VALTERRA RESOURCE CORPORATION

(An Exploration Stage Company)

Interim Financial Statements

Six Months Ended June 30, 2008

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements of the Company for the six months ended June 30, 2008 were prepared by management and have not been reviewed or audited by the Company's auditors.

VALTERRA RESOURCE CORPORATION
(An Exploration Stage Company)
Balance Sheets As At

		June 30, 2008 (Unaudited) $	December 31, 2007 (Audited) $
ASSETS			
CURRENT			
Cash and Cash Equivalents		123,500	800,455
Receivables		8,920	42,725
Prepaid Expenses		94,840	9,903
		227,260	**853,083**
Reclamation Bonds		42,000	35,000
Equipment	Note 3	3,731	4,237
Investments		4	4
Mineral Properties	Note 4	947,080	688,201
		1,220,075	**1,580,525**
LIABILITIES			
CURRENT			
Bank Indebtedness	Note 5	199,475	199,246
Accounts Payable and Accrued Liabilities		155,017	357,106
Related Parties Accounts Payable		205,678	40,678
		560,170	**597,030**
SHAREHOLDERS' EQUITY (DEFICIT)			
Share Capital	Note 6	6,482,643	6,779,211
Subscriptions Receivable			0
Contributed Surplus		291,448	282,280
Deficit		(6,114,186)	(6,077,996)
		659,905	**983,495**
		1,220,075	**1,580,525**

Nature of operation and going concern (Note 1).

Approved on behalf of the Board:

"Robert Liverant" *"Derek Page"*

.... Director .... Director

Robert Liverant Derek Page

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

VALTERRA RESOURCE CORPORATION
(An Exploration Stage Company)
Statements of Operations and Deficit for the

	Three Months		Six months	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	$	$	$	$
EXPENSES				
Administration	28,363	-	62,737	-
Amortization	294	-	506	-
Consulting	15,786	-	29,001	-
Directors' Fees	9,774	-	21,805	-
General Exploration	9,790	9,720	11,840	9,720
Investor Relations	9,864	1,038	23,663	3,009
Office and Administration	24,659	28,484	40,938	53,132
Professional Fees	36,854	42,513	101,186	72,404
Regulatory and Filing Fees	1,000	7,525	5,651	18,425
Shareholders Communications	1,290	823	1,290	823
Stock-Based Compensation	9,167	-	9,167	-
Transfer Agent	838	1,962	2,130	6,149
Travel and Promotion	6,212	123	23,597	230
	153,891	92,188	333,511	163,892
Interest Income	(1,123)	(11)	(1,123)	(11)
Loss Before the Following Items	152,768	92,177	332,388	163,881
Other Income	-	-	(7,500)	-
Future income tax recovery	-	-	(288,698)	-
COMPREHENSIVE LOSS FOR THE PERIOD	152,768	92,177	36,190	163,881
DEFICIT, BEGINNING OF THE PERIOD	5,961,418	5,463,139	6,077,996	5,391,435
DEFICIT, END OF THE PERIOD	6,114,186	5,555,316	6,114,186	5,555,316
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	17,746,439	11,115,439	17,746,439	11,115,439
BASIC LOSS PER SHARE	**0.01**	**0.01**	**0.00**	**0.01**

	Three Months ended June 30		Six Months ended June 30	
	2008	2007	2008	2007
	$	$	$	$
CASH PROVIDED FROM (UTILIZED FOR):				
OPERATING ACTIVITIES				
Net Loss or the Period	(152,769)	(92,177)	(36,191)	(163,881)
Non-Cash Item				
Amortization	294	-	506	-
Write Off of Debt	0	0	0	-
Stock-Based Compensation	9,167	-	9,167	-
Future Income Tax Recovery	-	-	(288,698)	-
Changes in Non-Cash Working Capital				
Receivables	11,713	1,396	33,805	1,496
Prepaid Expenses	(87,950)	(11,280)	(84,937)	(11,683)
Accounts Payable and Accrued Liabilities	70,780	(11,125)	(173,715)	(58,500)
Related Parties Accounts Payable	57,995	58,979	93,906	84,437
	(90,770)	(54,207)	(446,157)	(148,131)
INVESTING ACTIVITIES (Note 7)				
Mineral Properties, Net of Payables	(49,982)	(25,471)	(216,157)	(34,670)
Reclamation Bond	(7,000)	-	(7,000)	-
	(56,982)	(25,471)	(223,157)	(34,670)
FINANCING ACTIVITIES (Note 7)				
Shares Issued for Cash	-	(1,972)	-	10,027
Share Issuance Costs, Cash	(7,870)	-	(7,870)	-
	(7,870)	(1,972)	(7,870)	10,027
INCREASE IN CASH DURING THE PERIOD	(155,623)	(81,650)	(677,184)	(172,774)
CASH, BEGINNING OF PERIOD	79,648	(111,811)	601,209	(20,687)
CASH, END OF PERIOD	(75,975)	(193,461)	(75,975)	(193,461)
Cash consists of:				
Cash	23,007	6,888	23,007	6,888
Restricted Cash	100,493	0	100,493	0
Bank Indebtedness	(199,475)	(200,349)	(199,475)	(200,349)
	(75,975)	(193,461)	(75,975)	(193,461)

1. NATURE OF OPERATIONS AND GOING CONCERN

Valterra Resource Corporation (the "Company"), previously known as Valterra Wines Ltd., is an exploration stage enterprise incorporated under the laws of Alberta. The Company's shares were subject to cease trade orders made by the British Columbia Securities Commission on June 3, 2003 and the Alberta Columbia Securities Commission on July 18, 2003 (collectively know as "CTOs"). The CTOs were fully revoked on August 3, 2007.

The Company is engaged in the acquisition, exploration and development of precious metal properties and do not have any mineral properties in production. The Company has not determined whether these mineral properties contain ore reserves. The ability of the Company to meet its commitments as they become due, including completion of the acquisition, exploration and development of its mineral properties, is dependent on the Company's ability to obtain the necessary financing. The Company does not currently hold any revenue generating properties. The Company's shares trade on the Canadian Trading and Quotation Systems Inc. ("CNQ") under the symbol VALT.

These unaudited 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 and not through a process of forced liquidation. As at June 30, 2008 the Company had a working capital deficiency of $332,910, of which $100,493 is restricted to flow-through expenditures on Canadian mining properties resulting in a net working capital deficit of $433,403 compared to a working capital of $256,053 as at December 31, 2007.

The Company's reporting currency is the Canadian dollar and all dollar amounts in these statements are in Canadian dollars, unless otherwise indicated. Certain of the prior periods' comparative figures have been reclassified to conform to the presentation adopted in the current period.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The CICA has issued two new standards that may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008.

Sections 3862 and 3863 describe the required disclosures related to the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising for financial instruments to which the Company is exposed and how the entity manages those risks. The company adopted the requirements of this standard effective January 1, 2008.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, CONTINUED

Section 1535 establishes standards for disclosing information about a company's capital and how it is managed to enable users of financial statements to evaluate the company's objectives, policies and procedures for managing capital. The Company adopted the requirements of this standard effective January 1, 2008.

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with international financial reporting standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. EQUIPMENT

	Cost	Amortization	Net Book value as at June 30, 2008	Net Book value as at December 31, 2007
Equipment	$ 4,708	$ 977	$ 3,731	$ 4,237

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the asset using straight line method at an annual rate of 25% from January 1, 2008.

4. MINERAL PROPERTIES

The Company capitalizes all acquisition, exploration and development costs relating to the mineral properties. The amounts shown for mineral properties represent costs incurred to date, net of any recoveries, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the property is abandoned or sold.

4. MINERAL PROPERTIES, CONTINUED

A summary of capitalized acquisition and exploration expenditures on the Company's properties for the six months ended June 30, 2008 is as follows:

	Star	Swift Katie	Gus	Total
	$	$	$	$
Acquisition				
Balance as at Dec 31, 2007	**-**	**93,296**	**3,642**	**96,938**
Additions during the period	6,143	20,251	582	26,976
Acquisition balance as at June 30, 2008	**6,143**	**113,547**	**4,224**	**123,914**
Exploration				
Balance as at Dec 31, 2007	**-**	**591,063**	**200**	**591,263**
Additions during the period				
Assays & geochemistry	-	21,216	-	21,216
Camp, Utilities and Supplies	268	1,346	1,227	2,841
Drilling services	-	4,798	-	4,798
Equipment/rentals/Supplies	1,246	7,123	1,599	9,968
Geological & Geophysics	4,880	140,125	5,671	150,676
General exploration	612	639	791	2,042
Project support	-	35,960	2,508	38,468
Travel	-	1,894	-	1,894
Total additions during the period	7,006	213,101	11,796	231,903
Exploration balance as at June 30, 2008	**7,006**	**804,164**	**11,996**	**823,166**
Mineral properties balance as at June 30, 2008	**13,149**	**917,711**	**16,220**	**947,080**

4. MINERAL PROPERTIES, CONTINUED

Star Property

Pursuant to an agreement dated May 13, 2008, the Company entered into an option to acquire a 100% undivided interest in the Star claims group ("Star Property") subject to a Net Smelter Return Royalty of 3%.

To acquire a 100% interest in the Star Property, the Company is required to make staged payments totaling US $300,000 over the next nine years and incur total exploration expenditures of $400,000 over the next four years 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,

(ii) US $25,000 and incur in the aggregate a minimum of $200,000 in exploration expenditures on or before May 13, 2010,

(iii) US $25,000 and incur in the aggregate a minimum of $300,000 in exploration expenditures on or before May 13, 2011,

(iv) US $30,000 and incur in the aggregate a minimum of $400,000 in exploration expenditures on or before May 13, 2012,

(v) US $40,000 on or before May 13, 2013, 2014 and 2015,

(vi) US $50,000 on or before May 13, 2016,

(vii) US $30,000 on or before May 13, 2017.

5. BANK INDEBTEDNESS

Bank indebtedness is due on demand, bears interest at prime plus 1% per annum and is secured by a letter of credit from Schroders (C.I.) supported by a guarantee by a company owned by a shareholder of the Company. During 2006, the Company issued 200,000 shares at an agreed price of $0.20 per share, as consideration for the guarantee. Balance as at June 30, 2008 is $199,475.

6. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value
Unlimited preference shares without par value

(b) Issued and outstanding

As at June 30, 2008, there were 17,746,439 common shares issued and outstanding. Share capital and contributed surplus transactions for the six months ended June 30, 2008 and for the fiscal year ended December 31, 2007 are summarized as follows:

	Number of shares	Value of shares
Balance as at December 31, 2006	11,170,439	$5,092,049
Shares issued for cash:		
Private placement	6,466,000	1,660,762
Shares issued for mineral property acquisition	110,000	26,400
Balance as at December 31, 2007	17,746,439	6,779,211
Share issuing cost	-	(7,870)
Income tax recovery	-	(288,698)
Balance as at June 30, 2008	17,746,439	$6,482,643

(c) Private placements

In January 2008, the Company renounced to investors eligible exploration expenditures of $916,500 resulting in a future income tax recovery of $288,698.

(d) Stock Options

(i) Stock-based compensation plan

The Company has a stock-based compensation plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the

6. SHARE CAPITAL, CONTINUED

(d) Stock Options, Continued

Company's shares on the last business day immediately preceding the date of grant, less any permitted discount.

(ii) Summary of stock option transactions

All options outstanding as at June 30, 2008 (1,510,000 as at December 31, 2007) were vested.

The Company applies the fair value method of accounting for stock options and, accordingly, the fair value of stock options is expensed in the statements of operations and deficit or capitalized to mineral properties as appropriate. The fair value of options granted in 2007 was estimated at the date of grant based on the Black-Scholes option pricing model using the following weighted average assumptions:

Fair Value Assumptions (Weighted Average)	**Six Months ended June 30, 2008**
Expected share price Volatility	85.83%
Expected life in years	5
Risk free interest rate	3.43%
Expected dividend yield	$0.00

The Company granted 50,000 options at $0.25 on May 26, 2008 to its employees which will expire on May 26, 2013. The total stock based compensation recognized during the six months ended June 30, 2008, was $9,167.

A summary of the Company's stock option transactions for the six months ended June 30, 2008 is as follows:

6. SHARE CAPITAL, CONTINUED

(d) Stock Options, Continued

Exercise Price	Expiry Date	Balance December 31, 2007	Options Granted	Cancelled or Expired	Balance June 30, 2008
$0.25	October 9, 2012	1,500,000	-	-	1,500,000
$0.28	December 4, 2012	10,000	-	-	10,000
$0.25	May 26, 2013	-	50,000	-	50,000
		1,510,000	**50,000**	**-**	**1,560,000**
Weighted average exercise price		$0.25	$0.25	-	$0.25

(e) Share Purchase Warrants

The Company applies the fair value method of accounting for warrants and, accordingly, the fair value of warrants is included in share issuance costs at the time of issuance of the warrants.

No share purchase warrants were issued or exercised during the six months ended June 30, 2008.

A summary of the Company's share purchase warrant transactions for the six months ended June 30, 2008 is as follows:

Exercise Price	Expiry Date	Balance December 31, 2007	Balance June 30, 2008
$0.30	September 26, 2007	392,000	392,000
		392,000	**392,000**
Weighted average exercise price		$0.30	$0.30

6. SHARE CAPITAL, CONTINUED

(f) Contributed Surplus

	$
Balance as at December 31, 2007	282,280
Stock base compensation	9,167
Balance as at June 30, 2008	291,447

7. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months ended June 30		Six Months ended June 30	
	2008	2007	2008	2007
	$	$	$	$
Cash Items				
Share issue costs	(7,870)	-	(7,870)	-
Interest Paid	-	(3,521)	-	(6,935)
Investing Activities				
Mineral property costs included in Accounts payable	6,942	-	6,942	-
Mineral property costs included in Related Party	80,857	1,537	80,857	1,537
Financing Activities				
Shares issued for Cash	-	(1,972)	-	10,027

8. RELATED PARTY TRANSACTIONS

The Company entered into the following related party transactions during the six months ended June 30, 2008.

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

- $58,275 in respect of office space and general administration services;
- $24,900 in respect of professional services;
- $15,000 in respect of consulting services;
- $9,435 in respect of investor relations services;
- $53,418 in respect of geological consulting services in relation to mineral properties; and
- $4,462 in respect of the mark-up on out-of-pocket expenses which are included in office and general.

Amounts payable under the agreement at June 30, 2008 were $172,055. As of June 30, 2008, prepayment of $8,375 was made in relation to the office space and administration services.

(b) Fees in the amount of $14,991 were charged by a law firm controlled by a director and an officer of the Company and included in investor relations, professional fees and mineral property expenditures. Amounts payable as at June 30, 2008 were $25,223.

(c) Consulting fees relating to office administration of $13,250 were charged by a private company controlled by an officer of the Company. Amounts payable as at June 30, 2008 were $8,400.

These transactions are in the normal course of operations and are consistent with industry standards. These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. CONTINGENCIES

Under a service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company is charged $8,375 monthly for office space and general administration services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012.

10. SUBSEQUENT EVENTS

In July 2008, the Company closed a non-brokered private placement consisting of 4,000,000 flow-through common shares at $0.25 per share for gross proceeds of $1,000,000. The Company also closed a non-brokered private placement of 1,000,000 units at $0.25 per unit for gross proceeds of $250,000. Each unit comprises one non-flow through common share and one-half share purchase warrant, with one full warrant allowing for the purchase of one common share at $0.30 per share until July 8, 2010.

VALTERRA RESOURCE CORPORATION

(An Exploration Stage Company)

Management Discussion and Analysis

Six Months Ended June 30, 2008

Dated: August 19, 2008

1. Introduction

This management discussion and analysis ("MD&A") of the financial condition and results of the operations of Valterra Resource Corporation (the "Company"), analyses the six months ended June 30, 2008 and is dated August 19, 2008. The MD&A was prepared in conformity with National Instrument 51-102 F1, and approved by the Board of Directors prior to release.

This MD&A should be read in combination with the Company's most recent audited annual financial statements and MD&A for the year ended December 31, 2007 and the Company's unaudited interim financial statements for the six months ended June 30, 2008.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles. All notes referenced herein may be found in the financial statements.

All dollar amounts are in Canadian dollars unless otherwise indicated. Certain forward-looking statements are discussed in the MD&A with respect to the Company's activities and future financial results. These are subject to significant risks and uncertainties that may cause actual results or events to differ materially from projected results or events.

Valterra was incorporated on September 1, 1996 as Boltons Capital Corp. under the Business Corporations Act (Alberta). Boltons Capital Corp. was continued under the Business Corporations Act (Yukon) on May 8, 1997 and, on February 5, 2002, effected a one new for ten old shares consolidation and renamed Valterra Wines Ltd. On April 20, 2005, Valterra Wines Ltd. was renamed Valterra Resource Corporation.

The BC Securities Commission (BCSC) issued a cease trade order (CTO) on June 3, 2003 and the Alberta Securities Commission (ASC) issued a CTO on July 18, 2003. Both CTO's were issued for failure to file the Annual Financial Statements for Year Ended December 31, 2002 and Interim Financial Statements for first quarter ended March 31, 2003. The CTOs were partially revoked by the BCSC on November 7, 2006 and by the ASC on December 13, 2006 and were fully revoked by both the ASC and the BCSC on August 3, 2007.

On September 28, 2007, the Company's shares began trading on the Canadian Trading and Quotation Systems Inc. ("CNQ") under the symbol VALT.

2. Qualified Person

Brian T. McGrath, 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 and lode gold systems.

3. Conversion Tables

For ease of reference, the following information is provided:

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/tonne	- 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

4. Overall Performance

(a) Description of Business

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

(b) Financial Condition

	Six Months Ended June 30 2008	2007	Year Ended December 31, 2007
Current assets	$ 227,260	$ 24,485	$ 853,083
Investments	4	4	4
Mineral properties	947,080	84,263	688,201
Reclamation Bonds	42,000	-	35,000
Equipment	3,731	-	4,237
Total assets	**$ 1,220,075**	**$ 108,752**	**$ 1,580,525**

The Company's current assets consist of cash and cash equivalents of $123,500, prepaid expenses of $94,840 and receivables of $8,920.

Other investments are comprised of 1,200 shares of Hester Creek Estate Winery, 554,046 Class B preferred shares of Abridean Inc., and minority interests in Biovan Inc. and Cardiovascular Solutions Inc. Each of these investments is carried at $1.

	Six Months Ended June 30 2008	2007	Year Ended December 31, 2007
Bank indebtedness	$ 199,475	$ 200,349	$ 199,246
Accounts payable and accrued liabilities	155,017	194,593	357,106
Due to related party	205,678	185,172	40,678
Total liabilities	**$ 560,170**	**$ 580,114**	**$ 597,030**

Established in December 2003, the issuer's bank indebtedness is guaranteed by a company owned by a shareholder of the Company and secured by a letter of credit from a third party lender acceptable to the Issuer's bank. The Issuer's bank indebtedness bears interest at prime plus 1% per annum and is due on demand.

5. Description of Mineral Properties

The Company has interests in three mineral properties: the Swift Katie Property, the Gus Property and Star Property all located near the town of Salmo in the Nelson Mining Division of south-eastern British Columbia. The properties occur within a highly metallogenic area of the province that historically has hosted several important mining districts. The properties are underlain by rocks considered very favorable for the discovery of polymetallic mineralization.

Details of option agreements by property are disclosed in the notes to the audited financial statements of December 31, 2007 and the interim financial statements of June 30, 2008. A summary of capitalized acquisition costs and exploration expenditures in the Company's properties for the six months ended June 30, 2008 follows:

	Balance as at December 31, 2007	Additions 2008	Balance June 30, 2008
	$	$	$
Acquisition	96,938	26,976	123,914
Exploration			
Assays & geochemistry	9,597	21,216	30,813
Camp, Utilities and Supplies	3,893	2,841	6,734
Drilling services	271,336	4,798	276,134
Equipment/rentals/Supplies	10,127	9,968	20,095
Geological & Geophysics	249,470	150,676	400,146
General exploration	325	2,042	2,367
Project supervision	14,950	38,468	53,418
Travel	9,490	1,894	11,384
Stock Base Compensation	22,075	-	22,075
	591,263	231,903	823,166
Total	688,201	258,879	947,080

As to:

	June 30, 2008		
	Acquisition costs	**Exploration costs**	**Total**
Swift Katie	$ 113,547	$ 804,164	$ 917,711
Gus	4,224	11,996	16,220
Star	6,143	7,006	13,149
	$ 123,914	**$823,166**	**$ 947,080**

5. Description of Mineral Properties, Continued

(a) Swift Katie Mineral Property

Currently, the Swift Katie property is comprised of 13 contiguous mineral claims covering an area of approximately 7,064 hectares. The property is located seven kilometers southwest of Salmo and is near a developed transportation and communication network, a developed power and gas grid and a professional population base on which to draw.

A National Instrument 43-101 ("NI 43-101") compliant Technical Report entitled "Swift Katie Copper-Gold Property" was prepared in 2007 (available on www.sedar.com). The report documents the exploration history and results of several geological, geochemical and geophysical surveys, including the drilling of 65 core holes for a total of 14,866 meters, which resulted in the identification of several exploration targets, the most significant of which being the Katie, the 17 and the Swift zones. A success contingent phased exploration program was recommended to verify earlier work and focus on expanding and further delineating the known zones of mineralization.

Valterra commenced an inaugural exploration evaluation on the property beginning in October 2007. A four-month long program was implemented and included a 1:5,000 scale reconnaissance mapping and sampling program; a three hole diamond drilling campaign that totaled 1,126 meters; and an approximately 505 line-kilometer Airborne DIGHEM geophysical survey was completed over the entire property in an effort to define major lithological variations and structural breaks associated with the mineralization.

During June 2008, the company began mobilization and commencement of a multi-phased drill program for the project. The current Phase 1 portion of the drill evaluation is ongoing and is focused primarily on evaluating the main Katie zone with an estimated 3,000 meters of drilling being anticipated. Assays from this work are pending.

Management of the Company believes that the Swift Katie Property warrants further exploration, and activities over the ensuing year will focus on this property. Drilling will continue to test the extension of near-surface mineralization in the main zone and the on strike potential of high-grade mineralization in the 17 Zone target. In addition, further drilling is planned to allow for the incorporation of the existing 14,866 meters of historical drill data into a NI 43-101 compliant resource.

(b) Gus Mineral Property

The Gus property is located 17 kilometers south of Salmo and comprises two mineral claims for a total area of 635 hectares.

The claims contain three historic mines, all of which have produced small amounts of high grade gold-silver ore from shallow workings and reflect the greater potential for significantly larger structurally and stratigraphically controlled deposits. Decalcification textures and mineralized

5. Description of Mineral Properties, Continued

(b) Gus Mineral Property , Continued

dolomitic limestone breccias show some analogy to Carlin-type systems and the property is in close proximity to Irish-type carbonate hosted deposits at the nearby Remac and Jersey properties.

The Company recently commenced surface exploration efforts and an approximately 500 meter diamond drill program is anticipated for the third quarter of 2008. The program will focus on a series of high-grade veins and replacements associated with a 1.8 kilometer long section of the Black Bluff Thrust Fault.

(c) Star Property

Pursuant to an agreement dated May 13, 2008, the Company entered into an option to acquire a 100% undivided interest in the Star claims group ("Star Property") subject to a Net Smelter Return Royalty of 3%.

The Star property is located in south-eastern British Columbia, approximately 7 kilometers due southwest of the City of Nelson. The property consists of a contiguous group of 25 Crown-granted claims covering an area of approximately 365 hectares. The claims contain three historic mines that produced small amounts of copper-gold-silver ore from mineralized fault zones.

Currently, the company has commenced the 2008 field program and exploratory plans include the drilling of approximately 1,500 meters beginning in late August. The drilling will focus on a series of porphyry-type Au-Cu-Ag mineralized areas associated with the north to north-west trending Silver King Shear Zone. Favorable zones have been delineated over an area measuring approximately two kilometers long by one kilometer wide as defined by prior drilling and geochemistry.

To acquire a 100% interest in the Star Property, the Company is required to make staged payments totaling US $300,000 over the next nine years and incur total exploration expenditures of $400,000 over the next four years as follows:

(i) US$ 20,000 and incur in the aggregate a minimum of $100,000 in exploration expenditures on or before May 13, 2009,
(ii) US$ 25,000 and incur in the aggregate a minimum of $200,000 in exploration expenditures on or before May 13, 2010,
(iii) US$ 25,000 and incur in the aggregate a minimum of $300,000 in exploration expenditures on or before May 13, 2011,

5. Description of Mineral Properties, Continued

(c) Star Property, Continued

(iv) US$ 30,000 and incur in the aggregate a minimum of $400,000 in exploration expenditures on or before May 13, 2012,
(v) US$ 40,000 on or before May 13, 2013, 2014 and 2015,
(vi) US$ 50,000 on or before May 13, 2016,
(vii) US$ 30,000 on or before May 13, 2017.

6. Results of Operations

No revenue was generated during the six months period ended June 30, 2008.

A summary of results of operations for the six months ended June 30, 2008 is as follows:

	Six Months Ended June 30		**Change**	**Change**
	2008	**2007**	**($)**	**(%)**
Administration	62,737	-	62,737	N/A
Amortization	506	-	506	N/A
Consulting	29,001	-	29,001	N/A
Directors' Fees	21,805	-	21,805	N/A
General Exploration	11,840	9,720	2,120	22%
Investor Relations	23,663	3,009	20,654	686%
Office and Administration	40,938	53,132	(12,194)	(23)%
Professional Fees	101,186	72,404	28,782	40%
Regulatory and Filing Fees	5,651	18,425	(12,774)	(69)%
Shareholders Communications	1,290	823	467	57%
Stock-Based Compensation	9,167	-	9,167	N/A
Transfer Agent	2,130	6,149	(4,019)	(65)%
Travel and Promotion	23,597	230	23,367	10160%
Interest Income	(1,123)	(11)	(1,112)	10109%
Other Income	(7,500)	-	(7,500)	N/A
Future income tax recovery	(288,698)	-	(288,698)	N/A
Comprehensive Loss for the period	**36,190**	**163,881**	**(127,691)**	**(78)%**

6. Results of Operations, Continued

Comparison of the six months ended June 30, 2008 and 2007.

For the six months ended June 31, 2008, the Company had a net loss of $36,190 compared to a net loss of $163,881 for the six months ended June 30, 2007. The most significant change relates to $288,698 of the future income tax recovery arising from the renunciation of flow-through expenditures to subscribers in January 2008.

Stock-based compensation is a non-cash item representing the fair value determined under the Black-Scholes model of the vested portion of existing options, which was allocated to the Consolidated Statement of Operations and Deficit. During the six months ended June 30, 2008, the Company expensed $9,167 as stock-based compensation.

i) Administration fees increased to $62,737 in 2008 compared to $Nil for 2007 since the company entered into an agreement with a related party for administrative services as described in Note 9 to this MD&A.

ii) Consulting fees increased to $29,001 in 2008 compared to $Nil for 2007 since the Company entered in to consulting agreements with related parties as described in Note 9 to this MD&A.

iii) Directors' fees increased to $21,805 in 2008 compared to $Nil for 2007 due to the Company's current independent directors' compensation policy.

iv) Professional fees increased to $101,186 in 2008 compared to $72,404 for 2007 due to the increased requirement for professional services.

v) General exploration expenses increased to $11,840 in 2008 compared to $9,720 for 2007 due to increase in the consideration of potential new properties.

vi) Investor relations increased to $23,663 in 2008 compared to $3,009 for 2007 due to Company's efforts in expanding investor awareness about the Company and its mineral projects.

vii) Office and general costs decreased by $12,194 from $53,132 in 2007 to $40,938 in 2008 due to outsourcing administration functions to a related party as per Note 9 to this MD&A.

viii) Travel and promotion costs increased to $23,597 in 2008 compared to $230 for 2007 due to increase in travel for trade shows and analyst meetings.

ix) Other income represents a prior expense of $ 7,500 which has been reversed as the Company is unable to locate the vendor for payment.

7. Summary of Quarterly Results

The following table sets forth a comparison of information for the previous eight quarters ending with June 30, 2008.

	Three Month Period Ended							
	Jun-08 2008	Mar-08 2008	Dec-08 2007	Sep-08 2007	Jun-08 2007	Mar-08 2007	Dec-08 2006	Sep-08 2006
Operating expenses	$ 153,891	$ 179,620	$ 459,531	$ 159,514	$ 92,177	$ 71,704	$ 159,211	$ 48,557
Loss before the following items	$ 152,768	$ 179,620	$ 459,531	$ 159,514	$ 92,177	$ 71,704	$ 159,211	$ 48,557
Write off of debt	-	$ (7,500)	-	$ (96,365)	-	-	-	-
Future income tax recovery	-	$ 288,698	-	-	-	-	-	-
Gain on settlement of debt	-	-	-	-	-	-	$ (250,000)	$ (1,178,115)
Net (gain) loss for the period	$ 152,768	$ 116,578	$ 459,531	$ 63,149	$ 92,177	$ 71,704	$ (90,789)	$ (1,129,558)
Loss (gain) per share basic	$ 0.01	$ 0.01	$ 0.03	$ 0.01	$ 0.01	$ 0.01	$ (0.01)	$ (0.17)

8. Liquidity and Capital Resources

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

The Company had a working capital deficiency of $332,910 as at June 30, 2008, compared to a working capital of $256,053 at December 31, 2007.

8. Liquidity and Capital Resources, Continued

a) Cash used in operating activities

Cash used in operations for the six months ended June 30, 2008 was net $677,184 compared to cash used in operations of $172,774 for the same period ended June 30, 2007.

	Six Months Ended June 30 2008	Six Months Ended June 30 2007
Cash provided by (used for)		
Operating activities	$ (446,157)	$ (148,131)
Investing activities	(223,157)	(34,670)
Financing activities	(7,870)	10,027
Decrease in cash for the period	$ (667,184)	$ (172,774)

b) Private Placements/Equity financings

In July 2008, the Company closed a non-brokered private placement consisting of 4,000,000 flow-through common shares at $0.25 per share for gross proceeds of $1,000,000. The Company also closed a non-brokered private placement of 1,000,000 units at $0.25 per unit for gross proceeds of $250,000. Each unit comprises one non-flow through common share and one-half share purchase warrant, with one full warrant allowing for the purchase of one common share at $0.30 per share until July 8, 2010.

(c) Investing activities

Mineral property expenditures

The Company's principal requirements for cash are for exploration expenditures. For the Six months ended June 30, 2008, the Company expended acquiring and exploring $258,879 on its mineral properties.

d) Receivables

As at June 30, 2008, the Company had an $8,920 GST receivable from Revenue Canada. The Company expects to receive these funds shortly.

8. Liquidity and Capital Resources, Continued

e) Commitments

Mineral properties interests

Over the next two years, pursuant to the terms of its option agreements and amendments thereto, the Company has the following commitments to maintain the properties and earn its interests:

(a) Swift Katie Property
- Pay $35,000, incur $ 200,000 exploration expenditure and Issue 110,000 shares on or before December 31, 2008;
- Pay $35,000, incur $ 250,000 exploration expenditure and Issue 110,000 shares on or before December 31, 2009;

(b) Gus Property
- Pay US $20,000, and incur $ 100,000 exploration expenditure on or before December 31, 2008;
- Pay $25,000, and incur $ 100,000 exploration expenditure on or before December 31, 2009;

(c) Star Property
- Pay US $20,000, and incur in the aggregate $ 100,000 in exploration expenditure on or before May 13, 2009;
- Pay $25,000, and incur in the aggregate $ 200,000 in exploration expenditure on or before May 13, 2010;

Under a services agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company is charged $8,375 monthly for office space and general administration services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012.

9. Related Party Information

The Company entered into the following related party transactions during the six months ended June 30, 2008.

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

- $58,275 in respect of office space and general administration services;
- $24,900 in respect of professional services;
- $15,000 in respect of consulting services;

9. Related Party Information, continued

- $9,435 in respect of investor relations services;
- $53,418 in respect of geological consulting services in relation to mineral properties; and
- $4,462 in respect of the mark-up on out-of-pocket expenses which are included in office and general.

Amounts payable under the agreement at June 30, 2008 were $172,055. As of June 30, 2008, prepayment of $8,375 was made in relation to the office space and administration services.

(b) Fees in the amount of $14,991 were charged by a law firm controlled by a director and an officer of the Company and included in investor relations, professional fees and mineral property expenditures. Amounts payable as at June 30, 2008 were $25,223.

(c) Consulting fees relating to office administration of $13,250 were charged by a private company controlled by an officer of the Company. Amounts payable as at June 30, 2008 were $8,400.

These transactions are in the normal course of operations and are consistent with industry standards. These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Share Capital

The authorized capital of the Company consists of an unlimited number of common shares without par. As at the date of this MD&A there are 22,746,439 common shares issued and outstanding.

In connection with the renunciation of flow-through expenditures the Company recorded a future income tax recovery of $288,698 and a charge against share capital in the first quarter of 2008 fiscal year.

During the six months ended June 30, 2008, the Company granted incentive stock options allowing for the purchase of up to 50,000 shares in the aggregate at a weighted average exercise price of $0.25 per share to directors, officers, employees and consultants. As at the date of this document all of the options remain outstanding.

Upon closing of the private placement on September 27, 2007, warrants allowing for the purchase of up to 392,000 shares at $0.30 until September 26, 2008 were issued for finder's fees. All of the warrants remain outstanding.

In July 2008, the Company closed a non-brokered private placement consisting of 4,000,000 flow-through common shares at $0.25 per share for gross proceeds of $1,000,000. The Company also closed a non-brokered private placement of 1,000,000 units at $0.25 per unit for gross proceeds of $250,000. Each unit comprises one non-flow through common share and one-half share purchase warrant, with one full warrant allowing for the purchase of one common share at $0.30 per share until July 8, 2010.

11. Contingency

During 2007, the Company wrote off $96,365 in accounts payable, resulting in a recovery of expenses. Management believes these amounts are not owed; however, there is no assurance that these amounts will not be claimed in the future by the Company's creditors. The likelihood of the Company having to pay these amounts in the future is not known at this time.

The note receivable due from HCEW is in dispute with EACL. The note receivable was used in the settlement of outstanding long-term debt during 2006 (Note 9(c) in the audited financial statements for the year ended December 31, 2007). The Company may be obligated for further amounts with respect to the debt settlement. The outcome of the dispute cannot be determined at this time.

12. Off Balance Sheet

The Company did not enter into any off balance sheet transactions or commitments as defined by National Instrument 51 - 102.

13. Risks and Uncertainties

The principal business of the Company is the 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:

The Company does not hold any known mineral reserves of any kind and therefore 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 several risks and is frequently non-productive. There is no assurance that our 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, the quality of land available for exploration as well as various other factors.

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.

13. Risks and Uncertainties, Continued

Since the Company does not generate any revenues, 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 sale of securities such as common shares. The Company will need to continue its reliance on the sale 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 favorable terms, if at all, and will depend largely on the acquisition and exploration activities pursued.

The ability to attract capital to the Company is dependent on movements in commodity prices. Commodity prices fluctuate on a daily basis and they are affected by a number of factors beyond the control of the Company. If, because of a sustained decline in prices, financing were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and if warranted, would be discontinued.

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 gold and silver properties. The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify, investigate and purchase 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.

14. 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 complies in all material respects with the terms of such licenses and permits; however, such licenses and permits are subject to change. 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.

15. Management's Responsibility for Financial Information

Preparing financial statements requires management to make estimates and assumptions that affect the reported results. The estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Critical accounting policies are disclosed in the annual audited financial statements.

The Company capitalizes exploration expenditures. This decision, and the timing of the possible recognition of impairment in the mineral property value, can materially affect the reported earnings of the Company.

15. Management's Responsibility for Financial Information, Continued

Management has prepared the information and representations in this analysis. The financial statements have been prepared to conform to generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this report is consistent with the data presented in the unaudited financial statements as at June 30, 2008.

The Company maintains appropriate systems of internal accounting and administrative controls designed to provide reasonable assurance that relevant and reliable financial information is produced.

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 directors, who meet at least quarterly with management and annually with the external auditors to review accounting, auditing, internal controls and financial reporting matters.

16. Whistleblower Policy

Effective November 16, 2006, the audit committee adopted resolutions that authorized the establishment of procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters. The implementation of the Whistleblower policy is in accordance with the Multilateral Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

17. Changes in Accounting Policies

The CICA has issued two new standards that may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008.

Sections 3862 and 3863 describe the required disclosures related to the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising for financial instruments to which the Company is exposed and how the entity manages those risks. The Company adopted the requirements of this standard effective January 1, 2008.

Section 1535 establishes standards for disclosing information about a company's capital and how it is managed to enable users of financial statements to evaluate the company's objectives, policies and procedures for managing capital. The Company adopted the requirements of this standard effective January 1, 2008.

17. Changes in Accounting Policies, Continued

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with international financial reporting standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

18. Forward-Looking Statements

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plans". Such forward-looking statements are made pursuant to the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. 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; 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.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and 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 expressly disclaims any responsibility for revising or expanding 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.