Valterra Resource Corporation

(An Exploration Stage Company)

Audited Financial Statements

December 31, 2008 and 2007

Management's Responsibility for Financial Reporting

The accompanying financial statements of Valterra Resource Corporation (an exploration stage company) have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors (the "Board") is responsible for ensuring that management fulfils its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board has reviewed the financial statements with management and the external auditors. Smythe Ratcliffe LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the financial statements as at December 31, 2008 and 2007 and for the years then ended and their report is included herein.

Lawrence Page	*Mahesh Liyanage*
Lawrence Page, Q.C. President	Mahesh Liyanage, CA Chief Financial Officer

Vancouver, British Columbia
March 24, 2009

SmytheRatcliffe
CHARTERED ACCOUNTANTS

Auditors' Report

To the Shareholders of Valterra Resource Corporation
(An Exploration Stage Company)

We have audited the balance sheets of Valterra Resource Corporation (an exploration stage company) as at December 31, 2008 and 2007 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
March 24, 2009

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Valterra Resource Corporation
(An Exploration Stage Company)
Balance Sheets

			December 31, 2008		December 31, 2007
Assets					
Current					
Cash and cash equivalents		$	128,036	$	800,455
Receivables			12,602		42,725
Prepaid and deposits			9,317		9,903
			149,955		**853,083**
Reclamation bonds	Note 5		52,000		35,000
Equipment	Note 6		3,143		4,237
Investments	Note 7		4		4
Mineral properties	Note 8		1,978,136		688,201
		$	**2,183,238**	**$**	**1,580,525**
Liabilities					
Current					
Bank indebtedness	Note 9	$	199,330	$	199,246
Accounts payable and accrued liabilities			155,530		357,106
Due to related parties	Note 10		285,862		40,678
			640,722		**597,030**
Shareholders' Equity					
Share capital	Note 11		7,598,368		6,779,211
Contributed surplus	Note 11(b)		327,401		282,280
Deficit			(6,383,253)		(6,077,996)
			1,542,516		**983,495**
		$	**2,183,238**	**$**	**1,580,525**

Nature of operations and going concern (Note 1)
Contingencies and commitments (Note 14)
Subsequent events (Note 15)

Approved on behalf of the Board:

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

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

		Years ended December 31, 2008		2007 (Note 2(b))
Expenses				
Administration	$	123,084	$	94,371
Amortization		1,094		471
Consulting		56,488		72,748
Directors and officers fees		45,945		27,872
General exploration		17,620		19,423
Interest		10,475		14,147
Investor relations		39,576		60,319
Office and general		47,216		32,925
Professional fees		165,263		170,700
Regulatory fees and taxes		14,453		20,850
Shareholders communications		2,314		1,673
Stock-based compensation (Note 11(g))		9,167		234,334
Transfer agent		7,778		15,117
Travel and promotion		24,175		9,521
		564,648		**774,471**
Other Items				
Foreign exchange loss		365		8,455
Gain on write-off of accounts payable (Note 14)		(7,500)		(96,365)
Write-off of mineral properties		36,442		-
		29,307		**(87,910)**
Loss Before Future Income Tax Recovery		**593,955**		**686,561**
Future Income Tax Recovery (Notes 2(j) and 12)		(288,698)		**-**
Net Loss and Comprehensive Loss for the Year		**305,257**		**686,561**
Deficit, Beginning of the Year		**6,077,996**		**5,391,435**
Deficit, End of the Year	**$**	**6,383,253**	**$**	**6,077,996**
Loss per share - basic and diluted	$	0.02	$	0.05
Weighted average number of common shares outstanding		20,193,288		12,835,072

The accompanying notes are an integral part of these financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Statements of Cash Flows For The

Cash provided by (used for):		Years ended December 31, 2008		2007 (Note 2(b))
Operating Activities				
Net loss for the year	$	(305,257)	$	(686,561)
Items not involving cash				
Amortization		1,094		471
Future income tax recovery		(288,698)		-
Accounts payable written-off		(7,500)		(96,365)
Stock-based compensation		9,167		234,334
Mineral properties written-off		36,442		-
		(554,752)		(548,121)
Changes in Non-Cash Working Capital				
Receivables		30,123		(35,614)
Prepaid and deposits		586		(9,604)
Accounts payable and accrued liabilities		127,475		(121,174)
Due to related parties		223,566		(50,307)
		381,750		(216,699)
Cash Used in Operating Activities		**(173,002)**		**(764,820)**
Investing Activities				
Expenditures on mineral properties		(1,595,310)		(278,332)
Purchase of equipment		-		(4,708)
Purchase of reclamation bonds		(17,000)		(35,000)
Cash Used in Investing Activities		**(1,612,310)**		**(318,040)**
Financing Activities				
Proceeds from issuance of shares, net of share issue costs		1,112,809		1,687,256
Subscriptions received		-		17,500
Cash Provided by Financing Activities		**1,112,809**		**1,704,756**
Increase (Decrease) in Cash During the Year		**(672,503)**		**621,896**
Cash and Cash Equivalents (Bank Indebtedness), Beginning of Year		601,209		(20,687)
Cash and Cash Equivalents (Bank Indebtedness), End of Year	$	**(71,294)**	$	**601,209**
Cash and Cash Equivalents consists of:				
Cash and cash equivalents	$	128,036	$	800,455
Bank indebtedness		(199,330)		(199,246)
	$	**(71,294)**	**$**	**601,209**

Supplemental cash flow information (Note 13)

1. Nature of Operations and Going Concern

Valterra Resource Corporation (the "Company") is an exploration stage company incorporated under the laws of Alberta. The Company's shares were subject to a cease trade order ("CTO") made by the British Columbia Securities Commission on June 3, 2003 and a CTO by the Alberta Securities Commission on July 18, 2003. The CTOs were fully revoked on August 3, 2007.

The Company's shares trade on the Canadian National Stock Exchange. ("CNSX") under the symbol "VALT" and on the Frankfurt Stock Exchange under the symbol "3VA.F". Effective September 19, 2008, CNSX has assigned a new trading symbol "VTA" for the Company.

The Company is engaged in the exploration of mineral properties. 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 Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary 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. Currently the Company is unable to self-finance operations, has limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property projects.

As at December 31, 2008, the Company had a working capital deficiency of $490,767 (2007: working capital of $256,053), of which, cash and cash equivalents of $127,000 (2007: $700,442) was reserved for flow-through expenditures on Canadian mining properties. Excluding cash reserved for flow-through expenditures, the net working capital deficit was $617,767 (2007: $444,389).

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of $6,383,253 as at December 31, 2008 (2007: $6,077,996).

The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of share capital to finance its future activities (see Note 3) but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

Failure to continue as a going concern may require 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. Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

(b) Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

(c) 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. If commercial production is achieved from a mineral property, the related capitalized costs will be amortized on a unit-of-production basis over the estimated life of the ore reserves. If a mineral property is abandoned, the related capitalized costs are written off to operations. From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are recorded as property costs or recoveries when paid or received.

The recoverability of amounts shown for mineral properties is dependent upon the Company's ability to:

(i) Obtain the necessary financing to complete the acquisition, exploration and development of its mineral properties.
(ii) Enter into mineral property acquisition, joint venture or option agreements with other entities.
(iii) Discover economically recoverable reserves within its mineral properties.
(iv) Obtain future profitable production from its mineral properties or sufficient proceeds from the disposition thereof.

On an ongoing basis, the Company evaluates each mineral property for potential impairment based on results obtained to date to determine the nature of exploration, other assessment and development work, if any, that is warranted in the future and the potential for recovery of the capitalized costs. Furthermore, if there is little prospect of future work on a property being carried out within a three-year period from completion of previous activities, the deferred costs related to that property are written down to the estimated amount recoverable unless there is persuasive evidence that an impairment allowance is not required. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits held with banks and banker's acceptances readily convertible into known amounts of cash and purchased with original maturities of three months or less.

2. Significant Accounting Policies, continued

(e) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method at an annual rate of 20% for office equipment.

(f) Comprehensive Income

Comprehensive income is the change in net assets from transactions related to non-shareholder sources. The Company presents gains and losses, which would otherwise be recorded as part of net earnings in "other comprehensive income" until it is considered appropriate to recognize them into net earnings. The Company has no transactions in "other comprehensive income" in the periods presented; therefore, net loss is the same as comprehensive loss.

(g) Financial Instruments

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item.

All financial instruments are classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale assets or other financial liabilities.

Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income (loss).

Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method.

Available-for-sale financial instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity.

Any financial instrument may be designated as held-for-trading upon initial recognition.

(h) Stock-Based Compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(i) Warrants

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced or issued, and any excess is allocated to warrants.

2. Significant Accounting Policies, continued

(j) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences), and loss carry-forwards.

Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(k) Flow-Through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures are renounced to the investors. The tax impact to the Company of the renouncement is recorded on the date that the Company renounces the tax deductions, through a decrease in share capital and the recognition of a future tax liability.

Due to the previous recording of a valuation allowance, the recorded future tax liabilities are recognized as a recovery of future income taxes in the statement of operations.

(l) Loss per Share

Basic loss per share is computed using the weighted average number of shares outstanding during the year. The calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive, hence diluted loss per share is the same as basic loss per share.

(m) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of environmental obligations, asset retirement obligations (“ARO”), accrued liabilities, the impairment in value of mineral properties, valuation allowance for future tax assets, amortization rate of equipment and determination of the assumptions used in the calculation of stock-based compensation and fair value of the warrants issued as finder’s fees.

While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

2. Significant Accounting Policies, continued

(n) Revenue Recognition

Interest income is recorded on an accrual basis at the stated rate of interest of the banker's acceptances and term deposits over the term to maturity.

(o) Asset Retirement Obligations

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount will be depleted on a straight-line basis over the estimated life of the asset. The liability amount will be increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs to record in the financial statements.

(p) Accounting Changes

(i) Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Sections 3862 and 3863, which replace Handbook Section 3861, Financial Instruments – Disclosures and Presentation, revising its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in Note 4.

(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's managed to enable users of financial statements to evaluate the company's objectives, policies and procedures for managing capital, as well as consequences of non-compliance. Capital management disclosure is presented in Note 3.

2. Significant Accounting Policies, continued

(p) Accounting Changes, continued

(iii) Effective January 1, 2008, the Company adopted CICA Handbook Section 1400, which establishes standards for financial statement presentation, which require management to assess 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. Please refer to Notes 1 and 3.

(q) Future Accounting Changes

(i) In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new section is effective for the Company on January 1, 2009. The Company is in the process of assessing the impact of this new section on its financial statements.

(ii) In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

(iii) On January 20, 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-173. The Company will adopt this recommendation in its fair value determinations effective January 20, 2009 and is currently assessing the impact of this change on its financial statements.

2. Significant Accounting Policies, continued

(q) Future Accounting Changes, continued

(iv) In March 2009 the EIC issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition for long-lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements. The Company will adopt this recommendation effective March 2009 and is currently assessing the impact of this change on its financial statements.

(v) In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's interim and annual financial statements relating to reporting periods beginning on or after January 1, 2011 with restatement of comparative information presented.

The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures. The Company has established an implementation team to develop the changeover plan to IFRS, and the target completion of the changeover is before the end of December 2009.

3. Capital Management

The capital of the Company consists of shareholders' equity and debt obligations net of cash and cash equivalents.

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the exploration of its mineral properties and support any expansionary plans. The Company has funded these requirements primarily through issuance of share capital.

The Company's primary process for managing capital consists of the ongoing assessment of current capital resources against budgeted exploration and administrative expenditures. To maintain or adjust the capital structure, the Company may issue new shares.

The Company is not subject to externally imposed capital requirements other than those related to its credit facility disclosed in Note 9. The Company is in compliance with the externally imposed capital requirements disclosed in Note 9.

4. Financial Instruments

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

Financial instrument	Category	Carrying value
Cash and cash equivalents	Held-for-trading	Fair value
Reclamation bonds	Loans and receivables	Amortized cost
Investments	Available-for-sale	Cost
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

The carrying values of cash and cash equivalents, reclamation bonds, bank indebtedness, accounts payable and accrued liabilities, and due to related parties are a reasonable estimate of their fair values due to the relatively short time period to maturity. The fair value of investments is based on its carrying value as there is no quoted market price in an active market for the investments.

The Company is exposed to the following risks arising from its financial instruments:

(a) Interest Rate Risk

The Company is exposed to interest rate risk on its bank indebtedness, as the payments fluctuate with changes in interest rates.

Based on the current balance of the bank indebtedness, an assumed 0.5% increase or decrease in interest rates would not have a material effect on the Company's results of operations.

(b) Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash of $128,036 (2007: $402,019), cash equivalents consisting of a banker's acceptance of $nil (2007: $398,436) and reclamation bonds of $30,000 (2007: $30,000) as at December 31, 2008. The Company mitigates credit risk by risk management policies, that require cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration. The above reclamation bonds are held in trust with a Canadian chartered bank and the remaining reclamation bonds are held by the Province of British Columbia.

The Company has no exposure to asset backed commercial paper.

4. Financial Instruments, continued

(c) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not use any hedges or other derivatives to mitigate the risk against foreign exchange fluctuations.

In May 2008, the Company entered into an option agreement to acquire 100% undivided interest in Star claims group (see Note 8), whereby the Company is required to make payments totaling US $300,000 over the next nine years, starting in 2009. An appreciation or depreciation of the US dollar by 10% can affect the Company's cash flow by $30,000 over the term of the agreement.

As at December 31, 2007 and 2008, the Company had no amounts receivable or amounts payable in any other currencies than the Canadian dollar.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. However, at December 31, 2008 the cash balance of $128,036 would be insufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral interests, and continuing with its exploration program in the coming year. Therefore, the Company will be required to raise additional capital in order to fund its operations in 2009. At December 31, 2008, the Company had accounts payable and accrued liabilities of $155,530 (2007: $357,106) and amounts due to related parties of $285,862 (2007: $40,678), due within the current operating period.

5. 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, earning nominal interest and may be released after required reclamation is satisfactorily completed. As at December 31, 2008, the amount on deposit was $52,000 (2007: $35,000), of which $7,000 is for the Gus Property, $35,000 is for the Swift Katie Property, and $10,000 is for the Star Property.

6. Equipment

	Cost	Accumulated Amortization	Net Book Value As At Dec 31, 2008	Net Book Value As At Dec 31, 2007
Equipment	$ 4,707	$ 1,564	$ 3,143	$ 4,237

7. Investments

(a) Hester Creek Estate Winery ("HCEW")

The Company holds 1,200 shares (0.12%) of HCEW's issued and outstanding 1,001,200 shares, the remainder of which is owned by a third party. The Company carries its investment at $1, being the exercise price of the third party's option to purchase the Company's 1,200 shares of HCEW.

(b) Abridean Inc. ("Abridean")

The Company acquired for $400,000 554,046 Class B preferred shares of Abridean, with each Class B preferred share convertible into one common share of Abridean. At December 31, 2002, the Company wrote down its investment in Abridean to $1.

(c) BioVan Inc. ("BioVan")

The Company acquired for $750,000 a minority interest in BioVan. At December 31, 2001, the Company recognized an other-than-temporary decline in the recoverable amount of this investment and, accordingly, wrote down the investment to $1.

(d) Cardiovascular Solutions Inc. ("CSI")

The Company acquired for $1,200,000 preferred shares of CSI, which are redeemable and retractable, are not entitled to a vote at shareholders' meetings, and are not convertible to common shares. At December 31, 2002, the Company wrote down its CSI shares to $1.

8. Mineral Properties

The investment in and expenditures on resource property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

During 2008, the Company has interests in two mineral properties, located in British Columbia, Canada. These are Star and Swift Katie. During 2008, the Company relinquished its rights to the Gus property, also located in British Columbia, Canada. Refer to Note 15 for more information about the Company expanding its property interests subsequent to the reporting period.

8. Mineral Properties (continued)

A summary of capitalized acquisition and exploration expenditures on the Company's properties for the year ended December 31, 2008 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 year	1,267	6,727	53,021	61,015
Write-off	(4,909)	-	-	(4,909)
Balance as at December 31, 2008	**-**	**6,727**	**146,316**	**153,043**
Exploration costs				
Balance as at December 31, 2007	200	-	591,064	591,264
Assays and analysis	1,254	30,896	76,958	109,108
Camp and supplies	2,707	9,459	11,828	23,994
Drilling	-	223,666	412,939	636,605
Environmental	-	460	5,020	5,480
Equipment rental and field supplies	2,600	6,145	21,281	30,026
General exploration	-	2,387	1,335	3,722
Geological services	9,541	22,210	229,509	261,260
Project supervision	14,829	30,430	75,862	121,121
Project support	-	38,684	15,607	54,291
Travel	402	8,908	10,445	19,755
Write-off	(31,533)	-	-	(31,533)
Net additions during the year	(200)	373,245	860,784	1,233,829
Balance as at December 31, 2008	**-**	**373,245**	**1,451,848**	**1,825,093**
Total acquisition and exploration costs	**-**	**379,972**	**1,598,164**	**1,978,136**

8. Mineral Properties, continued

A summary of capitalized acquisition and exploration expenditures on the Company's properties for the year ended December 31, 2007 follows:

Mineral Properties	**Gus** **$**	**Swift Katie** **$**	**Total** **$**
Acquisition costs			
Balance as at December 31, 2006	-	36,000	36,000
Additions during the year	3,642	57,295	60,937
Balance as at December 31, 2007	**3,642**	**93,295**	**96,937**
Exploration costs			
Balance as at December 31, 2006	-	13,593	13,593
Assays and analysis	200	9,397	9,597
Camp and supplies	-	3,893	3,893
Drilling	-	271,336	271,336
Equipment rental and field supplies	-	7,791	7,791
General exploration	-	325	325
Geological services	-	235,908	235,908
Project supervision	-	13,813	13,813
Project support	-	1,137	1,137
Stock-based compensation	-	22,075	22,075
Travel	-	11,796	11,796
Net additions during the year	200	577,471	577,671
Balance as at December 31, 2007	**200**	**591,064**	**591,264**
Total acquisition and exploration costs	**3,842**	**684,359**	**688,201**

8. Mineral Properties, continued

(a) Gus Property

On December 3, 2007, the Company acquired an option to purchase the Gus Mineral Claims located near Salmo in the Nelson Mining District of southern British Columbia.

In order to maintain its right to earn a 100% interest in Gus Property, the Company was required to make a cash payment of US$20,000 and incur exploration expenditures of $100,000 on or before December 3, 2008. On December 3, 2008, the Company decided to relinquish the option agreement without liability by giving written notice of the termination to the Optionor.

Accordingly, $36,442 (acquisition costs of $4,909 and exploration costs of $31,533) was written off.

(b) 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 (“NSR”) 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; and

(v) US $40,000 on or before May 13, 2013, 2014 and 2015 US $50,000 on or before May 13, 2016 and US $30,000 on or before May 13, 2017.

The Company has the option to purchase 1% of the NSR, thus reducing the NSR to 2%, at any time prior to the commencement of commercial production by paying $1,500,000 to the Optionors.

(c) Swift Katie Property

By agreement dated July 21, 2006 (the "Option Agreement") as amended, Manex Resource Group Inc. ("Manex"), a private company controlled by the President of the Company, acquired an option from the Optionors to purchase the Swift Katie Property located near Salmo in the Nelson Mining District of southern British Columbia. The option was assigned by Manex to the Company in consideration of $2,500.

8. Mineral Properties, continued

(c) Swift Katie Property, continued

On December 18, 2008, an amended and restated agreement was signed by all Optionors to amend the requirements on cash payments, exploration expenditures and issuing shares.

Pursuant to the amended agreement, in order to earn a 60% interest in the property, the Company is required to make cash payments totaling $85,000 (reduced from $120,000), incur aggregate exploration expenditures of $600,000 and issue 640,000 common shares (changed from 440,000 common shares) by December 31, 2009. As at December 31, 2008, the Company had paid $50,000, incurred aggregate exploration expenditures of $1,451,848, and issued 530,000 common shares.

To earn the remaining 40% interest in the Swift Katie property, the Company must make cash payments, incur exploration expenditures and issue shares to the Optionors as follows:

(i) Pay $60,000, incur $350,000 in exploration expenditures, and issue 225,000 of its common shares on or before December 31, 2010; and

(ii) Pay $60,000, incur $350,000 in exploration expenditures, and issue 225,000 of its common shares on or before December 31, 2011.

The Optionors of the property retain a 2% NSR on the property if the Company earns a 60% interest and a 3% NSR if the Company earns a 100% interest in the property. The Company has the option to purchase one-half of the royalty for $1,000,000 per 1% at any time prior to the commencement of commercial production.

Beginning December 31, 2010 and annually thereafter the Company is required to make an annual advance minimum royalty payment of $35,000, increasing to $50,000 annually on December 2012 and thereafter. These payments will be adjusted annually according to the CPI base of December 31, 2006. Annual advance minimum royalty payments are deductible from future NSR royalty payments.

9. Bank Indebtedness

Bank indebtedness is due on demand, bears interest at prime plus 1% per annum and is secured by a letter of credit from Schroders (C.I.) supported by a guarantee by a company owned by a shareholder of the Company. During 2006, the Company issued 200,000 shares at an agreed price of $0.20 per share, as consideration for the guarantee. Balance as at December 31, 2008 is $199,330 (2007: $199,246).

Under the credit facility letter the Company is required to obtain written consent from the bank prior to paying or declaring any dividends, reducing its share capital, reorganizing or changing of control.

10. Related Party Balances and Transactions

Following are the related party transactions that the Company entered into during the year and the outstanding balance as at December 31, 2008:

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

- $127,766 (2007: $94,371) for office space and general administration services;
- $55,820 (2007: $33,136) for professional services;
- $27,500 (2007: $10,498) for consulting services;
- $14,730 (2007: $18,495) for investor relations services;
- $240,780 (2007: $32,868) for geological consulting services in relation to mineral properties; and
- $5,978 (2007: $7,739) representing the mark-up on out-of-pocket expenses, which are included in office and general expenses.

Amounts payable under the agreement at December 31, 2008 were $244,864 (2007: $36,918).

(b) Fees in the amount of $44,042 (2007: $93,449) were charged by a company privately held by a director and officer of the Company and included in investor relations, professional fees, share issue costs and mineral property expenditures. Amounts payable as at December 31, 2008 were $28,398 (2007: $3,760).

(c) Consulting fees relating to office administration of $25,250 (2007: $9,750) were charged by a private company controlled by an officer of the Company. Amounts payable as at December 31, 2008 were $12,600 (2007: $nil).

(d) Consulting fees relating to corporate development and financing activities of $62,500 (2007: $52,500) were charged by a private company controlled by a director and an officer of the Company and were included in share issue costs.

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 without specific terms of repayment. Amounts are expected to be repaid within a year.

11. Share Capital

(a) Authorized

(i) Unlimited common shares without par value; and

(ii) Unlimited preference shares without par value.

11. 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, net of cash share issue costs	6,466,000		1,687,256		-
Shares for mineral property acquisition	110,000		26,400		-
Stock-based compensation	-		-		256,409
Value assigned to agent warrants	-		(25,871)		25,871
Balance as at December 31, 2007	**17,746,439**		**6,779,211**		**282,280**
Issued					
Private placement, net of cash share issue costs	5,000,000		1,113,346		-
Shares for mineral property payment	310,000		30,463		-
Stock-based compensation	-		-		9,167
Value assigned to agent warrants	-		(35,954)		35,954
	5,310,000		1,107,855		45,121
Tax benefits renounced to flow-through share subscribers	-		(288,698)		-
Balance as at December 31, 2008	**23,056,439**	**$**	**7,598,368**	**$**	**327,401**

(c) Private Placements

<u>**Fiscal Year Ended December 31, 2008**</u>

On 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 7, 2010.

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; and

(ii) general cash share issue costs in the amount of $136,654.

11. Share Capital, continued

(c) Private Placements, continued

Fiscal Year Ended December 31, 2007

On September 27, 2007, the Company completed a non-brokered private placement of 3,055,000 flow-through shares at $0.30 per share and 3,320,000 non-flow-through shares at $0.25 per share for total gross proceeds of $1,746,500. The Company incurred cash share issuance costs of $59,244, issued 91,000 common shares to finders with fair value of $27,125, and issued share purchase warrants (fair value of $25,871 using the Black-Scholes option pricing model) to finders entitling the holder to purchase 392,000 common shares at $0.30 per share until September 25, 2008.

(d) Shares Issued for Mineral Property

Fiscal Year Ended December 31, 2008

In 2008, the Company issued 310,000 common shares, valued at $31,000, in lieu of the cash payment for the Swift Katie Property. The cash share issuance cost incurred was $537.

Fiscal Year Ended December 31, 2007

In 2007, the Company issued 110,000 common shares, valued at $26,400, in connection with the Swift Katie Property acquisition.

(e) Stock Options

As at December 31, 2008 and 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.

The Company's share options for the years ended December 31, 2008 and 2007 are summarized as follows:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2007	Granted	Cancelled or Expired	Balance December 31, 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			$0.17	$0.17	$0.17	$0.17
Weighted average contractual life in years			4.78	5	-	3.80

11. Share Capital, continued

(e) Stock Options, continued

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2006	Granted	Balance December 31, 2007
$0.25	$0.25	October 9, 2012	-	1,500,000	1,500,000
$0.28	$0.28	December 4, 2012	-	10,000	10,000
			-	**1,510,000**	**1,510,000**
Weighted average exercise price			-	$0.25	$0.25
Weighted average fair value			-	$0.17	$0.17
Weighted average contractual life in years			-	5	4.78

(f) Share Purchase Warrants

The Company's share purchase warrants for the years ended December 31, 2008 and 2007 are summarized as follows:

Exercise Price	Expiry Date	Balance December 31, 2007	Issued	Expired	Balance December 31, 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 fair value		$0.15	$0.14	$0.15	$0.14
Weighted average contractual life in years		0.74	1.2	-	1.18

Exercise Price	Expiry Date	Balance December 31, 2006	Issued	Balance December 31, 2007
$0.30	September 25, 2008	-	392,000	392,000
		-	**392,000**	**392,000**
Weighted average exercise price		-	$0.30	$0.30
Weighted average fair value		-	$0.15	$0.15
Weighted average contractual life in years		-	1	0.74

11. Share Capital, continued

(g) Fair Value Determination

The fair values of share purchase warrants issued to agents and stock options granted were calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2008		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%	80.55%
Expected option/warrant life in years	5.0	1.0	5.0	1.0
Expected dividend yield	0%	0%	0%	0%

The total calculated fair value of stock-based compensation for the years ended December 31, 2008 and 2007 would be allocated in the statement of operations as follows:

	2008	2007
Consultants	$ -	$ 52,434
Directors and officers	9,167	181,900
Total	**$ 9,167**	**$ 234,334**

12. Income Taxes

A reconciliation of the income tax benefit (provisions) with amounts determined by applying the Canadian income tax rates to the consolidated loss for each fiscal year ended December 31:

		2008		2007
Loss before income taxes	$	593,955	$	686,561
Income tax recovery at statutory rates	$	(187,096)	$	(234,255)
Deductible share issue costs		(14,124)		(5,937)
Non-deductible items		5,072		80,404
Write-off of accounts payable		(2,362)		(32,880)
Write-off of mineral properties		11,479		-
Effect of written-off accounts payables on loss carryforwards		2,362		32,880
Effect of losses expired		136,231		-
Mineral properties		(8,528)		11,644
Share issue cost net additions		(31,558)		(23,746)
Change in valuation allowance		(189,556)		(149,932)
Effect on change in tax rate		(10,618)		321,822
Future income tax recovery	$	(288,698)	$	-

During the year ended December 31, 2007, the Company issued 3,055,000 common shares on a flow-through basis for gross proceeds of $916,500. The flow-through agreement requires the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. During the year ended December 31, 2008, the Company renounced to investors exploration expenditures of $916,500 related to these flow-through shares resulting in a future income tax recovery of $288,698 (Note 11(b)).

The significant components of the Company's future income tax assets and liabilities are as follows:

		2008		2007
Future income tax assets:				
Share issue costs	$	161,824	$	69,470
Exploration expenditures		(905,778)		(22,075)
Excess of long-term investments for tax value over book value		1,242,998		1,242,988
Excess of tax value over book value of equipment		25,200		25,200
Non-capital loss carry-forwards		2,716,495		2,654,212
		3,240,739		3,969,805
Tax rate		26.00%		26.00%
		842,593		1,032,149
Valuation allowance		(842,593)		(1,032,149)
Net future income tax assets	$	-	$	-

12. Income Taxes, continued

A valuation allowance has been recognized as it is more likely than not that the Company will not realize the future benefit of these income tax assets. The Company is a junior mining resource company that has yet to prove they are exploring lands with adequate levels of extractable reserves to generate profits to use these tax assets.

Subject to certain restrictions, the Company has exploration and development expenditures of approximately $1,072,000 and operating losses of approximately $2,716,000 available to reduce future taxable income as follows:

	2008	2007
2008	$ -	$ 524,000
2009	233,000	233,000
2010	247,000	247,000
2014	396,000	395,000
2015	316,000	315,000
2026	374,000	375,000
2027	564,000	565,000
2028	586,000	-
	$ 2,716,000	$ 2,654,000

13. Supplemental Cash Flow Information

	2008	2007
Cash Items		
Income tax paid	$ -	$ -
Interest received	$ 1,137	$ -
Interest paid	$ 11,612	$ 14,147
Share issue costs	$ 137,191	$ 59,244
Non-Cash Items		
Investing Activities		
Mineral property costs included in accounts payable	$ -	$ 311,801
Mineral property costs included in due to related parties	$ 11,868	$ -
Stock-based compensation included in mineral properties	$ -	$ 22,075
Financing Activities		
Fair value of agent warrants	$ 35,954	$ 25,871
Shares issued for finders' fees	$ -	$ 27,125
Shares issued for mineral properties	$ 31,000	$ 26,400

14. Contingencies and Commitments

(a) Contingencies

During 2008, the Company wrote-off $7,500 (2007: $96,365) in accounts payable, resulting in a recovery of expenses. Management believes these amounts are not liabilities of the Company; 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.

(b) Commitments

Under a service agreement, as amended, between the Company and a company privately held by a director and officer of the Company, the Company is charged $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 for the next four years is as follows:

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

15. Subsequent events

(a) On March 10, 2009, the Company entered into an option agreement to acquire a 100% undivided interest in the Toughnut property, comprising nine mineral claims and one Crown grant located in the Nelson Mining Division of British Columbia (the "Toughnut Property").

To acquire a 100% interest in the Toughnut Property, the Company is required to make staged payments totaling $200,000, incur total exploration expenditures of $1,250,000, and issue 400,000 of its common shares to the Optionors over the next five years as follows:

(i) Pay $30,000, issue 50,000 shares, and incur not less than an aggregate $300,000 of exploration expenditures on or before March 10, 2010;

(ii) Pay $35,000, issue 50,000 shares, and incur not less than an aggregate $500,000 of exploration expenditures on or before March 10, 2011;

(iii) Pay $40,000, issue 50,000 shares, and incur not less than an aggregate $750,000 of exploration expenditures on or before March 10, 2012;

(iv) Pay $40,000, issue 50,000 shares, and incur not less than an aggregate $1,000,000 of exploration expenditures on or before March 10, 2013; and

15. Subsequent events, continued

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

The Company paid $5,000 and issued 100,000 shares valued at $0.07 per share to the Optionors on signing of the option agreement.

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

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

(b) In connection with the renunciation of flow-through expenditures of $1,000,000, the Company will record a future income tax recovery of $300,000 and recognize a charge against share capital in the same amount during the first quarter of 2009 fiscal year.

Management's Discussion and Analysis

For the Year Ended December 31, 2008

Dated: April 21, 2009

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 year ended December 31, 2008 to the same period in the previous year. These statements should be read in conjunction with the audited financial statements for the year ended December 31, 2008. All notes referenced herein may be found in the audited financial statements.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A, dated April 21, 2009, 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 National Stock Exchange. ("CNSX") 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 CNSX 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, B.Sc., P.Geo., is the qualified person under National Instrument 43-101 responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs for the Company's properties. Mr. McGrath attained his Bachelors degree in Earth Sciences from Memorial University of Newfoundland in 1992. His work has focused on gold and base metal targets associated with banded iron formations (BIF), volcanogenic–hosted Massive Sulphide (VHMS) deposits 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/t	- Gram per metric ton	1	oz/t	=	34.2857	ppm			
mg	- Milligram	1	Carat	=	41.6660	mg/g			
kg	- Kilogram	1	ton (avdp.)	=	907.1848	kg			
ug	- Microgram	1	oz (troy)	=	31.1035	g			

Information from www.onlineconversion.com

D. 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 Star Property, the Swift Katie Property, and the Toughnut 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 Note 8 to the Company's audited financial statements as at December 31, 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 ("Au")-silver ("Ag") ore from shallow workings and reflect potential for 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 completed a prospecting and sampling surface exploration program during June 2008 that resulted in the collection of 38 rock grab samples that were analyzed for Au-platinum ("Pt")-palladium ("Pd") + 34 element ICP.

On December 3, 2008, the Company decided to relinquish the option agreement without liability by giving written notice of the termination to the Optionor.

Accordingly, $36,442 (acquisition costs of $4,909 and exploration costs of $31,533) was written off against the net loss for the year.

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 Company has the option to purchase one percent of the royalty, thus reducing it to 2%, at any time prior to the commencement of commercial production by paying $1,500,000 to the Optionors.

To acquire a 100% interest in the Star Property, the Company is required to make staged payments totalling US $300,000 to May 13, 2017 and incur total exploration expenditures of $400,000 to May 13, 2013. Detailed information about the agreement is provided in Note 8 to the most recent audited financial statements.

E. Description of Mineral Properties, continued

ii) Star Property, continued

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 group of 25 Crown-granted claims covering an area of approximately 365 hectares. The claims contain three historic mines that produced small amounts of Au-Ag-Cu ore from mineralized fault zones.

During August and September 2008, the company completed its inaugural exploration program on the recently acquired claims by conducting surface prospecting/sampling and diamond drilling. Drilling totalled 1,672 metres in six holes and included the collection of more than 800 core samples for analyses.

All assay results from this work, centred on the Alma N and Star zones, has been received and were publicly disclosed on January 22, 2009 (see NR-01-09). The results of the program were very encouraging with all holes intersecting anomalous Au, Ag and Cu mineralization. Drilling highlights include: hole VST08-006 (Alma N zone) 5.94 g/t Au and 3.78 g/t Ag over 12.97 metres, which includes a higher grade intercept of 18.77 g/t Au and 11.55 g/t Ag over 4.0 metres; and drill hole VST08-004 (Star zone) 6.28 g/t Au and 7.20 g/t Ag over 2.0 metres.

The program targeted a series of porphyry-type Au-copper ("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.

Valterra is currently compiling all of the available data and planning for a follow-up exploration program on the property in 2009, where approximately 1,500 to 2,500 metres of drilling is anticipated.

iii) Swift Katie Mineral Property

Pursuant to the amended option agreement dated December 18, 2008, in order to earn 60% interest in the Swift Katie property the Company is required to make cash payments totalling $85,000 (changed from $120,000), incur aggregate exploration expenditures of $600,000 and issue 640,000 common shares (changed from 440,000 common shares). To earn the remaining 40% interest in the Swift Katie property, the Company must make additional cash payments of $120,000, incur additional exploration expenditures of $700,000 and issue 450,000 of its common shares to the Optionors by December 31, 2011.

The Optionors of the property retain a 2% NSR on the property if the Company earns a 60% interest and a 3% NSR if the Company earns a 100% interest in the property. The Company has the option to purchase one-half of the royalty for $1,000,000 per 1% at any time prior to the commencement of commercial production.

E. Description of Mineral Properties, continued

iii) Swift Katie Mineral Property, continued

Beginning December 31, 2010 and annually thereafter the Optionee will make an annual advance minimum royalty payment of $35,000, increasing to $50,000 annually on December 2012 and thereafter. These payments will be adjusted annually according to the CPI base of December 31, 2006. Annual advance minimum royalty payments are deductible from future NSR royalty payments.

Detailed information about the agreement is provided in Note 8 to the most recent audited financial statements.

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, with the most significant 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 totalled 1,126 metres; and an approximately 505 line-kilometre Airborne DIGHEM geophysical survey was completed over an estimated 95% of the property attempting 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 Katie Main zone and included 10 holes that totalled 2,954 metres and resulted in the collection of over 1,500 core samples for analyses. All assay results from this work has been received and was disclosed publicly on January 26, 2009 (see NR-02-09). The results of the program were very encouraging with all holes intersecting anomalous Cu and Au mineralization. Drilling highlights include: hole VKT08-068 returned 0.21% Cu and 1.25 g/t Au over 7.90 metres; and drill hole VKT08-071 that graded 0.25% Cu and 0.47 g/t Au over 33.07 metres and included a higher grade gold zone of 0.05% Cu and 1.73 g/t Au over 7.07 metres.

Management of the Company believes that the Swift Katie Property warrants further exploration, and activities over the current year are foreseen for this property. Drilling plans anticipate a continuance in the Katie Main area testing the extension of near-surface mineralization, and the on strike potential of high-grade mineralization in the 17 Zone and Swift area targets.

E. Description of Mineral Properties, continued

iv) Toughnut Mineral Property

On March 10, 2009, the Company entered into an option agreement to acquire a 100% undivided interest in the Toughnut property, comprising nine mineral claims and one Crown-grant claim located in the Nelson Mining Division of British Columbia (the "Toughnut Property").

To acquire a 100% interest in the Toughnut Property, the Company is required to make staged payments totalling $200,000, incur total and aggregate $1,250,000 of exploration expenditures, and issue 400,000 of its common shares to the Optionors over the next five years (to March 10, 2014). The Optionors of the Toughnut Property retain a net smelter return ("NSR") royalty of 1% on three mineral claims and 2% on the reminder of the property. The Company has the option to purchase one-half of the Optionors' NSR royalty by payment of the sum of $1,000,000.

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

The Company paid $5,000 and issued 100,000 shares to the Optionors at a fair value of $7,000 on signing of the option agreement.

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 8 of the audited financial statements dated December 31, 2008. The deferred mineral property costs as at December 31, 2008 were as follows:

	Balance	Additions					Balance
	December 31, 2007	Q1	Q2	Q3	Q4	Year	December 31, 2008
	$	$	$	$	$	$	$
Gus	3,842	2,508	9,870	14,185	(30,405)	(3,842)	-
Star	-	2,047	11,102	307,796	59,027	379,972	379,972
Swift Katie	684,359	170,284	63,068	576,270	104,183	913,805	1,598,164
Total	**688,201**	**174,839**	**84,040**	**898,251**	**132,805**	**1,289,935**	**1,978,136**

F. Mineral Properties Deferred Costs, continued

	Star	Swift Katie	Total December 31, 2008
	$	$	$
Acquisitions	6,727	146,316	153,043
Assays and analysis	30,896	86,355	117,251
Camp and supplies	9,459	15,721	25,180
Drilling	223,666	684,275	907,941
Environmental expenses	460	5,020	5,480
Equipment rental and field supplies	6,145	29,103	35,248
General exploration	2,387	1,661	4,048
Geological services	22,210	478,979	501,189
Project supervision	30,430	89,675	120,105
Project support	38,684	16,744	55,428
Stock-based compensation	-	22,075	22,075
Travel	8,908	22,240	31,148
Total	**379,972**	**1,598,164**	**1,978,136**

The deferred mineral property costs as at December 31, 2007 were as follows:

	Balance December 31, 2006	Additions Q1	Q2	Q3	Q4	Year	Balance December 31, 2007
	$	$	$	$	$	$	$
Gus	-	-	-	-	3,842	3,842	3,842
Swift Katie	49,593	9,199	25,471	4,907	595,189	634,766	684,359
Total	**49,593**	**9,199**	**25,471**	**4,907**	**599,031**	**638,608**	**688,201**

	Swift Katie	Gus	Total December 31, 2007
	$	$	$
Acquisitions	93,295	3,642	96,937
Assays and analysis	9,397	200	9,597
Camp and supplies	3,893	-	3,893
Drilling	271,336	-	271,336
Equipment rental and field supplies	7,821	-	7,821
General exploration	325	-	325
Geological services	249,471	-	249,471
Project supervision	13,813	-	13,813
Project support	1,137		1,137
Stock-based compensation	22,075	-	22,075
Travel	11,796	-	11,796
Total	**684,359**	**3,842**	**688,201**

G. Results of Operations

Significant variances are summarized below:

	Year ended December 31,		Variance	
	2008	**2007**	**Increase/(Decrease)**	
	$	**$**	**$**	**%**
Expenses				
Administration	123,084	94,371	28,713	30%
Amortization	1,094	471	623	132%
Consulting services	56,488	72,748	(16,260)	(22%)
General exploration	17,620	19,423	(1,803)	(9%)
Independent directors' fees	45,945	27,872	18,073	65%
Interest	10,475	14,147	(3,672)	(26%)
Investor relations	39,576	60,319	(20,743)	(34%)
Office and general	47,216	32,925	14,291	43%
Professional fees	165,263	170,700	(5,437)	(3%)
Regulatory fees and taxes	14,453	20,850	(6,397)	(31%)
Shareholders communications	2,314	1,673	641	38%
Stock-based compensation	9,167	234,334	(225,167)	(96%)
Transfer agent	7,778	15,117	(7,339)	(49%)
Travel and promotion	24,175	9,521	14,654	154%
Other				
Foreign exchange loss	365	8,455	(8,090)	(96%)
Gain on written off debt	(7,500)	(96,365)	(88,865)	(92%)
Mineral properties written-off	36,442	-	36,442	N/A
Future income tax recovery	(288,698)	-	288,698	N/A
Net loss and comprehensive loss	**305,257**	**686,561**	**(381,304)**	**(56%)**

The Company reported a net loss of $305,257 for the year ended December 31, 2008 ("2008") compared to a net loss of $686,561 for the year ended December 31, 2007 ("2007"). This decrease in net loss of $381,304 was primarily due to:

(i) decrease of $225,167 in the stock-based compensation expense. Stock-based compensation is a non-cash item representing the fair value determined under the Black-Scholes model of the vested portion of options granted during the period, which was allocated to the statement of operations and deficit.

(ii) recording of a future income tax recovery of $288,698 – a non-cash item, related to the tax benefits renounced to flow-through share subscribers in January 2008.

G. Results of Operations, continued

In addition, following expenses showed decrease in year 2008 compared to year 2007:

(i) Transfer agent fees decreased by 49% due to less activity related to the Company's stock transactions.

(ii) Investor relations expenses decreased by 34% compared to 2007, when the Company incurred more investor relations expenses related to its listing activation on the Frankfurt Stock Exchange.

(iii) Regulatory fees and taxes and transfer agent fees decreased by 31% in 2008 due to decrease in non-recurring expenses such as listing fees.

(iv) Consulting fees decreased by 22% due to the reduced corporate development consulting work.

Following expenses increased during year 2008 compared to year 2007:

(i) Travel and promotion costs increased by 154% due to increase in travel for trade shows and analyst meetings.

(ii) Directors' fees increased by 65% reflecting the Company's current independent directors' compensation policy which was effective from October 1, 2007.

(iii) Administration fees increased by 30% in accordance with the administrative agreement entered into during the year.

(iv) Office and general expenses increased by 43% due to an increase in the time expended administrating the Company.

H. Quarterly Results

The following financial data was derived from the Company's financial statements for the each of eight most recently completed quarters.

	Dec 31 2008 $	**Sep 30 2008 $**	**Jun 30 2008 $**	**Mar 31 2008 $**	**Dec 31 2007 $**	**Sep 30 2007 $**	**Jun 30 2007 $**	**Mar 31 2007 $**	**Dec 31 2006 $**
Operating expenses	110,829	121,431	143,601	179,620	225,197	159,514	92,177	71,704	159,211
Foreign exchange (gain) loss	48	317	-	-	-	-	-	-	-
Loss before the following items	110,877	121,748	143,601	179,620	225,197	159,514	92,177	71,704	159,211
Stock-based compensation	-	-	9,167	-	234,334	-	-	-	-
Future income tax recovery	-	-	-	(288,698)	-	-	-	-	-
Mineral properties written-off	36,442	-	-	-	-	-	-	-	-
Gain on settlement of debt	-	-	-	-	-	-	-	-	(250,000)
Gain on written-off debt	-	-	-	(7,500)	-	(96,365)	-	-	-
Net (Gain)/Loss	**147,319**	**121,748**	**152,768**	**(116,578)**	**459,531**	**63,149**	**92,177**	**71,704**	**(90,789)**
Loss (gain) per share-basic and diluted	$0.01	$0.01	$0.01	($0.01)	$0.03	$0.01	$0.01	$0.01	($0.01)

I. Fourth Quarter

The Company's operating expenses slightly decreased in the forth quarter of 2008 compared to the previous quarter of the same year. Operating expenses in the fourth quarter of 2008 decreased by $33,888 and $68,784 compared to the second and first quarter of the year respectively, mainly due to decrease in investor relation services, professional fees and travel and promotion. The management had expected the deterioration in the market conditions and had started early in 2008 to review its planned spending and had taken some initial measures to conserve cash where possible. Hence, operating expenses have been decreasing on a quarterly basis since the fourth quarter of 2007.

Operating expenses in the fourth quarter of 2008 significantly decreased compared to operating expenses in the fourth quarter of 2007. The decrease of $114,361 was due to the significant decrease in investor relation services charges ($47,967), office and general expenses ($21,220), directors and officers fees ($15,315), and professional fees ($14,782).

During the fourth quarter of 2008, the Company has written off capitalized acquisition and exploration expenditures of $36,442 on Gus property upon decision to terminate the option agreement.

J. Selected Annual Information

The following financial data was derived from the Company's audited consolidated financial statements for each of the three most recently completed fiscal years ending December 31:

		2008		2007		2006
Total revenues	$	-	$	-	$	-
Net loss (gain) for the year	$	305,257	$	686,561	$	(1,054,828)
Basic and fully diluted loss (gain) per share	$	0.02	$	0.05	$	(0.52)
Total assets	$	2,183,238	$	1,580,525	$	232,853
Total long-term financial liabilities	$	-	$	-	$	-
Cash dividends declared per common share	$	-	$	-	$	-

K. Related Parties Information

The Company entered into the following related party transactions during the year ended December 31, 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 year ended December 31, 2008 were $472,574 (2007: $197,107). Amounts payable under the agreement at December 31, 2008 were $244,864 (2007: $36,918).

(b) Fees in the amount of $44,042 (2007: $93,449) 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 December 31, 2008 were $28,398 (2007: $3,760).

K. Related Parties Information, continued

(c) Consulting fees relating to office administration of $25,250 (2007: $9,750) were charged by a private company controlled by the VP Administration of the Company. Amounts payable as at December 31, 2008 were $12,600 (2007: $nil).

(d) Consulting fees relating to corporate development and financing activities of $62,500 (2007: $52,500) were charged by a private company controlled by the Senior VP Corporate Development of the Company and were included in share issue costs.

The total amount due to related parties was $285,862 (2007: $40,678) as at December 31, 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.

L. Financial Conditions, Liquidity and Capital Resources

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

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

Cash and cash equivalents as at December 31, 2008 and 2007 totaled $128,036 and $800,455 respectively.

The Company had a net working capital deficiency of $490,767 as at December 31, 2008 compared to net working capital of $256,053 as at December 31, 2007. The increase in the working capital deficiency arose primarily from the fact that due to extremely unfavorable market conditions the Company had decided not to engage in initially budgeted private placement financing.

To address the current working capital deficiency the Company is reviewing ways to reduce general and administration costs, negotiating extended payment terms of its trade payables, and reviewing its capital expenditure plan and future commitments to identify opportunities to reduce or delay spending and payments. The Company is considering alternative sources of capital and their cost. However, at December 31, 2008 the cash balance of $128,036 would be insufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral interests, and continuing with its exploration program in the coming year. Therefore, the Company will likely be required to raise additional capital in order to fund its operations in 2009.

L. Financial Conditions, Liquidity and Capital Resources, continued

i) Equity financings

<u>**Year ended December 31, 2008**</u>

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 the following share issue costs related to these non-brokered private placements:

- non-cash share issue costs of $35,954, which represented the fair value, calculated using the Black-Scholes option pricing model, of 250,000 share purchase warrants issued to the agents. Each warrant is exercisable at $0.30 to July 7, 2009;
- cash share issue costs in the amount of $136,654.

As at December 31, 2008, the Company had $127,000 of unspent funds form the flow-through private placement.

<u>**Year Ended December 31, 2007**</u>

(a) On September 27, 2007, the Company completed a non-brokered private placement of 3,055,000 flow-through shares at $0.30 per share and 3,320,000 non-flow-through shares at $0.25 per share for total gross proceeds of $1,746,500. The Company incurred cash share issuance costs of $59,244, issued 91,000 finders common shares to (fair value of $27,125), and issued share purchase warrants to finders entitling the holder to purchase 392,000 common shares at $0.30 per share (fair value of $25,871) until September 28, 2008.

(b) In 2007, the Company issued 110,000 common shares, valued at $26,400, in connection with the Swift Katie Property acquisition.

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

There were no stock options and share purchase warrants exercised in the year ended December 31, 2008 and year ended December 31, 2007.

iii) Mineral properties expenditures

<u>**Year ended December 31, 2008**</u>

The Company expended $1,595,310 on mineral properties (net of shares issued for acquisition costs, stock-based compensation and ending balance of accounts payable for mineral properties). Approximately 68% of this amount was directed towards Swift Katie, 30% to Star, and 2% to Gus.

<u>**Year ended December 31, 2007**</u>

The Company expended $278,332 on mineral properties (net of shares issued for acquisition costs, stock-based compensation and ending balance of accounts payable for mineral properties). The entire amount was spent on Swift Katie Property.

L. Financial Conditions, Liquidity and Capital Resources, continued

iv) Amount receivable

As at December 31, 2008, the Company had $12,602 (December 31, 2007: $42,204) GST receivable from Canada Revenue Agency.

v) 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) Star Mineral Property

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

(b) Swift Katie Mineral Property

- $35,000 and incur in the aggregate a minimum of $600,000 (incurred) in exploration expenditures on or before December 31, 2009;
- Issue 110,000 common shares to the Optionors on or before December 31, 2009;
- $60,000 and incur further $350,000 (incurred) in exploration expenditures on or before December 31, 2010;
- Issue 225,000 common shares to the Optionors on or before December 31, 2010.

(c) Toughnut Mineral Property

- Pay $30,000, issue 50,000 shares, and incur not less than an aggregate $300,000 of exploration expenditures on or before March 10, 2010.

vi) 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.

M. 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 December 31, 2008	23,056,439	7,598,368
Shares issued for mineral property, net of share issue costs	100,000	6,228
Tax benefits renounced to flow-through share subscribers	-	(300,000)
Balance as at April 21, 2009	**23,156,439**	**7,304,596**

ii) Share Purchase Warrants

Warrants outstanding at April 21, 2009 are as follows:

Exercise Price	Expiry Date	Balance April 21, 2009
$0.30	July 7, 2009	250,000
$0.30	July 7, 2010	500,000
		750,000
Weighted average exercise price		$0.30
Weighted average fair value		$0.14
Weighted average contractual life in years		0.88

iii) Stock Options

Stock options outstanding at April 21, 2009 are as follows:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2008	Cancelled or Expired	Granted	Balance April 21, 2009
$0.25	$0.25	October 9, 2012	1,345,000	-	-	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	-	-
$0.10	$0.06	February 24, 2014	-	-	50,000	50,000
			1,405,000	**50,000**	**50,000**	**1,405,000**
Weighted average exercise price			$0.25	$0.25	$0.10	$0.24
Weighted average fair value			$0.17	$0.17	$0.06	$0.17
Weighted average contractual life in years			3.78	-	5	3.47

N. 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. However, the Company expects to operate a significantly reduced exploration program, in the light of the financial markets crisis and economic slowdown.

O. Financial Instruments

The Company's financial instruments comprise cash and cash equivalents, classified as held-for-trading, reclamation bonds, classified as loans and receivables, investments, classified as available-for-sale, and bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties, classified as other financial liabilities.

The carrying values of cash and cash equivalents, reclamation bonds, bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties are a reasonable estimate of the fair values due to the relatively short time period to maturity. The fair value of investments is based on its carrying value as there is no quoted market price in an active market for the investments.

The Company has no exposure to Asset Backed Commercial Paper.

P. Off-Balance Sheet Arrangements

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

Q. 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.

R. 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 December 31, 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.

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 Multilateral Instrument 52-110 Audit Committees, national Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

S. Risks and Uncertainties

The principal business of the Company is the acquisition, exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of development, the following risk factors, among others, should be considered.

Exploration Stage Company

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change.

Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

No Operating History and Availability of Financial Resources

The Company does not have an operating history and has no operating revenues and is unlikely to generate any in the foreseeable future. Hence, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the 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. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or discontinue its operations.

Price Volatility and Lack of Active Market

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

S. Risks and Uncertainties, continued

Competition

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

Government Regulations and Environmental Risks and Hazards

The Company conducts is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource property interests, the potential for production on the property may be diminished or negated.

The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties. The Company is not aware of any existing environmental hazards related to any of its current or former property interests that may result in material liability to the Company.

Title to Property

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements or transfers, aboriginal land claims, government expropriation and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties.

Dependence on Key Personnel

The Company is dependent on a relatively small number of key directors, officers and senior personnel. Loss of any one of those persons could have an adverse affect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

T. Changes in Accounting Policies, Including Initial Adoptions and Future Accounting Changes

(a) 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:

(i) General Standards of Financial Statement Presentation, Section 1400: This standard 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.

(ii) Capital Disclosure, Section 1535: This standard requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objective, policies and procedures for managing capital.

Note 3 of the most recent audited financial statements provide more information on the Company's capital management.

iii) Financial Instruments Disclosures, Section 3862 and Financial Instruments Presentation, Section 3863: Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performance, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

(b) In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new section is effective for the Company on January 1, 2009. The Company is in the process of assessing the impact of this new section on its financial statements.

(c) In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's interim and annual financial statements relating to reporting periods beginning on or after January 1, 2011 with restatement of comparative information presented.

The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures. The Company has established an implementation team to develop the changeover plan to IFRS, and the target completion of the changeover is before the end of December 2009.

T. Changes in Accounting Policies, Including Initial Adoptions and Future Accounting Changes, continued

(d) In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary.

Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

(e) On January 20, 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-173, Credit Risk and the Fair value of Financial Assets and Financial Liabilities, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC- 173. The Company will apply this recommendation in its fair value determinations for financial information relating to reporting periods beginning on or after January 20, 2009, and is currently assessing the impact of this change on its financial statements.

(f) In March 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-174 Mining exploration costs, which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. This EIC also provides additional discussion on recognition for long lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements. The Company adopted this recommendation effective March 2009.

U. 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.

V. 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.

W. 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.