Interim Financial Statements

Nine Months Ended September 30, 2008

Index	**Page**
Balance Sheets	1
Statements of Operations and Deficit	2
Statements of Cash Flows	3
Notes to Financial Statements	4-14

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements of the Company for the nine months ended September 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

			September 30, 2008 (Unaudited)		December 31, 2007 (Audited)
Assets					
Current					
Cash and cash equivalents		$	282,383	$	800,455
Receivables			50,288		42,725
Prepaid and deposits			18,357		9,903
			351,028		**853,083**
Equipment	Note 4		3,437		4,237
Investment			4		4
Mineral properties	Note 5		1,845,331		688,201
Reclamation bonds	Note 6		52,000		35,000
		$	**2,251,800**	**$**	**1,580,525**
Liabilities					
Current					
Bank indebtedness	Note 7	$	199,508	$	199,246
Accounts payable and accrued liabilities			151,759		357,106
Due to related parties	Note 8		241,161		40,678
			592,428		**597,030**
Shareholders' Equity					
Share capital	Note 9		7,567,905		6,779,211
Contributed Surplus	Note 9(b)		327,401		282,280
Deficit			(6,235,934)		(6,077,996)
			1,659,372		**983,495**
		$	**2,251,800**	**$**	**1,580,525**

Nature of operations (Note 1)

Commitments (Note 11)

Approved on behalf of the Board

"Robert Liverant"	*"Lawrence Page"*
Robert Liverant	Lawrence Page, Q.C.

See notes to financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Statements of Operations and Deficit for the

	Three Months ended September 30, 2008	Three Months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Expenses				
Administration	$ 30,431	$ 21,363	$ 93,168	$ 66,008
Amortization	294	-	800	-
Consulting services	13,500	52,500	42,501	53,875
Directors and officers fees				
Services	11,583	-	33,388	-
Stock-based compensation	-	-	9,167	-
Investor relations	9,098	2,529	32,761	5,538
Office and general	7,112	6,586	48,050	15,073
Professional fees	36,419	57,231	137,605	128,260
Regulatory fees and taxes	6,825	330	12,476	18,755
Shareholders communications	1,023	467	2,313	1,290
Transfer agent	893	1,782	3,023	7,931
Travel and promotion	-	4,427	23,597	4,657
	117,178	**147,215**	**438,849**	**301,387**
Other Items				
Interest	(7)	-	(1,130)	(11)
Foreign exchange loss	317	8,455	317	8,455
General exploration	4,260	3,844	16,100	13,564
Gain on written off debt	-	(96,365)	-	(96,365)
Other income	-	-	(7,500)	-
	4,570	**(84,066)**	**7,787**	**(74,357)**
Loss Before Future Income Tax Recovery	**121,748**	**63,149**	**446,636**	**227,030**
Future Income Tax Recovery	-	**-**	**(288,698)**	**-**
Net Loss and Comprehensive Loss for the Period	**121,748**	**63,149**	**157,938**	**227,030**
Deficit, Beginning of the Period	**6,114,186**	**5,555,316**	**6,077,996**	**5,391,435**
Deficit, End of the Period	**$ 6,235,934**	**$ 5,618,465**	**$ 6,235,934**	**$ 5,618,465**
Loss per share - basic	$ 0.01	$ 0.01	$ 0.01	$ 0.02
Weighted average number of common shares outstanding	22,420,352	11,396,569	20,184,795	11,210,179

See notes to financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Statements of Cash Flows for the

Cash provided by (used for):	Three Months ended September 30, 2008	Three Months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Operating Activities				
Net loss for the period	$ (121,748)	$ (63,149)	$ (157,938)	$ (227,030)
Items not involving cash:				
Amortization	294	-	800	-
Future income tax recovery	-	-	(288,698)	-
Gain on sale of investment		(96,365)		(96,365)
Stock-based compensation	-	-	9,167	-
	(121,454)	(159,514)	(436,669)	(323,395)
Changes in Non-Cash Working Capital				
Receivables	(41,368)	194	(7,563)	1,690
Prepaid and deposits	76,483	3,644	(8,454)	(8,039)
Accounts payable and accrued liabilities	(3,279)	55,368	(176,995)	14,367
Due to related parties	75,702	(112,344)	169,609	(27,907)
	107,539	(53,138)	(23,403)	(19,889)
Cash Used in Operating Activities	**(13,915)**	**(212,652)**	**(460,072)**	**(343,284)**
Investing Activities				
Expenditures on mineral properties	(938,450)	(4,907)	(1,154,608)	(45,077)
Purchase of reclamation bonds	(10,000)	-	(17,000)	
Cash Used in Investing Activities	**(948,450)**	**(4,907)**	**(1,171,608)**	**(45,077)**
Financing Activity				
Proceeds from issuance of shares, net of share issue costs	1,121,215	1,664,633	1,113,346	1,662,661
Increase (Decrease) in Cash During the Period	**158,850**	**1,447,074**	**(518,334)**	**1,274,300**
Cash and Cash Equivalents, Beginning of Period	(75,975)	(193,461)	601,209	(20,687)
Cash and Cash Equivalents, End of Period	$ **82,875**	$ **1,253,613**	$ **82,875**	$ **1,253,613**
Cash and Cash Equivalents consists of:				
Cash	$ 14,568	$ 587,782	$ 14,568	$ 587,782
Cash reserved for flow through expenditures	$ 267,815	$ 865,632	$ 267,815	$ 865,632
Bank indebtedness	(199,508)	(199,801)	(199,508)	(199,801)
	$ 82,875	**$ 1,253,613**	**$ 82,875**	**$ 1,253,613**

Supplemental cash flow information (Note 10)

See notes to financial statements

1. Nature of Operations

Valterra Resource Corporation (the "Company") is an exploration stage company incorporated under the laws of Alberta. The Company's shares trade on the Canadian Trading and Quotation Systems Inc. ("CNQ") under the symbol "VALT" and on the Frankfurt Stock Exchange under the symbol "3VA.F". Effective as of September 19, 2008 CNQ has assigned a new trading symbol "VTA" for the Company.

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.

These 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, 2008, the Company had a working capital deficiency of $241,400, of which, the cash and cash equivalent of $267,815 is restricted to flow-through expenditures on Canadian mining properties. Including the cash of $14,568 and excluding restricted cash, the net working capital deficit was $509,215 compared to a net working capital deficit of $609,579 as at December 31, 2007.

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of $6,235,934 as at September 30, 2008 (December 31, 2007 - $6,077,996).

The Company's ability to discharge its liabilities and fulfill its commitments as they come due is dependent upon its success in obtaining equity financing and, ultimately, on locating ore reserves and attaining profitable operations. Failure to continue as a going concern may require the restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Certain of the prior period's comparative figures have been reclassified to conform to the presentation adopted in the current period.

(b) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated using the straight line method at an annual rate of 25% for office equipment and furniture and 50% for computer equipment.

2. Summary of Significant Accounting Policies, continued

(c) Accounting Changes

(i) Effective January 1, 2008, the Company adopted CICA Handbook Sections 3862 and 3863, which describe the required disclosure and presentation related to the significance of financial instruments on the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks.

(ii) Effective January 1, 2008, the Company adopted CICA Handbook Section 1535, which 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 adoption of this standard will not impact the financial statements of the Company.

(iii) Effective January 1, 2008, the Company adopted CICA Handbook Section 1400, which establishes standards for financial statement presentation, which requires management to make an assessment of a company's ability to continue as a going concern. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern.

(d) Future Accounting Changes

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 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. Financial Instruments

(a) Fair Value

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of the short-term maturity of these financial instruments.

(b) Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(c) Credit Risk

The Company is exposed to credit risk with respect to managing its cash position. This risk, from deposit granting institutions and/or commercial paper issuers, is mitigated by risk management policies, which requires 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 and the Company has no exposure to asset backed commercial paper.

4. Equipment

			Net Book Value as at	
	Cost	Accumulated Amortization	September 30, 2008	December 31, 2007
	$	$	$	$
Equipment	4,708	1,271	3,437	4,237

5. Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized until such time as these mineral properties are placed into commercial production, sold or abandoned.

A summary of capitalized acquisition and exploration expenditures on the Company's properties is as follows:

Mineral Properties	**Gus** $	**Star** $	**Swift Katie** $	**Total** $
Acquisition costs				
Balance as at December 31, 2007	3,642	-	93,295	96,937
Additions during the period	873	6,727	20,252	27,852
Balance as at September 30, 2008	**4,515**	**6,727**	**113,547**	**124,789**
Exploration				
Balance as at December 31, 2007	200	-	591,064	591,264
Assays and analysis	1,254	2,899	44,409	48,562
Camp and supplies	2,708	6,768	11,828	21,304
Drilling	-	223,666	412,938	636,604
Equipment rental and field supplies	2,600	9,147	24,247	35,994
General exploration	873	2,041	1,336	4,250
Geological services	7,456	17,235	216,267	240,958
Project supervision	10,397	51,842	74,666	136,905
Travel	402	620	3,679	4,701
Net additions during the period	25,690	314,218	789,370	1,129,278
Balance as at September 30, 2008	**25,890**	**314,218**	**1,380,434**	**1,720,542**
Total acquisition and exploration	**30,405**	**320,945**	**1,493,981**	**1,845,331**

5. 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.

6. Reclamation Bonds

The Company has posted bonds against any potential land restoration costs that may be incurred in the future on certain properties. The monies are held in trust and may be released after required reclamation is satisfactorily completed. As at September 30, 2008, the amount on deposit was $52,000 for all mineral properties.

7. 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 September 30, 2008 is $199,508.

8. Related Party Balances and Transactions

In addition to those disclosed in these financial statements, the Company entered into the following related party transactions during the nine months period ended and the outstanding balance as at September 30, 2008.

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

- $87,690 in respect of office space and general administration services;
- $50,491 in respect of professional services;
- $20,000 in respect of consulting services;
- $12,815 in respect of investor relations services;
- $208,777 in respect of geological consulting services in relation to mineral properties; and
- $5,478 in respect of the mark-up on out-of-pocket expenses, which are included in office and general.

Amounts payable under the agreement at September 30, 2008 were $218,049. As of September 30, 2008, prepayment of $8,375 was made in relation to the office space and administration services.

(b) Fees in the amount of $36,666 were charged by a law firm controlled by the President of the Company and included in investor relations, professional fees and mineral property expenditures. Amounts payable as at September 30, 2008 were $16,812.

(c) Consulting fees relating to office administration of $19,250 were charged by a private company controlled by an officer of the Company. Amounts payable as at September 30, 2008 were $6,300.

The total amount due to related parties was $241,161 as at September 30, 2008.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to related parties are non-interest bearing, unsecured and with no specific terms of repayment.

9. Share Capital

(a) Authorized

(i) Unlimited common shares without par value; and

(ii) Unlimited preference shares without par value.

9. Share Capital, continued

(b) Issued and Outstanding

The issued share capital is as follows:

Common Shares	Number of shares		Amount		Contributed Surplus
Balance as at December 31, 2006	**11,170,439**	**$**	**5,091,426**	**$**	**-**
Issued					
Private placement	6,466,000		1,661,385		-
Shares for mineral property acquisition	110,000		26,400		-
Stock-based compensation	-		-		256,409
Value assigned to agent warrants	-		-		25,871
	6,576,000		1,687,785		282,280
Balance as at December 31, 2007	**17,746,439**		**6,779,211**		**282,280**
Issued					
Private placement at $0.25 per share,	5,000,000		1,250,000		-
Stock-based compensation	-		-		9,167
Value assigned to agent warrants	-		(35,954)		35,954
	5,000,000		1,214,046		45,121
Share issue costs	-		(136,654)		-
Tax benefits renounced to flow-through share subscribers	-		(288,698)		-
Balance as at September 30, 2008	**22,746,439**	**$**	**7,567,905**	**$**	**327,401**

9. Share Capital, continued

(c) Private Placements

In July 7, 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. The Company incurred total share issuance costs of $172,608 for all placements.

Share issue costs were as follows:

(i) 250,000 share purchase warrants were issued to the agents, each warrant exercisable at $0.30 to July 7, 2009. The share purchase warrants were valued at $0.14 per warrant, using the Black-Scholes option pricing model, for a cost of $35,954.

(ii) other general cash share issue costs were $136,654.

(d) Stock Options

As at September 30, 2008 and December 31, 2007, the Company had 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 five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

As at September 30, 2008, 1,405,000 options were outstanding and exercisable.

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2007	Granted	Cancelled or Expired	Balance September 30, 2008
$0.25	$0.25	October 9, 2012	1,500,000	-	155,000	1,345,000
$0.28	$0.28	December 4, 2012	10,000	-	-	10,000
$0.25	$0.25	May 26, 2013	-	50,000	-	50,000
			1,510,000	**50,000**	**155,000**	**1,405,000**
Weighted average exercise price			$0.25	$0.25	$0.25	$0.25
Weighted average fair value			$0.25	$0.25	$0.25	$0.25
Weighted average contractual life in years			4.78			4.05

9. Share Capital, continued

(e) Share Purchase Warrants

The Company's share purchase warrants for the period ended September 30, 2008 are summarized as follows:

Exercise Price	Expiry Date	Balance December 31, 2007	Granted	Cancelled or Expired	Balance September 30, 2008
$0.30	September 25, 2008	392,000	-	392,000	-
$0.30	July 7, 2009	-	250,000	-	250,000
$0.30	July 7, 2010	-	500,000	-	500,000
		392,000	**750,000**	**392,000**	**750,000**
Weighted average exercise price		$0.30	$0.30	$0.30	$0.30
Weighted average contractual life in years		0.74			1.43

(f) Fair Value Determination

The fair value of valuing stock options and share purchase warrants granted using the Black-Scholes option pricing model was calculated using the following weighted average assumptions:

	September 30, 2008		September 30, 2007	
	Options	**Warrants**	**Options**	**Warrants**
Risk-free interest rate	3.43%	3.20%	4.35%	4.17%
Expected share price volatility	85.83%	170.24%	82.04%	131.54%
Expected option/warrant life in years	4.1	1.4	4.8	0.7
Expected dividend yield	0%	0%	0%	0%

The total calculated fair value of stock-based compensation for the periods ended September 30, 2008 and September 30, 2007 were included in the respective statement of operations and balance sheet as follows:

	September 30, 2008	September 30, 2007
Directors and officers	$ 9,167	$ -
Total	**$ 9,167**	**$ -**

10. Supplemental Cash Flow Information

	Three Months ended September 30, 2008	Three Months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Cash Items				
Income tax paid	$ -	$ -	$ -	$ -
Interest received	$ 7	$ -	$ 1,130	$ 11
Interest paid	$ -	$ 3,549	$ -	$ 10,484
Share issue costs	$ 128,784	$ 83,839	$ 136,654	$ 83,839
Non-Cash Items				
Investing Activities				
Mineral property costs included in accounts payable	$ 6,962	$ 140,990	$ 6,962	$ 140,990
Mineral property costs included in related party	$ 40,638	$ -	$ 40,638	$ -
Stock-based compensation included in mineral properties	$ -	$ -	$ -	$ -
Financing Activities				
Fair value of agent warrants	$ 35,954	$ 44,182	$ 35,954	$ 44,182
Shares issued for finders' fees	$ -	$ 27,125	$ -	$ 27,125
Shares issued for mineral properties	$ -	$ 5,500	$ -	$ 5,500
Tax benefits renounced to flow-through share subscribers	$ -	$ -	$ 288,698	$ -

11. Commitments

Under a service agreement, as amended, between the Company and a company privately held by the President of the Company, the Company is charged $8,000 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. The fee commitment is as follows:

Year ending December 31,	Commitment $
2008	24,000
2009	96,000
2010	96,000
2011	96,000
2012	48,000

11. Contingencies and Commitments, continued

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 therein:

(a) Gus Property

- US $20,000 and incur in the aggregate a minimum of $100,000 in exploration expenditures on or before December 3, 2008;
- US $25,000 and incur in the aggregate a minimum of $200,000 in exploration expenditures on or before December 3, 2009.

(b) Star Property

- US $20,000 and incur in the aggregate a minimum of $100,000 in exploration expenditures on or before May 13, 2009.

(c) Swift Katie Property

- $35,000 and incur in the aggregate a minimum of $350,000 in exploration expenditures on or before December 31, 2008;
- Issue 110,000 common shares to the Optionors on or before December 31, 2008;
- $35,000 and incur in the aggregate a minimum of $600,000 in exploration expenditures on or before December 31, 2009;
- Issue 110,000 common shares to the Optionors on or before December 31, 2009.

Management's Discussion and Analysis

For the Nine Months Ended September 30, 2008

Dated: November 25, 2008

Index **Page**

A	-	Introduction	1
B	-	Qualified persons	1
C	-	Conversion tables	2
D	-	Description of business	3
E	-	Description of mineral properties	3 - 5
F	-	Mineral properties deferred costs	6
G	-	Results of operations	7 - 8
H	-	Quarterly results	8
I	-	Related party information	9
J	-	Financial conditions, liquidity and capital resources	9 - 11
K	-	Outstanding shares, options and share purchase warrants	11 - 12
L	-	Subsequent events and outlook	12
M	-	Financial instruments	12
N	-	Off balance sheet arrangements	12
O	-	Use of estimates	12
P	-	Disclosure controls and procedures	13
Q	-	Risks and uncertainties	13 - 14
R	-	Changes in accounting policies, including initial adoption	15
S	-	Licenses and permits	15
T	-	Proposed transactions	16
U	-	Forward looking statements	16

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Valterra Resource Corporation (the "Company") compares results for the nine months ended September 30, 2008 to the same period in the previous year. These statements should be read in conjunction with the interim financial statements for the nine months ended September 30, 2008 and the audited financial statements for the year ended December 31, 2007. All notes referenced herein may be found in the interim financial statements.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A, dated November 25, 2008, was prepared to conform with National Instrument 51-102 F1 and was approved by the Board of Directors prior to its release.

The Company's shares trade on the Canadian Trading and Quotation Systems Inc. ("CNQ") under the symbol "VALT". On October 1, 2007, the Company's shares were accepted for trading on the Frankfurt Stock Exchange, open market (Freiverkehr) under the trading symbol "3VA.F". N.M. Fleischhacker AG has been appointed as the market maker for the trading. Effective as of September 19, 2008 CNQ has assigned a new trading symbol "VTA" for the Company.

The Company's reporting currency is the Canadian dollar and 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.

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 Persons

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.

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/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

D. Description of Business

The Company acquires and explores mineral properties in Canada. It is currently exploring for precious and base metals in British Columbia, Canada.

E. Description of Mineral Properties

The Company has interests in three mineral properties: the Gus Property, the Star Property and the Swift Katie 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 favourable for the discovery of polymetallic mineralization.

Details of option agreements and capitalized costs by property are disclosed in the notes to the audited financial statements of December 31, 2007 and the interim financial statements of September 30, 2008.

i) Gus Property

The Gus property is located 17 kilometres 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 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 completed a prospecting and sampling surface exploration effort and is currently evaluating the results. Contingent on the results, future proposals are also being evaluated to potentially test some of the historical geophysical anomalies with diamond drilling. The program remains focused on a series of high-grade veins and replacements associated with a 1.8 kilometre long section of the Black Bluff Thrust Fault.

To earn 100% interest in Gus claims, the Company must make the following cash payments, issue shares and incur the following exploration expenditures:

Date	Cash	Work
December 3, 2008	US$ 20,000	$ 100,000
December 3, 2009	US$ 25,000	$ 100,000
December 3, 2010	US$ 25,000	$ 100,000
December 3, 2011	US$ 30,000	$ 100,000
December 3, 2012	US$ 40,000	$ 0
December 3, 2013	US$ 40,000	$ 0
December 3, 2014	US$ 40,000	$ 0
December 3, 2015	US$ 50,000	$ 0

E. Description of Mineral Properties, continued

i) Gus Property, continued

December 3, 2016	US$ 30,000	$ 0
Total	US$ 300,000	$ 400,000

The Company had spent $25,890 on exploration as at September 30, 2008.

ii) 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 seven kilometres 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.

During August and September 2008, the company completed its inaugural exploration program on the newly acquired claims by conducting surface mapping/sampling and diamond drilling. Drilling totaled 1,672 metres in six holes and included the collection of more than 800 core samples. Assays from this work are pending.

The program targeted a series of porphyry-type Au-Cu-Ag mineralized areas associated with the north to north-west trending Silver King Shear Zone. Favourable zones have been delineated over an area measuring approximately two kilometres long by one kilometre 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,

(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.

The Company had spent $314,218 on exploration as at September 30, 2008.

E. Description of Mineral Properties, continued

iii) 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 kilometres 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 metres, 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 metres; and an approximately 505 line-kilometre 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.

From June to September 2008, the company conducted a second diamond drill program on the project. This drill program focused primarily on the main Katie zone and included 10 holes that totaled 2,954 metres and resulted in the collection of over 1,500 core samples for analysis. Preliminary assay results are currently being received and evaluated with the final results expected in November or December 2008.

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 metres of historical drill data into a NI 43-101 compliant resource.

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 5 of the interim financial statements dated September 30, 2008. The deferred mineral property costs as at September 30, 2008 were as follows:

	Balance	Additions					Balance
	December 31, 2007	Q1	Q2	Q3	Q4	Year	September 30, 2008
	$	$	$	$	$	$	$
Gus	3,842	2,508	9,870	14,185	-	26,563	30,405
Star	-	2,047	11,102	307,796	-	320,945	320,945
Swift Katie	684,359	170,284	63,068	576,270	-	809,622	1,493,981
Total	**688,201**	**174,839**	**84,040**	**898,251**	**-**	**1,157,130**	**1,845,331**

	Gus	Star	Swift Katie	Total
	$	$	$	$
Acquisitions	4,515	6,727	113,547	124,789
Assays and analysis	1,454	2,899	53,806	58,159
Camp and supplies	2,708	6,768	15,721	25,197
Drilling	-	223,666	684,274	907,940
Equipment rental and field supplies	2,600	9,147	34,375	46,122
General exploration	873	2,041	1,661	4,575
Geological services	7,456	17,235	465,737	490,428
Project supervision	10,397	51,842	89,616	151,855
Stock-based compensation	-	-	22,075	22,075
Travel	402	620	13,169	14,191
Total	**30,405**	**320,945**	**1,493,981**	**1,845,331**

G. Results of Operations

Significant variances are summarized below:

	Nine months ended September 30,		Variance	
	2008	2007	Increase/(Decrease)	
	$	$	$	%
Expenses				
Administration	93,168	66,008	27,160	41%
Amortization	800	-	800	N/A
Consulting services	42,501	53,875	(11,374)	(21%)
Independent directors' fees	33,388	-	33,388	N/A
Investor relations	32,761	5,538	27,223	492%
Office and general	48,050	15,073	32,977	219%
Professional fees	137,605	128,260	9,345	7%
Regulatory fees and taxes	12,476	18,755	(6,279)	(33%)
Shareholders communications	2,313	1,290	1,023	79%
Stock-based compensation	9,167	-	9,167	N/A
Transfer agent	3,023	7,931	(4,908)	(62%)
Travel and promotion	23,597	4,657	18,940	407%
Other				
Interest	(1,130)	(11)	(1,119)	10173%
Foreign exchange loss	317	8,455	(8,138)	(96%)
General exploration	16,100	13,564	2,536	19%
Gain on written off debt	-	(96,365)	96,365	(100%)
Other income	(7,500)	-	(7,500)	N/A
Future Income Tax Recovery	(288,698)	-	(288,698)	N/A

The Company reported a net loss of $157,938 for the nine months ended September 30, 2008 ("2008") compared to a net loss of $227,030 for the nine months ended September 30, 2007 ("2007"). This decrease in net loss of $69,092 was primarily due to some of the following:

i) Administration fees increased in accordance with the administrative agreement entered into during the year.

ii) Consulting fees decreased due to the reduced corporate development consulting work.

iii) Directors' fees increased reflecting the Company's current independent directors' compensation policy which was effective from October 1, 2007.

iv) Investor relations expenses increased due to the Company's efforts in expanding investor awareness about the Company and its mineral projects.

G. Results of Operations, continued

v) Office and general expenses increased due to an increase in the time expended administrating the Company.

vi) Regulatory fees and taxes decreased due to no need for listing reactivation in 2008.

vii) Shareholders communication expenses increased due to the Company's efforts in expanding investor awareness about the Company and its mineral projects.

viii) 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 Statement of Operations and Deficit.

ix) Transfer agent fees decreased due to no need for listing reactivation in 2008.

x) Travel and promotion costs increased due to increase in travel for trade shows and analyst meetings.

xi) Foreign exchange loss decreased due to the reduction in US$ transactions.

xii) Other income represents a prior expense which has been reversed as the Company is unable to locate the vendor for payment.

xiii) The Company incurred the future income tax recovery arising from tax benefits renounced to flow-through subscribers in January 2008.

H. Quarterly Results

The following financial data was derived from the Company's financial statements for the current and eight previous quarters.

	Sep 30 2008 $	Jun 30 2008 $	Mar 31 2008 $	Dec 31 2007 $	Sep 30 2007 $	Jun 30 2007 $	Mar 31 2007 $	Dec 31 2006 $	Sep 30 2006 $
Operating expenses	117,178	134,934	177,570	219,338	155,670	82,468	71,704	159,211	45,857
Interest earned	(7)	(1,123)	-	-	-	(11)	-	-	-
Other income	-	-	(7,500)	-	-	-	-	-	-
Foreign exchange (gain) loss	317	-	-	-	-	-	-	-	-
General exploration	4,260	9,790	2,050	5,859	3,844	9,720	-	-	2,700
Loss before the following items	121,748	143,601	172,120	225,197	159,514	92,177	71,704	159,211	48,557
Stock-based compensation	-	9,167	-	234,334	-	-	-	-	-
Future Income Tax Recovery	-	-	(288,698)	-	-	-	-	-	-
Gain on settlement of debt	-	-	-	-	-	-	-	(250,000)	(1,178,115)
Gain on written off debt	-	-	-	-	(96,365)	-	-	-	-
Net (Gain)/Loss	**121,748**	**152,768**	**(116,578)**	**459,531**	**63,149**	**92,177**	**71,704**	**(90,789)**	**(1,129,558)**
Loss (gain) per share-basic and diluted	$0.01	$0.01	($0.01)	$0.03	$0.01	$0.01	$0.01	($0.01)	($0.17)

I. Related Party Information

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

(a) Under the service agreement, as amended, between the Company and a company privately held by the President of the Company, the Company was charged for office space, administration, accounting, consulting, investor relations, geological services, and a mark-up on out-of-pocket expenses. Total expenses charged for the nine months ended September 30, 2008 were $385,251. Amounts payable under the agreement at September 30, 2008 were $218,049. As of September 30, 2008, prepayment of $8,375 was made in relation to the office space and administration services.

(b) Fees in the amount of $36,666 were charged by a law firm controlled by the President of the Company and included in investor relations, professional fees and mineral property expenditures. Amounts payable as at September 30, 2008 were $16,812.

(c) Consulting fees relating to office administration of $19,250 were charged by a private company controlled by an officer of the Company. Amounts payable as at September 30, 2008 were $6,300.

The total amount due to related parties was $241,161 as at September 30, 2008.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to related parties are non-interest bearing and unsecured with no specific terms of repayment.

For information regarding related party expenditures, refer to Note 8 of the interim financial statements dated September 30, 2008.

J. Financial Conditions, 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 $241,400 as at September 30, 2008 compared to a working capital balance of $1,068,073 as at September 30, 2007. Cash and cash equivalents totaled $282,383 and $1,453,414 respectively.

i) Equity financings

In July 7, 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.

J. Financial Conditions, Liquidity and Capital Resources, continued

i) Equity financings, continued

In connection with this financing, 250,000 share purchase warrants exercisable at $0.30 per common share until July 7, 2009 were issued as finders' fee and valued at $35,954 using the Black-Scholes option pricing model.

ii) Funds raised by stock options and share purchase warrants exercise

There were no stock options and share purchase warrants exercised in the nine months period.

iii) Mineral properties expenditures

The Company expended $1,154,608 on mineral properties (net of shares issued for acquisition costs, stock-based compensation and ending balance of accounts payable for mineral properties). Approximately 70% of this amount was directed towards Swift Katie, 28% to Star, and 2% to Gus.

iv) Amount receivable

As at September 30, 2008, the Company had a total of $50,288 GST receivable from Revenue Canada. The Company expected to receive these funds shortly.

v) Commitments

<u>**Mineral properties interests**</u>

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) Gus Property

- Pay US $20,000, and incur $100,000 exploration expenditure on or before December 3, 2008;
- Pay US $25,000, and incur $100,000 exploration expenditure on or before December 3, 2009;

(b) Star Property

- Pay US $20,000, and incur in the aggregate $100,000 in exploration expenditure on or before May 13, 2009;

(c) 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.

While option payments are made at the discretion of the Company, management believes it has sufficient funds on hand to meet its property commitments in the foreseeable future.

J. Financial Conditions, Liquidity and Capital Resources, continued

v) Other commitments

Pursuant to a service agreement, as amended, the Company has committed to pay $96,000 per year ($8,000 per month) to a company privately held by the President of the Company 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.

K. Outstanding Shares, Options and Share Purchase Warrants

i) Issued and outstanding shares

The Company has unlimited authorized, without par value, common shares.

	Number of shares	Total $
Balance as at September 30, 2008	22,746,439	7,567,905
Transaction for the period	-	-
Balance as at November 25, 2008	**22,746,439**	**7,567,905**

ii) Share Purchase Warrants

Warrants outstanding at November 25, 2008 are as follows:

Exercise Price	Expiry Date	Balance November 25, 2008
$0.30	July 7, 2009	250,000
$0.30	July 7, 2010	500,000
		750,000
Weighted average exercise price		$0.30
Weighted average contractual life in years		1.28

K. Outstanding Shares, Options and Share Purchase Warrants, continued

iii) Stock Options

Stock options outstanding at November 25, 2008 are as follows:

Exercise Price	Expiry Date	Balance November 25, 2008
$0.25	October 9, 2012	1,345,000
$0.28	December 4, 2012	10,000
$0.25	May 26, 2013	50,000
		1,405,000
Weighted average exercise price		$0.25
Weighted average contractual life in years		3.90

L. Subsequent Events and Outlook

There are no 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.

M. Financial Instruments

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and related parties' accounts payable approximate their fair values because of the short-term maturity of these financial instruments. The Company has no exposure to Asset Backed Commercial Paper.

N. Off-Balance Sheet Arrangements

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

O. Use of Estimates

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 believed to be reasonable under the circumstances. Critical accounting policies are disclosed in the annual audited financial statements.

P. Disclosure Controls and Procedures

Current securities policies in Canada require that management of the Company certifies that it has assessed the effectiveness of the Company's disclosure controls and procedures as at every interim and annual period. Management has concluded that the disclosure controls as at September 30, 2008 were effective in ensuring that all material information required to be filed had been provided to it in a timely manner, and that the information was recorded, processed and reported within the time period necessary to prepare the filings.

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.

Effective November 16, 2006, the Audit Committee adopted resolutions authorizing 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 new requirements pursuant to Multilateral Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

Q. 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.

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.

Q. 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.

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 favourable 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, 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 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.

The Company conducts exploration activities in the USA and Canada, and is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. 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 environmental hazards on any of the properties held by the Company.

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.

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.

R. Changes in Accounting Policies, Including Initial Adoptions

Effective January 1, 2008 the Company adopted the new Canadian Accounting Standards Board accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, together with many consequential changes throughout the CICA Handbook. The most significant new standards are as follows:

a) Section 3862 and 3863, describe the required disclosures and presentations related to the significance of financial instruments on the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed and how the entity manages those risks.

b) 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.

c) Section 1400 establishes standards for financial statement presentation, which requires management to make assessment of a Company's ability to continue as a going-concern. When the financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern.

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 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.

S. 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.

T. Proposed Transactions

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

U. 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.