) paid for CFO services (disclosed in (a) above and (c) above), the Company did not provide any other form of remuneration or share-based payments to directors and other members of key management personnel during the nine months ended September 30, 2011 and 2010.

11. Segmented Information

Operating segment – The Company's operations are primarily directed towards the acquisition, exploration, and development of gold and other precious metals.

Geographic segment – The Company's assets and expenditures are held and incurred with regard to mineral properties held in British Columbia, Canada.

12. Share Capital

(a) Authorized

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

(b) Equity Financings

On March 23, 2011, the Company closed the third tranche of a non-brokered private placement by issuing 18,124,460 units at a price of $0.05 per unit for gross proceeds of $906,223. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one common share at a price of $0.10 for a period of two years.

The Company paid $27,750 in finders' fees and issued 925,000 share purchase warrants to finders at an exercise price of $0.10 per share for a period of two years. The warrants were fair valued at $0.031 per warrant using the Black-Scholes option-pricing model (Note 12(g)).

On March 23, 2011, the Company closed the first tranche of a non-brokered flow-through private placement by issuing 8,220,000 units at a price of $0.05 per unit for gross proceeds of $411,000.

Each unit consisted of one flow-through common share and one-half of one share purchase warrant, with each whole warrant exercisable to purchase one non-flow-through common share at a price of $0.10 for a period of two years.

12. Share Capital, continued

(b) Equity Financings, continued

The Company paid $24,000 in finders' fees and issued 800,000 share purchase warrants to finders at an exercise price of $0.10 per share for a period of two years. The warrants were fair valued at $0.031 per warrant using the Black-Scholes option-pricing model (Note 12(g)).

On May 2, 2011, the Company closed the fourth tranche of a non-brokered private placement by issuing 3,180,000 units at a price of $0.05 per unit for gross proceeds of $159,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one common share at a price of $0.10 for a period of two years.

The Company paid $9,360 in finders' fees and issued 312,000 share purchase warrants to finders at an exercise price of $0.10 per share for a period of two years. The warrants were fair valued at $0.019 per warrant using the Black-Scholes option-pricing model (Note 12(g)).

(c) Shares Issued for Mineral Property

On January 31, 2011 and February 8, 2011, the Company issued 50,000 and 600,000 common shares, respectively, to the optionors of the Rozan Property as per the amended agreement. The fair value based on the quoted market price was $0.06 and $0.05 per share, respectively.

On March 21, 2011, the Company issued 225,000 common shares to the optionors of the Swift Katie Property as per the option agreement. The fair value based on the quoted market price was $0.05 per share.

On March 29, 2011, the Company issued 50,000 common shares to the optionors of the Toughnut Property as per the option agreement. The fair value based on the quoted market price was $0.06 per share.

(d) Stock Options

The Company has a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The terms of any stock option granted under the Plan may not exceed the length of term permitted by the policies of any stock exchange on which the Company's shares are listed at the date of grant. The exercise price may not be less than the greater of the closing price on the trading day prior to the date of grant of the options or the closing price on the date of grant of the options. On an annual basis, the Plan requires approval by the Company's shareholders.

12. Share Capital, continued

(d) Stock Options, continued

A summary of the stock options outstanding and exercisable as at September 30, 2011 and 2010 are provided below:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2010	Expired	Balance September 30, 2011
$0.25	$0.19	October 9, 2012	1,260,000	60,000	1,200,000
$0.10	$0.06	February 24, 2014	50,000	-	50,000
$0.10	$0.09	August 11, 2014	1,455,000	70,000	1,385,000
			2,765,000	**130,000**	**2,635,000**
Weighted average exercise price			$0.17	$0.17	$0.17
Weighted average contractual life remaining in years			2.77		2.02

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2009	Expired	Balance September 30, 2010
$0.25	$0.19	October 9, 2012	1,335,000	60,000	1,275,000
$0.28	$0.21	December 4, 2012	10,000	-	10,000
$0.10	$0.06	February 24, 2014	50,000	-	50,000
$0.10	$0.09	August 11, 2014	1,600,000	120,000	1,480,000
			2,995,000	**180,000**	**2,815,000**
Weighted average exercise price			$0.17	$0.15	$0.17
Weighted average contractual life remaining in years			3.78		3.02

12. Share Capital, continued

(e) Finders' Options

A summary of the options granted to finders that are outstanding and exercisable as at September 30, 2011 and 2010 are provided below:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2010	Balance September 30, 2011
$0.08	$0.05	December 23, 2011	562,500	562,500
$0.05	$0.03	November 17, 2012	500,000	500,000
			1,062,500	**1,062,500**
Weighted average exercise price			$0.07	$0.07
Weighted average contractual life remaining in years			1.40	0.66

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2009	Balance September 30, 2010
$0.08	$0.05	December 23, 2011	562,500	562,500
			562,500	**562,500**
Weighted average exercise price			$0.08	$0.08
Weighted average contractual life remaining in years			1.98	1.23

12. Share Capital, continued

(f) Share Purchase Warrants

The Company's share purchase warrants outstanding as at September 30, 2011 and 2010 are provided below:

Exercise Price	Expiry Date	Balance December 31, 2010	Granted	Expired	Balance September 30, 2011
$0.15	June 12, 2011	3,172,222	-	3,172,222	-
$0.15	June 12, 2011	87,500	-	87,500	-
$0.15	July 17, 2011	1,756,950	-	1,756,950	-
$0.15	July 17, 2011	75,000	-	75,000	-
$0.15	July 24, 2011	534,091	-	534,091	-
$0.15	July 24, 2011	100,000	-	100,000	-
$0.15	December 23, 2011	3,487,500	-	-	3,487,500
$0.15	December 23, 2011	169,125	-	-	169,125
$0.10	December 23, 2011	312,500	-	-	312,500
$0.10	December 23, 2011	7,500	-	-	7,500
$0.06	January 14, 2015	50,000	-	-	50,000
$0.10	November 17, 2012	2,500,000			2,500,000
$0.10	November 17, 2012	15,048,319	-	-	15,048,319
$0.10	November 17, 2012	125,000	-	-	125,000
$0.10	December 30, 2012	3,130,000	-	-	3,130,000
$0.10	December 30, 2012	388,500	-	-	388,500
$0.10	January 31, 2016	-	50,000	-	50,000
$0.10	February 8, 2013	-	600,000	-	600,000
$0.10	March 22, 2013	-	18,124,460	-	18,124,460
$0.10	March 22, 2013	-	925,000	-	925,000
$0.10	March 22, 2013	-	4,110,000	-	4,110,000
$0.10	March 22, 2013	-	800,000	-	800,000
$0.10	May 4, 2013	-	3,180,000		3,180,000
$0.10	May 4, 2013	-	312,000		312,000
		30,944,207	**28,101,460**	**5,725,763**	**53,319,904**
Weighted average exercise price		$0.12	$0.10	$0.15	$0.10
Weighted average contractual life remaining in years		1.53			1.27

12. Share Capital, continued

(f) Share Purchase Warrants, continued

Exercise Price	Expiry Date	Balance December 31, 2009	Issued	Expired	Balance September 30, 2010
$0.30	July 7, 2010	500,000	-	500,000	-
$0.15	June 12, 2011	3,172,222	-	-	3,172,222
$0.15	June 12, 2011	87,500	-	-	87,500
$0.15	July 17, 2011	1,756,950	-	-	1,756,950
$0.15	July 17, 2011	75,000	-	-	75,000
$0.15	July 24, 2011	534,091	-	-	534,091
$0.15	July 24, 2011	100,000	-	-	100,000
$0.15	December 23, 2011	3,487,500	-	-	3,487,500
$0.15	December 23, 2011	169,125	-	-	169,125
$0.10	December 23, 2011	312,500	-	-	312,500
$0.10	December 23, 2011	7,500	-	-	7,500
$0.06	January 14, 2015	-	50,000	-	50,000
		10,202,388	**50,000**	**500,000**	**9,752,388**
Weighted average exercise price		$0.16	$0.06	$0.30	$0.15
Weighted average contractual life remaining in years		1.63			0.96

During the nine months ended September 30, 2010, the Company granted 50,000 share purchase warrants to the optionors of the Rozan Property as per the original option agreement. The Company recognized the fair value of the share purchase warrants of $0.057 calculated using the Black-Scholes option-pricing model (Note 12(g)).

During the nine months ended September 30, 2011, the Company granted 50,000 share purchase warrants to the optionors of the Rozan Property as per the amended option agreement. The Company recognized the fair value of the share purchase warrants of $0.039 calculated using the Black-Scholes option-pricing model (Note 12(g)).

During the nine months ended September 30, 2011, the Company granted 600,000 share purchase warrants to the optionors of the Rozan Property as per the amended option agreement. The Company recognized the fair value of the share purchase warrants of $0.043 calculated using the Black-Scholes option-pricing model (Note 12(g)).

12. Share Capital, continued

(g) Fair Value Determination

The Company applies the fair value method of accounting for share-based payments and the fair value calculated for share-based payments are expensed in the statement of comprehensive loss.

The fair value of finders' options and finders' warrants granted during the nine-month period ended September 30, 2011 and 2010 was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	September 30, 2011		September 30, 2010
	Warrants	Finders' Warrants	Warrants
Risk-free interest rate	1.93%	1.67%	2.56%
Expected share price volatility	137.80%	133.09%	170.60%
Expected life in years	2.23	2.00	5.00
Expected dividend yield	0.00%	0.00%	0.00%

(h) Share-Based Payments

Option pricing models require the input of highly subjective assumptions. Changes in the input assumptions can materially affect the fair value estimate. The Company did not grant stock options during the nine-month periods ended September 30, 2011 and 2010.

13. Supplemental Cash Flow Information

	Nine months ended September 30, 2011	2010
Cash comprised of:		
Unrestricted cash	$ 363,102	$ 5,723
Cash reserved for flow-through expenditures	827	15,455
Total Cash	$ 363,929	$ 21,178
Cash Items		
Income tax paid	$ -	$ -
Interest received	890	215
Interest paid	1,995	4,715
Non-Cash Items		
Financing Activities		
Fair value of warrants issued for mineral properties	$ 28,009	$ 2,841
Shares issued for mineral properties	47,250	6,000
Fair value of finders' warrants	58,674	-

14. Commitments

(a) Service Agreement

Under a service agreement, as amended, between the Company and a company privately held by a director and officer of the Company, the Company is charged $4,000 monthly for office accommodation ($2,000), accounting ($1,000) and office management services ($1,000). The agreement expires June 30, 2012. The Company may terminate the agreement at any time by paying the remaining monthly fees for one year from the date of written notice of the termination.

(b) Flow-Through Expenditures

Funds raised through the issuance of flow-through shares are required to be expended on qualifying Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures. The Company is committed to incur qualifying Canadian exploration expenditures of approximately $383,000 by December 31, 2011. As at September 30, 2011, the Company has incurred all of these qualifying expenditures with respect to exploration activities at its mineral properties.

14. Commitments, continued

(b) Flow-Through Expenditures, continued

Included within accounts payable and other liabilities is an amount of $Nil (December 31, 2010 - $Nil : January 1, 2010 - $271,807) with respect to flow-through share premiums, represented by the difference between the subscription price of $0.11 per unit and the market price at the date of closing of $0.09 per share, relating to the June 12, 2009 flow-through placement of 850,000 units; the difference between the subscription price of $0.11 per unit and the market price at the date of closing of $0.10 per share, relating to the July 24, 2009 flow-through placement of 1,068,182 units; and the difference between the subscription price of $0.08 per unit and the market price at the date of closing of $0.05 per share, relating to the December 21, 2009 flow-through placement of 6,975,000 units.

The premium at January 1, 2010 was extinguished on renunciation of the related tax benefits in February 2010. No further flow-through share premiums were required to be recognized.

15. Transition to IFRS

The condensed consolidated interim financial statements for the nine months ended September 30, 2011 are the Company's third financial statements prepared under IFRS, as stated in note 3. The accounting policies described in note 3 have been applied in preparing these condensed interim financial statements for the three and nine months ended September 30, 2011, the comparative information presented in these condensed interim financial statements for the three and nine months ended September 30, 2010, and the statements of financial position at January 1, 2010 and December 31, 2010. An explanation of IFRS 1, first-time adoption of IFRS exemptions, and the required reconciliations between IFRS and Canadian GAAP are described below.

In preparing these condensed interim financial statements, the Company has applied IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

The following are the optional exemptions available under IFRS 1 that the Company has elected to apply:

Share-based Payments

The Company elected to not apply IFRS 2, Share-based Payments, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS. As a result, the Company has applied IFRS 2 for stock options granted after November 7, 2002 that are not fully vested at January 1, 2010.

15. Transition to IFRS, continued

The following adjustments have been made on the transition to IFRS:

(a) Exploration expenditures

On transition to IFRS, the Company elected to change to its accounting policy for the treatment of exploration expenditures to a policy of expensing all exploration expenditures, to align it with policies applied by other comparable companies at a similar stage in the mining industry.

(b) Share-based payments

On transition to IFRS, the Company elected to change to its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options, finders' options, and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

The following adjustments were made subsequent to the transition to IFRS:

(a) Flow-through share accounting

Under Canadian GAAP, the Company would record the gross proceeds relating to flow-through shares to share capital at the time of issuance. The Company would then record a charge (reduction) to share capital at the time the tax benefits of the flow-through shares were renounced to the subscribers. The charge was calculated by multiplying the amount of the renounced tax benefits (which are equal to the gross proceeds of the flow-through share issuance) by the effective tax rate at the time. The offset would be recorded as a deferred tax liability to reflect the fact that the Company could no longer use the tax attributes for its benefit.

Under IFRS, the proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares, at the date of closing, and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium, and is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded.

15. Transition to IFRS, continued

Reconciliation of Assets, Liabilities and Equity

The below table provides a summary of the adjustments to the Company's statement of financial position:

		December 31, 2010		September 30, 2010		January 1, 2010
Total Assets per Canadian GAAP	$	3,552,803	$	3,022,048	$	3,010,423
Adjustment on adoption of IFRS						
Decrease in mineral properties		(2,910,350)		(2,662,082)		(2,157,589)
Total assets per IFRS	$	**642,453**	$	**359,966**	$	**852,934**
Total Liabilities under Canadian GAAP	$	584,259	$	1,149,353	$	809,043
Adjustment on adoption of IFRS						
Recognition of flow-through premium		-		-		271,807
Total Liabilities under IFRS	$	**584,259**	$	**1,149,153**	$	**1,080,850**

Reconciliation of Assets, Liabilities and Equity, continued

		December 31, 2010		September 30, 2010		January 1, 2010
Shareholders' Equity						
Total Equity under Canadian GAAP	$	2,968,544	$	1,872,695	$	2,201,380
Adjustments on adoption of IFRS						
Decrease in mineral properties		(2,910,350)		(2,662,082)		(2,157,489)
Decrease in contributed surplus		(72,399)		(22,959)		(70,461)
Decrease in deficit		72,399		22,959		70,461
Recognition of flow-through premium		-		(271,807)		(271,807)
Reversal of flow-through premium		-		271,807		-
Total IFRS adjustments		(2,910,350)		**(2,662,082)**		(2,429,296)
Total Equity under IFRS	$	**58,194**	$	**(789,387)**	$	**(227,916)**
Total Liabilities and Equity under IFRS	$	**642,453**	$	**359,766**	$	**852,934**

15. Transition to IFRS, continued

Reconciliation of Comprehensive Loss

The below table provides a summary of the adjustments to comprehensive loss:

		Year ended December 31, 2010		Nine months ended September 30, 2010		Three months ended September 30, 2010
Comprehensive Loss per Canadian GAAP	$	234,941	$	153,412	$	80,973
Adjustments on adoption of IFRS						
Increase in exploration expenditures		752,861		504,593		297,494
Reversal of flow-through renunciation		190,239		190,239		-
Reversal of flow-through premium		(271,807)		(271,807)		-
Total IFRS adjustments	$	671,293	**$**	**432,025**	**$**	**297,494**
Comprehensive loss per IFRS	**$**	**906,234**	**$**	**576,437**	**$**	**378,467**

16. Subsequent Events

There have been no material events requiring disclosure since September 30, 2011.

Management's Discussion and Analysis

For the Nine Months Ended September 30, 2011

Dated: November 15, 2011

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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, 2011 and is dated November 15, 2011. 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, 2011 and audited annual financial statements as at December 31, 2010 and the accompanying notes. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future periods.

Effective June 28, 2011, the Company's shares were listed and commenced trading on the TSX Venture Exchange under the symbol "VQA.V". The Company's shares continue to be listed on the Frankfurt Stock Exchange under the symbol "3VA.F". The Company's shares were previously listed on the Canadian National Stock Exchange up to July 4, 2011.

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

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

B. Qualified Person

Brian T. McGrath, B.Sc., P.Geo., is the qualified person under National Instrument 43-101 responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs for the Company's properties. Mr. McGrath attained his Bachelors degree in Earth Sciences from Memorial University of Newfoundland in 1992. His work has focused on gold and base metal targets associated with banded iron formations (BIF), volcanogenic–hosted massive sulphide (VHMS) deposits, porphyry deposits, and lode gold systems. Mr. McGrath is a director of the Company.

C. Conversion Tables

Conversion Table			
Imperial			**Metric**
1 Acre	=	0.404686	Hectares
1 Foot	=	0.304800	Metres
1 Mile	=	1.609344	Kilometres
1 Ton	=	0.907185	Tonnes
1 Ounce (troy)/ton	=	34.285700	Grams/Tonne

Information from www.onlineconversion.com

Precious metal units and conversion factors

ppb	- Part per billion	1	ppb	=	0.0010	ppm	=	0.000030	oz/t
ppm	- Part per million	100	ppb	=	0.1000	ppm	=	0.002920	oz/t
oz	- Ounce (troy)	10,000	ppb	=	10.0000	ppm	=	0.291670	oz/t
oz/t	- Ounce per ton (avdp.)	1	ppm	=	1.0000	ug/g	=	1.000000	g/tonne
g	- Gram								
g/t	- Gram per metric ton	1	oz/t	=	34.2857	ppm			
mg	- Milligram	1	Carat	=	41.6660	mg/g			
kg	- Kilogram	1	ton (avdp.)	=	907.1848	kg			
ug	- Microgram	1	oz (troy)	=	31.1035	g			

Information from www.onlineconversion.com

D. Summary of Mineral Properties

The Company has been aggressively exploring south-eastern British Columbia, Canada since 2007, building key assets including the Cu-Au porphyry/shear-hosted Swift Katie Project and the Au-Ag+/-Cu porphyry/shear-hosted "Star Project" (Star, Toughnut, and Rozan claims), all located near the towns of Nelson and Salmo in the Nelson Mining Division of south-eastern British Columbia.

The properties occur within a highly metallogenic area of the province that historically has hosted several important mining districts, and are underlain by rocks considered very favourable for the discovery of polymetallic mineralization.

The Company has conducted over 810 line-kilometres of airborne geophysical surveys and completed several mapping/diamond drilling programs totaling more than 10,600 metres. Numerous drill intercepts for Au, Ag, and Cu have been returned, and the prospective claim group controlled by the Company has doubled to over 120 square kilometres.

Swift Katie Project

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

The Company has retained Micon International Limited of Vancouver to conduct a Phase I, in-house review of the current database for the Katie deposit which comprises over 45 drill holes, completed between 1987 and 2008. The drilling outlines a Cu-Au inventory measuring approximately 600 metres of strike length by 400 metres width, and up to 300 metres depth; being open in several directions. The on-going Phase I work includes surveying of historic drill collars, an assessment of the historic QA/QC protocols, and drill spacing. Contingent on the Phase I results, the Phase II proposal includes provisions for developing a NI 43-101 compliant bulk-tonnage Cu-Au resource.

Star Project

The Star project comprises almost 40 square kilometres centralized in the prolific Silver King Shear Zone located in south-eastern British Columbia. The signature of the rocks intercepted in past drilling are generally consistent with a zoned porphyry model subjected to shortening and intense shear-fault/hydrothermal activity that generated focused zones of higher-grade mineralization.

In June 2011, the Phase I drilling and surface exploration program commenced with testing directed toward four high priority zones; the Eureka, the Alma-Star Link, the Alma N, and the Gold Eagle. A total of approximately 1,362 metres of diamond drilling was conducted over a series of five drill holes within the 3.5 kilometres of strike length currently defined by a combination of previous wide-spaced drilling, geochemical, and geophysical surveys. Analytical results for the 2011 drilling described above were disclosed October 27, 2011 (News Release NR-08-11) and the Company has valid permits enabling up to 10,500 metres of drilling.

D. Summary of Mineral Properties, continued

Star Project, continued

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

Drilling continues to advance a porphyry model for the property. Targets include broad bulk-tonnage styles of Au-Ag-Cu mineralization and structurally controlled higher grade zones. Targeting was aided by several technical programs that included a NI 43-101 Technical Report on the Star-Toughnut (available for viewing at www.sedar.com); a 30 square kilometre airborne EM-MAG survey covering +1,900 hectares over the Star-Toughnut claims; and airborne data which was subjected to detailed processing analyses by a geophysical consultant whose work refined numerous airborne anomalies warranting follow-up.

Select drill intercept highlights to date include:

Claim Group	Zone	Drill Intercept Results	
Star	Alma N	**VST08-006:**	**18.77 g/t Au & 11.55 g/t Ag over 4.0 metres**
		Including	**35.68 g/t Au & 21.80 g/t Ag over 2.0 metres**
		VST09-007:	**2.12 g/t Au & 1.63 g/t Ag over 44.5 metres**
		Including	**11.29 g/t Au & 5.60 g/t Ag over 2.0 metres**
	Eureka	**VST10-011:**	**0.28 g/t Au, 4.45 g/t Ag & 0.27% Cu over 66.67 metres**
		VST11-014:	**0.36 g/t Au, 1.21 g/t Ag & 0.13% Cu over 64.0 metres**
		Including	**1.23 g/t Au, 2.17 g/t Ag & 0.24% Cu over 15.52 metres**
Toughnut	Toughnut	**VTN10-005:**	**4.05 g/t Au & 0.88 g/t Ag over 8.0 metres**
	Gold Eagle	**VTN10-008:**	**4.02 g/t Au & 9.51 g/t Ag over 24.33 metres**
		Including	**7.76 g/t Au & 20.29 g/t Ag over 9.11 metres**
		Including	**14.47 g/t Au & 34.60 g/t Ag over 4.0 metres**
		VTN11-010:	**1.22 g/t Au & 2.71 g/t Ag over 29.72 metres**
		Including	**4.40 g/t Au & 6.10 g/t Ag over 2.0 metres**

D. Summary of Mineral Properties, continued

Acquisition Costs

The Company's accounting policy related to expenditures incurred for the acquisition of mineral properties is to capitalize on a property-by-property basis, net of recoveries. During the nine months ended September 30, 2011, the Company incurred acquisition costs on its mineral properties as follows:

	Balance December 31, 2010 $	Additions Q1 $	Q2 $	Q3 $	Balance September 30, 2011 $
Toughnut	53,802	38,142	-	-	91,944
Star	59,963	2,320	25,103	-	87,386
Swift Katie	136,642	109,264	149	2,825	248,880
Rozan	9,490	62,189	-	730	72,409
Total	**259,897**	**211,915**	**25,252**	**3,555**	**500,619**

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, 2011, the Company incurred exploration costs on its mineral properties as follows:

	Total to December 31, 2010	Expensed Q1 $	Q2 $	Q3 $	Total to September 30, 2011 $
Toughnut	484,244	57,223	22,956	73,064	637,487
Star	897,434	41,239	32,600	236,312	1,207,585
Swift Katie	1,506,803	7,590	8,144	37,991	1,560,528
Rozan	21,869	19,818	1,292	11,369	54,348
General / Other	84,934	-	1,997	1,361	88,292
Total	**2,995,284**	**125,870**	**66,989**	**360,097**	**3,548,240**

E. Results of Operations

During the nine months ended September 30, 2011, the Company reported a net and comprehensive loss of $755,352 (2010: $567,437 net loss, $576,437 comprehensive loss). The following table summarizes variances in operating expenses for the nine months ended September 30, 2011 and 2010:

	Nine months ended September 30,		Variance Increase/(Decrease)	
	2011	2010		
	$	$	$	%
Expenses				
Administration	21,607	80,183	(58,576)	(73%)
Consulting	5,600	51,397	(45,797)	(89%)
Independent director fees	-	23,250	(23,250)	(100%)
Interest	2,806	4,500	(1,694)	(38%)
Investor relations	31,620	27,591	4,029	15%
Mineral property exploration expenditures	552,955	523,868	29,087	6%
Office and general	28,433	23,436	4,997	21%
Professional fees	65,836	79,304	(13,468)	(17%)
Regulatory fees and taxes	37,561	18,049	19,512	108%
Shareholders communications	1,914	1,628	286	18%
Transfer agent	14,863	4,108	10,755	262%
Travel and promotion	14,045	805	13,240	1,645%

Administration expenses decreased due to the amendment of the service agreement between the Company and its service provider, effective January 1, 2011, which resulted in a reduction of the monthly fees from $8,000 to $2,000.

Consulting decreased due to a decrease in fees paid to officers.

Independent director fees decreased as such fees were discontinued as of July 1, 2010.

Mineral property exploration expenses fluctuate based on levels of exploration activities incurred.

Professional fees decreased as a result of fewer such services being required in the period.

Regulatory fees, and transfer agent expenses increased due to the listing change and financing completed during the period.

Travel and promotion expenses increased due to increased travelling for trade shows and conferences.

F. Summary of Quarterly Results

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

	IFRS							Canadian GAAP
	Sept 30 2011 $	Jun 30 2011 $	Mar 31 2011 $	Dec 31 2010 $	Sep 30 2010 $	Jun 30 2010 $	Mar 31 2010 $	Dec 31 2009 $
Net loss (profit)	**407,686**	**139,880**	**207,786**	**347,547**	**381,967**	**298,110**	**(112,640)**	**221,046**
Comprehensive loss (profit)	**407,686**	**139,880**	**186,786**	**334,797**	**378,467**	**307,610**	**(114,640)**	**221,046**
Basic and diluted loss (earnings) per share	$0.00	$0.00	$0.00	$0.00	$0.01	$0.00	$0.00	$0.01

The Company earned no revenue during the periods presented other than minimal interest income due to the nature of the industry and its current operations.

Quarterly fluctuations mainly relate to stock-based compensation which varies as stock options are granted, mineral property write-offs, which occur as drilling results are analyzed and properties assessed, future income tax adjustments relating to flow-through share renunciations and unrealized gains and losses on available-for sale investments. The Company's main operating costs have remained materially constant over the quarters presented subject to costs that may be incurred for financing or other ad-hoc projects.

G. Financial Conditions, Liquidity and Capital Resources

The Company does not generate any revenue from operations and has limited financial resources. The Company finances its operations by raising capital in the equity markets. For the foreseeable future, the Company will need to rely on the issuance of such securities to provide working capital and to finance its mineral property acquisition and exploration activities.

Although the Company has been successful in the past in obtaining financing through the issuance of its securities, there can be no assurance that the Company will be able to obtain adequate financing in the future in light of factors such as the market demand for its securities, the general state of financial markets and other relevant factors. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with a possible loss of some properties and reduction or termination of operations.

The Company had net working capital of $119,091 as at September 30, 2011 compared to net working capital deficiency of $276,703 as at December 31, 2010. Excluding cash reserved for Canadian exploration expenditures of $827, net working capital as at September 30, 2011 was $118,264.

G. Financial Conditions, Liquidity and Capital Resources, continued

The Company has been reducing general and administration costs, where possible, negotiating extended payment terms of its trade payables, and reviewing its capital expenditure plan and future commitments to identify opportunities to reduce or delay spending and payments.

However, at September 30, 2011, the unrestricted cash balance of $363,102 would be insufficient to meet the cash requirements for the Company's administrative overhead and maintaining its mineral interests in the years to come. Therefore, the Company will be required to raise additional capital in order to fund its operations after 2011.

i) Commitments

(a) The Company is committed to incur qualifying Canadian exploration expenditures of $382,690 by December 31, 2011 relating to the private placements of flow-through shares completed in December 2010. The Company has incurred all such qualifying expenditures.

(b) Under a service agreement, between the Company and a company privately held by a director and an officer of the Company, the Company is charged $4,000 monthly for office accommodation ($2,000), accounting services ($1,000) and office management services ($1,000). The agreement may be cancelled through written notice at any time by paying the monthly charge for the lesser of 12 months or the remainder of the term. The agreement expires on June 30, 2012.

H. Outstanding Equity and Convertible Securities

i) Issued and outstanding

As at September 30, 2011 and November 15, 2011, the Company had 93,115,322 common shares issued and outstanding. No shares have been issued, cancelled or re-issued since September 30, 2011.

ii) Stock Options

As at September 30, 2011 and November 15, 2011 the Company had stock options outstanding as follows:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance September 30, 2011	Balance November 15, 2011
$0.25	$0.19	October 9, 2012	1,200,000	1,200,000
$0.10	$0.06	February 24, 2014	50,000	50,000
$0.10	$0.09	August 11, 2014	1,385,000	1,385,000
			2,635,000	**2,635,000**
Weighted average exercise price			$0.17	$0.17
Weighted average contractual life remaining in years			2.02	1.89

H. Outstanding Equity and Convertible Securities, continued

iii) Finders' Options

As at September 30, 2011 and November 15, 2011 the Company had finders' options outstanding as follows:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance September 30, 2011	Balance November 15, 2011
$0.08	$0.05	December 23, 2011	562,500	562,500
$0.05	$0.03	November 17, 2012	500,000	500,000
			1,062,500	**1,062,500**
Weighted average exercise price			$0.07	$0.07
Weighted average contractual life remaining in years			0.66	0.53

iv) Share Purchase Warrants

As at September 30, 2011 and November 15, 2011 the Company had share purchase warrants outstanding as follows:

Exercise Price	Expiry Date	Balance September 30, 2011	Balance November 15, 2011
$0.15	December 23, 2011	3,487,500	3,487,500
$0.15	December 23, 2011	169,125	169,125
$0.10	December 23, 2011	312,500	312,500
$0.10	December 23, 2011	7,500	7,500
$0.06	January 14, 2015	50,000	50,000
$0.10	November 17, 2012	2,500,000	2,500,000
$0.10	November 17, 2012	15,048,319	15,048,319
$0.10	November 17, 2012	125,000	125,000
$0.10	December 30, 2012	3,130,000	3,130,000
$0.10	December 30, 2012	388,500	388,500
$0.10	January 31, 2016	50,000	50,000
$0.10	February 8, 2013	600,000	600,000
$0.10	March 22, 2013	18,124,460	18,124,460
$0.10	March 22, 2013	925,000	925,000
$0.10	March 22, 2013	4,110,000	4,110,000
$0.10	March 22, 2013	800,000	800,000
$0.10	May 4, 2013	3,180,000	3,180,000
$0.10	May 4, 2013	312,000	312,000
		53,319,904	**53,319,904**
Weighted average exercise price		$0.10	$0.10
Weighted average contractual life remaining in years		1.27	1.14

I. Related Party Information

The Company entered into the following related party transactions during the nine months ended September 30, 2011:

(a) Under the service agreement, as amended, between the Company and a company privately held by a director and officer of the Company, the Company was charged as follows:

- $18,000 (September 30, 2010: $77,619) for office space and general administration services, included in administration expenses;
- $9,000 (September 30, 2010: $33,584), included in professional fees;
- $4,500 (September 30, 2010: $27,285), included in consulting;
- $4,500 (September 30, 2010: $19,811), included in investor relations;
- $136,403 (September 30, 2010: $121,325) for geological consulting services in relation to mineral properties; and
- $3,607 (September 30, 2010: $2,583) in respect of the mark-up on out-of-pocket expenses, included in administration expenses.

Amounts prepaid at September 30, 2011 under the agreement were $17,126 (December 31, 2010: $55,366 amounts payable).

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

- $35,407 (September 30, 2010: $20,030), included in professional fees;
- $3,410 (September 30, 2010: $2,625), for legal consulting services in relation to mineral properties; and
- $18,855 (September 30, 2010: $838), included in share issue costs.

Amounts payable as at September 30, 2011 were $5,110 (December 31, 2010: 11,243).

(c) Consulting fees relating to office administration of $Nil (September 30, 2010: $14,000) were charged by a private company controlled by an officer of the Company (resigned as an officer effective July 31, 2010). Amounts payable as at September 30, 2011 were $Nil (December 31, 2010: $25,340).

(d) Independent directors' fees of $Nil (September 30, 2010: $23,250) were incurred by the Company (independent directors' fees were discontinued as of July 1, 2010). Amounts payable as at September 30, 2011 were $Nil (December 31, 2010: $50,378).

(e) In order to facilitate the Star option payment due on May 13, 2010 as per the option agreement, the Company issued promissory notes to one director/officer and three consultants for $25,494. Amounts payable as at September 30, 2011 were $7,625 (December 31, 2010: $17,868).

(f) Consulting fees relating to corporate development and financing activities were previously charged by a private company controlled by a former director of the Company. Amounts payable as at September 30, 2011 were $24,675 (December 31, 2010: $29,175).

The key management personnel of the Company are the directors and officers of the Company. With the exception of the fees paid to independent directors and consulting fees in the amount of $4,500 (September 30, 2010: $22,500) paid for CFO services (disclosed in (a) above and (c) above), the Company did not provide any other form of remuneration or share-based payments to directors and other members of key management personnel during the nine months ended September 30, 2011 and 2010.

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 which are classified into the following categories:

Cash	Held-for-trading
Reclamation bonds	Loans and receivables
Bank Indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Amounts due to related parties	Other financial liabilities

The carrying values of cash, bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties approximate their fair values due to their short term to maturity. The reclamation bonds are non-interest-bearing and the carrying values approximate their fair value.

Other than cash, the Company's financial instruments have no material risk exposure. Risk is managed with respect to cash by risk management policies that require cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. In addition, all investments must be less than one year in duration.

K. Subsequent Events and Outlook

There are no significant events subsequent to the date of this document. The Company is confident that its existing group of properties has potential warranting continued exploration. Activities over the ensuing year will focus on these assets. The Company expects to continue its strategy of collaborating with experienced mining companies to develop its properties and to advance them to production.

L. Off-Balance Sheet Arrangements

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

M. Disclosure Controls and Procedures

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three independent directors, who meet at least quarterly with management and, at least annually with the external auditors to review accounting, internal control, financial reporting, and audit matters.

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

The audit committee has established procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for

M. Disclosure Controls and Procedures, continued

employees who have concerns regarding questionable accounting or auditing matters. The Whistleblower policy is in accordance with Multilateral Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

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 52-109FV2 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.

N. Risks and Uncertainties, continued

Price Volatility and Lack of Active Market

In recent months, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price.

Competition

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

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.

N. Risks and Uncertainties, continued

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.

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. Changes in Accounting Policies Including Initial Adoption

The condensed interim financial statements for the nine months ended September 30, 2011 are the Company's third financial statements prepared under IFRS, as stated in the accounting policies described in note 3 in those statements.

The following are the optional exemptions available under IFRS 1 that the Company elected to apply:

Share-based payments

The Company elected to not apply IFRS 2, Share-based Payments, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS. As a result, the Company has applied IFRS 2 for stock options granted after November 7, 2002 that are not fully vested at January 1, 2010.

Adjustments on transition to IFRS

(a) Exploration expenditures

On transition to IFRS the Company elected to change to its accounting policy for the treatment of exploration expenditures to a policy of expensing all exploration expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry.

(b) Share-based payments

On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options, finders' options and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

O. Changes in Accounting Policies Including Initial Adoption, continued

Adjustments subsequent to transition to IFRS

(a) Flow-through share accounting

Under Canadian GAAP, the Company would record the gross proceeds relating to flow-through shares to share capital at the time of issuance. The Company would then record a charge (reduction) to share capital at the time the tax benefits of the flow-through shares were renounced to the subscribers. The charge was calculated by multiplying the amount of the renounced tax benefits (which are equal to the gross proceeds of the flow-through share issuance) by the effective tax rate at the time. The offset would be recorded as a deferred tax liability to reflect the fact that the Company could no longer use the tax attributes for its benefit.

Under IFRS, the proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares, at the date of closing, and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium, and is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded.

Reconciliation of Assets, Liabilities and Equity

The below table provides a summary of the adjustments to the Company's statement of financial position:

		December 31, 2010		September 30, 2010		January 1, 2010
Total Assets per Canadian GAAP	$	3,552,803	$	3,022,048	$	3,010,423
Adjustment on adoption of IFRS						
Decrease in mineral properties		(2,910,350)		(2,662,082)		(2,157,589)
Total assets per IFRS	$	**642,453**	$	**359,966**	$	**852,934**
Total Liabilities under Canadian GAAP	$	584,259	$	1,149,353	$	809,043
Adjustment on adoption of IFRS						
Recognition of flow-through premium		-		-		271,807
Total Liabilities under IFRS	$	**584,259**	**$**	**1,149,153**	**$**	**1,080,850**

O. Changes in Accounting Policies Including Initial Adoption, continued

Reconciliation of Assets, Liabilities and Equity, continued

		December 31, 2010		September 30, 2010		January 1, 2010
Shareholders' Equity						
Total Equity under Canadian GAAP	$	2,968,544	$	1,872,695	$	2,201,380
Adjustments on adoption of IFRS						
Decrease in mineral properties		(2,910,350)		(2,662,082)		(2,157,489)
Decrease in contributed surplus		(72,399)		(22,959)		(70,461)
Decrease in deficit		72,399		22,959		70,461
Recognition of flow-through premium		-		(271,807)		(271,807)
Reversal of flow-through premium		-		271,807		-
Total IFRS adjustments		(2,910,350)		**(2,662,082)**		(2,429,296)
Total Equity under IFRS	**$**	**58,194**	**$**	**(789,387)**	**$**	**(227,916)**
Total Liabilities and Equity under IFRS	**$**	**642,453**	**$**	**359,766**	**$**	**852,934**

Reconciliation of Comprehensive Loss

The below table provides a summary of the adjustments to comprehensive loss:

		Year ended December 31, 2010		Nine months ended September 30, 2010		Three months ended September 30, 2010
Comprehensive Loss per Canadian GAAP	$	234,941	$	153,412	$	80,973
Adjustments on adoption of IFRS						
Increase in exploration expenditures		752,861		504,593		297,494
Reversal of flow-through renunciation		190,239		190,239		-
Reversal of flow-through premium		(271,807)		(271,807)		-
Total IFRS adjustments	$	671,293	**$**	**432,025**	**$**	**297,494**
Comprehensive loss per IFRS	**$**	**906,234**	**$**	**576,437**	**$**	**378,467**

P. Proposed Transactions

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

Q. 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.