Valterra Resource Corporation

(An Exploration Stage Company)

Interim Financial Statements

Nine Months Ended September 30, 2009

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements of the Company for the nine months ended September 30, 2009 were prepared by management and have not been reviewed or audited by the Company's auditors.

Valterra Resource Corporation
(An Exploration Stage Company)
Balance Sheets

			Unaudited September 30, 2009		Audited December 31, 2008
Assets					
Current					
Cash	Note 14	$	66,506	$	128,036
Receivables			20,948		12,602
Prepaid and deposits			4,764		9,317
			92,218		**149,955**
Reclamation bonds	Note 6		45,000		52,000
Equipment	Note 7		2,437		3,143
Investments	Note 8		-		4
Mineral properties	Note 9		2,312,050		1,978,136
		$	**2,451,705**	**$**	**2,183,238**
Liabilities					
Current					
Bank indebtedness	Note 10	$	198,488	$	199,330
Accounts payable and accrued liabilities			126,601		155,530
Due to related parties	Note 11		319,554		285,862
			644,643		**640,722**
Shareholders' Equity					
Share capital	Note 12		7,914,505		7,598,368
Contributed surplus	Note 12		456,457		327,401
Deficit			(6,563,900)		(6,383,253)
			1,807,062		**1,542,516**
		$	**2,451,705**	**$**	**2,183,238**

Nature of operations and going concern (Note 1)
Commitments (Note 13)

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

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Expenses				
Administration	$ 27,577	$ 30,431	$ 83,449	$ 93,168
Amortization	235	294	706	800
Consulting	18,333	16,929	76,704	52,010
General exploration	2,705	4,260	8,945	16,100
Independent directors' fees	12,000	9,970	34,125	31,775
Interest	2,307	3,800	5,595	7,954
Investor relations	17,296	5,904	40,579	24,051
Office and general	2,502	10,008	21,475	39,782
Professional fees	29,215	36,419	94,148	137,605
Regulatory fees and taxes	900	1,500	7,220	12,474
Shareholders communications	2,493	1,023	4,485	2,313
Stock-based compensation	95,818	-	98,569	9,167
Transfer agent	1,394	893	3,906	3,023
Travel and promotion	170	-	737	23,597
	212,945	**121,431**	**480,643**	**453,819**
Other items				
Foreign exchange loss	-	317	-	317
Write-off of accounts payable	-	-	-	(7,500)
Write-off of investments	4	-	4	-
Loss before future income tax recovery	**(212,949)**	**(121,748)**	**(480,647)**	**(446,636)**
Future income tax recovery	**-**	**-**	**300,000**	**288,698**
Net loss and comprehensive loss for the period	**(212,949)**	**(121,748)**	**(180,647)**	**(157,938)**
Deficit, beginning of the period	**(6,350,951)**	**(6,114,186)**	**(6,383,253)**	**(6,077,996)**
Deficit, end of the period	**$ (6,563,900)**	**$ (6,235,934)**	**$ (6,563,900)**	**$ (6,235,934)**
Earnings (loss) per share - basic and diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	29,400,483	22,420,352	25,524,727	20,184,795

The accompanying notes are an integral part of these financial statements

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

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Operating activities				
Net loss and comprehensive loss for the period	$ (212,949)	$ (121,748)	$ (180,647)	$ (157,938)
Items not involving cash:				
Amortization	235	294	706	800
Future income tax recovery	-	-	(300,000)	(288,698)
Stock-based compensation	95,818	-	98,569	9,167
Write-off of investments	4	-	4	-
	(116,892)	(121,454)	(381,368)	(436,669)
Changes in non-cash working capital				
Receivables	(11,204)	(41,368)	(8,346)	(7,563)
Prepaid and deposits	216	76,483	4,553	(8,454)
Accounts payable and accrued liabilities	(61,180)	(3,279)	(42,478)	(176,995)
Due to related parties	(4,936)	75,703	21,507	169,609
	(77,104)	107,539	(24,764)	(23,403)
Cash used in operating activities	**(193,996)**	**(13,915)**	**(406,132)**	**(460,072)**
Investing activities				
Expenditures on mineral properties	(137,998)	(938,450)	(280,855)	(1,154,608)
Refund (purchase) of reclamation bond	-	(10,000)	7,000	(17,000)
Cash used in investing activities	**(137,998)**	**(948,450)**	**(273,855)**	**(1,171,608)**
Financing activities				
Shares issued for cash	275,626	1,187,500	654,626	1,187,500
Share issue costs	(16,315)	(66,285)	(35,327)	(74,154)
Cash provided from financing activities	**259,311**	**1,121,215**	**619,299**	**1,113,346**
Increase (decrease) in cash during the period	**(72,683)**	**158,850**	**(60,688)**	**(518,334)**
Cash, beginning of the period	(59,299)	(75,975)	(71,294)	601,209
Cash, end of the period	**$ (131,982)**	**$ 82,875**	**$ (131,982)**	**$ 82,875**
Cash consists of:				
Cash	$ 66,506	$ 282,383	$ 66,506	$ 282,383
Bank indebtedness	(198,488)	(199,508)	(198,488)	(199,508)
	$ (131,982)	**$ 82,875**	**$ (131,982)**	**$ 82,875**

Supplemental cash flow information (Note 14)

The accompanying notes are an integral part of these financial statements

1. Nature of Operations and Going Concern

Valterra Resource Corporation (the "Company") is an exploration stage company. The Company was incorporated in Alberta, continued to the Yukon on May 8, 1997 and subsequently continued to British Columbia on February 22, 2008.

The Company's shares trade on the Canadian National Stock Exchange. ("CNSX") under the symbol "VTA" and on the Frankfurt Stock Exchange under the symbol "3VA.F".

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 September 30, 2009, the Company had a working capital deficiency of $552,425 (December 31, 2008: $490,767) and cash in the amount of $66,506.

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of $6,563,900 (December 31, 2008: $6,383,253).

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 but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. In June and July 2009, the Company closed three non-brokered private placements of flow through and non flow-through units raising gross proceeds of $654,626 (Note 12).

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. Basis of presentation

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

These unaudited interim financial statements do not contain all of the information required for annual financial statements and they should be read in conjunction with the Company's annual audited financial statements for the fiscal year ended December 31, 2008. All material adjustments, which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods, have been reflected.

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

Certain of the prior periods' comparative figures have been reclassified to conform to the presentation adopted in the period.

3. Summary of Significant Accounting Policies and Accounting Changes

The results for the nine months ended September 30, 2009 are stated utilizing the same accounting policies and methods of application as the most recent annual audited financial statements, but are not necessarily indicative of the results to be expected for the full year.

(a) Accounting Changes

(i) Effective January 1, 2009, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This new 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. The adoption of the new Section did not have an impact on the Company's financial statements since the Company does not have any goodwill or intangible assets that are accounted for in accordance with this section.

(b) Future Accounting Changes

(i) 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.

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

(b) Future Accounting Changes, continued

(i) 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 will evaluate the impact of these new sections on its financial statements when applicable.

(ii) 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 and developed a plan to implement the changeover to IFRS on a timely basis.

4. Capital Management

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

The Company's capital includes components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been funded by the issuance of common shares. The Company will continue to rely on share issuances for future funding depending upon market and economic conditions at the time (Note 3(b)).

The Company is not subject to externally imposed capital requirements other than those related to its credit facility disclosed in Note 10. The Company is in compliance with the externally imposed capital requirements disclosed in Note 10.

5. Financial Instruments

The Company's financial instruments comprise cash, 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:

5. Financial Instruments, continued

	September 30, 2009			December 31, 2008		
Financial Assets	Held-for-trading	Available-for-sale	Loans and Receivables	Held-for-trading	Available-for-sale	Loans and Receivables
Cash	$ 66,506	$ -	$ -	$ 128,036	$ -	$ -
Accounts receivable	-	-	7,500	-	-	-
Investments	-	-	-	-	4	-
Reclamation bonds	-	-	30,000	-	-	30,000
	$ 66,506	$ -	$ 37,500	$ 128,036	$ 4	$ 30,000

	September 30, 2009	December 31, 2008
Financial Liabilities	Other Financial Liabilities	Other Financial Liabilities
Bank indebtedness	$ 198,488	$ 199,330
Accounts payable and accrued liabilities	126,601	155,530
Due to related parties	319,554	285,862
	$ 644,643	$ 640,722

Fair Value

The carrying values of cash, reclamation bonds, accounts receivable, 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 their carrying value as there is no quoted market price in an active market for these 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 percent increase or decrease in interest rates would not have a material effect on the Company's results of operations.

(b) Credit Risk

The Company is exposed to credit risk mainly in respect to managing its cash position. 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 Company has no exposure to asset-backed commercial paper.

5. 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 on May 13, 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 September 30, 2009 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. As at September 30, 2009 the cash balance of $66,506 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 following few months. However, the Company will be required to raise additional capital in order to fund its operations.

6. Reclamation Bonds

The Company has posted bonds against any potential land restoration costs that may be incurred in the future on certain properties. The monies are held in trust, earning nominal interest and may be released after required reclamation is satisfactorily completed.

During the nine months ended September 30, 2009 a reclamation bond of $7,000 for Gus property was refunded to the Company. As at September 30, 2009 the amount on deposit was $45,000 (December 31, 2008: $52,000), of which $35,000 is for the Swift Katie Property, and $10,000 is for the Star Property.

The Company has accrued interest of $402 on the reclamation bond of $30,000 for Swift Katie Property.

7. Equipment

	Cost	Accumulated Amortization	Net Book Value As At Sept 30, 2009	Net Book Value As At Dec 31, 2008
	$	$	$	$
Equipment	4,707	2,270	2,437	3,143

8. Investments

The Company wrote off its investments in Hester Creek Estate Winery, Abridean Inc., BioVan Inc., and Cardiovascular Solutions Inc. These investments were purchased in the period 1999-2000 for a total of $2,350,000 and were written down to $1 each in the period 2001-2002 due to other than temporary decline in their recoverable amount.

9. Mineral Properties

The Company has interests in three mineral properties, located in British Columbia, Canada. These are Star, Swift Katie and Toughnut. Details of option agreements in respect of Star and Swift Katie are disclosed in the notes to the audited financial statements dated December 31, 2008.

(a) Swift Katie Property

On August 21, 2009 the Company entered into an option agreement with JRTL Capital Corp. (“JRTL”) in respect to Swift Katie mineral property. The agreement is subject to the approval of TSX Venture Exchange (“TSX.V”).

Pursuant to the agreement, the Company granted JRTL a working option to acquire 60% interest in Swift Katie property subject to the reservation of a 3% net smelter return royalty (“NSR”) over the property in favour of the original property vendors.

In order to maintain the working option in good standing and to earn the 60% interest in the property, JRTL is required to make staged cash payments to the Company in the total amount of $155,000 as well as to issue 500,000 shares and incur exploration expenditures on the property aggregating $3,000,000 as follows:

(i) Pay $35,000 on or before December 15, 2009, issue 100,000 shares within three business days of TSX.V approval of the agreement;

(ii) Pay $60,000, issue 100,000 shares and incur $250,000 of exploration expenditures on or before December 31, 2010;

(iii) Pay $60,000, issue 100,000 shares and incur $500,000 of exploration expenditures on or before December 31, 2011;

(iv) Issue 100,000 shares and incur $750,000 of exploration expenditures on or before December 31, 2012;

9. Mineral Properties, continued

(a) Swift Katie Property, continued

(v) Issue 100,000 shares and incur $750,000 of exploration expenditures on or before December 31, 2013;

(vi) Incur $750,000 of exploration expenditures on or before December 31, 2014.

In addition, commencing December 31, 2010 and annually thereafter, JRTL will be required to make annual advance minimum royalty payments of $35,000 increasing annually to $50,000 on December 31, 2012 and thereafter. The annual advance minimum royalty payments made are deductible from the NSR payments required to be made.

The agreement has a provision for a joint-venture operation agreement between the Company and JRTL upon JRTL acquiring 60% interest in the property.

(b) Star Property

In May 2009, the Company paid US$20,000 pursuant to an option agreement to acquire 100% undivided interest in the Star Property as disclosed in Note 8(b) to the audited financial statements dated December 31, 2008.

(c) Toughnut Property

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

(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 at a fair value of $0.07 per share to the Optionors on signing of the option agreement.

9. Mineral Properties, continued

(c) Toughnut Property

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.

(d) Mineral Properties Deferred Costs

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

A summary of capitalized acquisition and exploration expenditures on the Company’s properties as at September 30, 2009 follows:

	Balance December 31, 2008 $	Additions Q1 $	Q2 $	Q3 $	YTD $	Balance September 30, 2009 $
Star	379,972	31,635	73,662	138,919	244,216	624,188
Swift Katie	1,598,164	6,003	17,422	27,164	50,589	1,648,753
Toughnut	-	22,148	4,932	12,029	39,109	39,109
Total	**1,978,136**	**59,786**	**96,016**	**178,112**	**333,914**	**2,312,050**

9. Mineral Properties, continued

(d) Mineral Properties Deferred Costs

Mineral Properties	Star $	Swift Katie $	Toughnut $	Total $
Acquisition				
Balance as at December 31, 2008	6,727	146,316	-	153,043
Additions during the period	26,619	6,935	19,453	53,007
Balance as at September 30, 2009	**33,346**	**153,251**	**19,453**	**206,050**
Exploration				
Balance as at December 31, 2008	373,245	1,451,848	-	1,825,093
Assays and analysis	13,961	-	-	13,961
Camp and supplies	2,126	101	101	2,328
Drilling	57,371	-	1,000	58,371
Environmental expenses	1,335	2,205	-	3,540
Equipment rental and field supplies	7,259	1,946	431	9,636
General exploration	8	-	3,223	3,231
Geological and geophysical services	3,720	1,250	-	4,970
Project supervision	123,548	25,724	14,859	164,131
Stock-based compensation	7,938	12,387	-	20,325
Travel	331	41	42	414
Net additions during the period	217,597	43,654	19,656	280,907
Balance as at September 30, 2009	**590,842**	**1,495,502**	**19,656**	**2,106,000**
Total acquisition and exploration as at September 30, 2009	**624,188**	**1,648,753**	**39,109**	**2,312,050**

10. 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.

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.

Balance as at September 30, 2009 was $198,488 (December 31, 2008: $199,330).

11. Related Party Balances and Transactions

Following are the related party transactions that the Company entered into during the nine months ended September 30, 2009 and the outstanding balances as at September 30, 2009:

(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 a total of $349,261 (September 30, 2008: $385,251). This charge was in respect to office accommodation and office management services, professional services, consulting services, investor relations services, geological consulting services in relation to mineral properties, and mark-up on out-of-pocket expenses.

Amounts payable under the agreement at September 30, 2009 were $273,059 (December 31, 2008: $244,864).

(b) Fees in the amount of $53,504 (September 30, 2008: $36,666) were charged by a law firm controlled 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 September 30, 2009 were $42,295 (December 31, 2008: $28,398).

(c) Consulting fees relating to office administration of $18,000 (September 30, 2008: $19,250) were charged by a private company controlled by an officer of the Company. Amounts payable as at September 30, 2009 were $4,200 (December 31, 2008: $12,600).

The total amount due to related parties as at September 30, 2009 was $319,554 (December 31, 2008: $285,862).

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.

12. Share Capital and Contributed Surplus

(a) Authorized

(i) Unlimited common shares without par value; and

(ii) Unlimited preference shares without par value.

12. Share Capital and Contributed Surplus, continued

(b) Issued and Outstanding

The issued and outstanding share capital is as follows:

Common shares	Number of shares		Amount		Contributed surplus
Balance as at December 31, 2007	**17,746,439**	**$**	**6,779,211**	**$**	**282,280**
Issued					
Private placement, net of share issue costs	5,000,000		1,113,346		-
Shares for mineral property acquisition, net of share issue costs	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**
Issued					
Private placements, net of share issue costs	6,847,354		620,071		-
Shares for mineral property payment, net of share issue costs	100,000		6,228		-
Stock-based compensation	-		-		118,894
Value assigned to agent warrants	-		(10,162)		10,162
	6,947,354		616,137		129,056
Tax benefits renounced to flow-through share subscribers	-		(300,000)		-
Balance as at September 30, 2009	**30,003,793**	**$**	**7,914,505**	**$**	**456,457**

(c) Private Placements

The Company completed the following private placements during the six months ended June 30, 2009:

(i) In June 2009, the Company closed the first tranche of a non-brokered private placement consisting of 850,000 units at $0.20 per unit for gross proceeds of $170,000, of which $93,500 were assigned to be spent on Canadian exploration expenditures. Each unit consisted of one flow-through share at $0.11 per share, one non flow-through share at $0.09 per share, and one share purchase warrant exercisable to purchase one additional non flow-through share at an exercise price of $0.15 per share for a period of two years.

The Company paid $3,900 in finders' fees and issued 32,500 warrants to finders at an exercise price of $0.15 per share for a period of two years. The warrants were fair valued at approximately $0.03 using the Black-Sholes option-pricing model (Note 12 (h)).

12. Share Capital and Contributed Surplus, continued

(c) Private Placements, continued

(ii) In June 2009, the Company closed the first tranche of a non-brokered private placement consisting of 2,322,222 units at $0.09 per unit for gross proceeds of $209,000. Each unit consisted of one non flow-through share and one share purchase warrant exercisable to purchase one additional non flow-through share at an exercise price of $0.15 per common share for a period of two years.

The Company paid $2,970 in finders' fees and issued 55,000 warrants to finders at an exercise price of $0.15 per share for a period of two years. The warrants were fair valued at approximately $0.03 using the Black-Sholes option-pricing model (Note 12 (h)).

In July 2009, the Company completed the second tranche of this private placement. The second tranche consisted of 1,756,950 units at $0.09 per unit for gross proceeds of $158,126. The Company paid $4,050 in finders' fees and issued 75,000 warrants to finders at an exercise price of $0.15 per share for a period of two years. The warrants were fair valued at approximately $0.05 using the Black-Sholes option-pricing model (Note 12 (h)).

(iii)In July 2009, the Company completed a non-brokered private placement of 1,068,182 units at $0.11 for gross proceeds of $117,500. Each unit consisted of one flow-through share and one half of a share purchase warrant. Each full warrant is exercisable to purchase an additional non flow-through share at an exercise price of $0.15 per common share for a period of two years.

The Company paid $6,600 in finders' fees and issued 100,000 warrants to finders at an exercise price of $0.15 per share for a period of two years. The warrants were fair valued at approximately $0.04 using the Black-Sholes option-pricing model (Note 12 (h)).

In summary, the Company incurred $34,556 in cash share issue costs in relation to the above described private placements, of which $17,520 were for finders' fees and $17,036 for legal and regulatory fees, and recognized non-cash share issue costs of $10,162 in relation to a total of 262,500 warrants granted to finders for finders' fees (Note 12 (g), (h)).

(d) Shares Issued for Mineral Property

The Company issued 100,000 shares at a fair value of $0.07 per share to the Optionors on signing of the option agreement for Toughnut property (see Note 9) and incurred share issue costs in legal fees for $772 related to the issuance of these shares.

(e) Renunciation of Flow-Through Shares

The Company recorded a future income tax recovery of $300,000 and recognized a charge against share capital in the same amount, in connection with the renunciation of flow-through expenditures of $1,000,000 in February 2009.

12. Share Capital and Contributed Surplus, continued

(f) Stock Options

As at September 30, 2009, 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 stock options transactions for the nine months ended September 30, 2009 and outstanding balances as at September 30, 2009 are summarized as follows:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2008	Granted	Cancelled or Expired	Balance September 30, 2009
$0.25	$0.19	October 9, 2012	1,345,000	-	10,000	1,335,000
$0.28	$0.21	December 4, 2012	10,000	-	-	10,000
$0.25	$0.17	May 26, 2013	50,000	-	50,000	-
$0.10	$0.06	February 24, 2014	-	50,000		50,000
$0.10	$0.07	August 11, 2014	-	1,600,000	-	1,600,000
			1,405,000	**1,650,000**	**60,000**	**2,995,000**
Weighted average exercise price			$0.25	$0.10	$0.25	$0.11
Weighted average contractual life in years			4.78	5	-	4.03

On February 24, 2009, the Company granted 50,000 stock options to an officer of the Company. These options vested immediately and the Company recognized a stock-based compensation expense of $2,751 (Note 12(h)).

On August 11, 2009, the Company granted stock options to directors, officers, consultants and management company employees, to purchase 1,600,000 common shares at $0.10 per share exercisable for a period of five years. These options vested immediately and the Company recognized a stock-based compensation expense of $116,143, of which $20,325 were capitalized to mineral properties and $95,818 were included in statement of operations and deficit (Note 12(h)).

12. Share Capital and Contributed Surplus, continued

(g) Share Purchase Warrants

The Company's share purchase warrants outstanding as at September 30, 2009 are as follows:

Exercise Price	Expiry Date	Balance December 31, 2008	Granted	Cancelled or Expired	Balance September 30, 2009
$0.30	July 7, 2009	250,000	-	250,000	-
$0.30	July 7, 2010	500,000	-	-	500,000
$0.15	June 12, 2011	-	3,172,222	-	3,172,222
$0.15	June 12, 2011	-	87,500	-	87,500
$0.15	July 17, 2011	-	1,756,950	-	1,756,950
$0.15	July 17, 2011	-	75,000	-	75,000
$0.15	July 24, 2011	-	534,091	-	534,091
$0.15	July 24, 2011	-	100,000	-	100,000
		750,000	**5,725,763**	**250,000**	**6,225,763**
Weighted average exercise price		$0.30	$0.15	-	$0.16
Weighted average contractual life in years		1.18	-	-	1.66

During the nine months ended September 30, 2009, the Company granted 5,725,763 warrants in respect to the non-brokered private placement completed by the Company during the period (Note 12 (c)). 262,500 of these warrants were granted to agents for finders' fees. The Company recognized non-cash share issuance costs of $10,162 in respect to the agents warrant, being the fair value of the warrants calculated using the Balck-Scholes option-pricing model (Note 12 (h)).

(h) Fair Value Determination

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

	Nine months ended September 30, 2009		Nine months ended September 30, 2008	
	Options	**Warrants**	**Options**	**Warrants**
Risk-free interest rate	2.59%	1.32%	3.43%	3.20%
Expected share price volatility	94.81%	106.51%	85.83%	170.24%
Expected option/warrant life in years	5	2	4.1	1.4
Expected dividend yield	0.00%	0.00%	0.00%	0.00%

12. Share Capital and Contributed Surplus, continued

(h) Fair Value Determination, continued

	Nine months ended	
	September 30, 2009	**September 30,2008**
Consultants	$ 10,162	$ -
Directors and officers	69,171	9,167
Management company employees	39,561	-
Total	**$ 118,894**	**$ 9,167**
Included in the statements of operations and deficit	$ 98,569	$ 9,167
Included in mineral properties	20,325	-
	$ 118,894	**$ 9,167**

Option pricing models require the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of the Company's stock options and brokers warrants.

13. Commitments

(a) Service Agreement

Under a service agreement, as amended, between the Company and a company privately held by a director and officer of the Company, the Company is charged $8,000 monthly for office accommodation and office management services. The agreement expires on June 30, 2012. The Company may terminate the agreement at any time by paying the remaining monthly fees for a year from the date of the written notice of the termination.

The fee commitment for the next four years is as follows:

Year ending December 31,	2009	2010	2011	2012	Total
Commitment - service agreement	$24,000	$96,000	$96,000	$48,000	$264,000

(b) Flow-Through Expenditures

The Company is committed to incur qualifying Canadian exploration expenditures of $1,209,932 relating to the private placements of flow-through shares completed in the period July 2008 to July 2009, of which $1,000,000 is to be spent by December 31, 2009 and $209,932 is to be spent by December 31, 2010.

13. Commitments, continued

(b) Flow-Through Expenditures, continued

Funds raised through the issuance of flow-through shares are required to be expended on qualifying Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

As at September 30, 2009, the Company has incurred qualifying expenditures of approximately $1,127,947 with respect to exploration activities at its mineral properties, with a remaining commitment of $81,985 to be incurred by December 31, 2010.

14. Supplemental Cash Flow Information

	Nine months ended September 30,			
		2009		2008
Cash was comprised of:				
Cash	$	7,279	$	23,007
Cash reserved for flow-through expenditures (Note 13(b))	$	59,227	$	100,493
	$	66,506	$	123,500
Cash items				
Income tax paid	$	-	$	-
Interest received	$	3	$	1,130
Interest paid	$	6,000	$	9,084
Share issue costs	$	35,327	$	136,654
Non-cash items				
Accrued interest	$	402	$	-
Investing activities				
Stock-based compensation included in mineral properties	$	20,325	$	-
Shares issued for mineral properties		7,000	$	-
Financing activities				
Fair value of agents warrants	$	300,000	$	288,698

Management's Discussion and Analysis

For the Nine Months Ended September 30, 2009

Dated: November 19, 2009

Index | **Page**

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Valterra Resource Corporation (the "Company") compares results for the nine months ended September 30, 2009 to the same period in the previous year. These statements should be read in conjunction with the interim financial statements for the nine months ended September 30, 2009 and audited financial statements for the year ended December 31, 2008. All notes referenced herein may be found in the interim financial statements.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A, dated November 19, 2009, 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, porphyry 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 the Province of 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 are disclosed in Note 8 to the Company's audited financial statements of December 31, 2008 and Note 9 to the interim financial statements of September 30, 2009.

i) Star Mineral 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. As at September 30, 2009, the Company had paid US $20,000 and had incurred $590,842 in exploration expenditures.

The Star property is located in south-eastern British Columbia, approximately seven kilometres due southwest of the City of Nelson. The property consists of two recently staked MTO mineral claims and a group of 25 Crown-granted claims covering an area of approximately 932 hectares. The claims contain three historic mines that produced small amounts of Au-Ag-Cu ore from mineralized fault zones.

In mid July 2009, the Company completed a diamond drill program on the Star Project focusing primarily on the Alma N zone. A total of 477 metres of NQ2-sized core was drilled in three centrally located holes resulting in the collection of 276 samples for Au-ICP analyses; the results of which were disclosed publicly on September 10, 2009 (see NR-13-09).

Drilling highlights included: hole VST09-007 (Alma N zone) 4.07 g/t Au and 1.57 g/t Ag over 47.64 metres, which included a higher grade intercept of 15.96 g/t Au and 5.60 g/t Ag over 2.0 metres.

During August and September 2008, the company completed its inaugural exploration program on the property 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, were publicly disclosed on January 22, 2009 (see NR-01-09).

E. Description of Mineral Properties, continued

i) Star Mineral Property, continued

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 results of the programs discussed briefly above were very encouraging with all holes intersecting anomalous Au, Ag and Cu mineralization. These programs 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, geophysical surveys, and geochemistry.

ii) Swift Katie Mineral Property

Pursuant to the amended option agreement dated December 18, 2008, to earn 60% interest in the Swift Katie property the Company is required to make cash payments totalling $85,000 (renegotiated from $120,000), incur aggregate exploration expenditures of $600,000 and issue 640,000 common shares (renegotiated 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.

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.

As at September 30, 2009, the Company had paid $50,000, issued 530,000 of its common shares to the Optionors, and incurred aggregate exploration expenditures of $1,495,502.

On August 21, 2009 the Company entered into an option agreement with JRTL Capital Corp. ("JRTL") in respect to Swift Katie mineral property. The agreement is subject to the approval of TSX Venture Exchange.

Pursuant to the agreement, the Company granted JRTL a working option to acquire 60% interest in Swift Katie property subject to the reservation of a 3% net smelter return royalty ("NSR") over the property in favour of the original property vendors. Details of the agreement are disclosed in Note 9 (a) to the Company's financial statements for the nine months ended September 30, 2009.

E. Description of Mineral Properties, continued

ii) Swift Katie Mineral Property, continued

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. Assay results from this work were 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.

iii) 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).

E. Description of Mineral Properties, continued

iii) Toughnut Mineral Property, continued

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.

As at September 30, 2009, the Company paid $5,000, issued 100,000 shares to the Optionors at a fair value of $7,000, incurred $7,453 in legal fees related to acquisition of the property, and incurred $19,659 of exploration expenditures.

The Company is currently compiling all of the available data and planning for an exploration program on the propertywhere approximately 1,500 metres of drilling is proposed.

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 9 to the interim financial statements dated September 30, 2009. The deferred mineral property costs as at September 30, 2009 were as follows:

	Star **$**	**Swift Katie** **$**	**Toughnut** **$**	**Total** **$**
Acquisition and property maintenance	33,346	153,251	19,453	206,050
Assays and analysis	44,857	86,355	-	131,212
Camp and supplies	11,585	15,822	101	27,508
Drilling	281,037	684,275	1,000	966,312
Environmental expenses	1,795	7,225	-	9,020
Equipment rental and field supplies	13,404	31,049	431	44,884
General exploration	2,395	1,660	3,223	7,278
Geological services	25,930	480,229	-	506,159
Project supervision	192,662	132,143	14,859	339,664
Stock-based compensation	7,938	34,462	-	42,400
Travel	9,239	22,282	42	31,563
Total as at September 30, 2009	**624,188**	**1,648,753**	**39,109**	**2,312,050**

G. Results of Operations

Expenses amounts variances are summarized below:

	Nine months ended September 30,		Variance	
	2009	**2008**	**Increase/(Decrease)**	
	$	**$**	**$**	**%**
Expenses				
Stock-based compensation	98,569	9,167	89,402	975
Consulting services	76,704	52,010	24,694	47
Investor relations	40,579	24,051	16,528	69
Independent directors' fees	34,125	31,775	2,350	7
Shareholders communications	4,485	2,313	2,172	94
Transfer agent	3,906	3,023	883	29
Amortization	706	800	(94)	(12)
Interest	5,595	7,954	(2,359)	(30)
Regulatory fees and taxes	7,220	12,474	(5,254)	(42)
General exploration	8,945	16,100	(7,155)	(44)
Administration	83,449	93,168	(9,719)	(10)
Office and general	21,475	39,782	(18,307)	(46)
Travel and promotion	737	23,597	(22,860)	(97)
Professional fees	94,148	137,605	(43,457)	(32)
Foerign exchange loss	-	317	(317)	(100)
Write-off of accounts payable	-	(7,500)	(7,500)	(100)
Write-off of investments	4	-	4	N/A
Future income tax recovery	(300,000)	(288,698)	11,302	4

Net result from operations for the nine months ended September 30, 2009 and 2008 was a net loss of $180,647 and $157,938 respectively. The increase in the net loss during the nine months ended September 30, 2009 was primarily due to the increase in stock-based compensation expense by $89,402 in relation to 1,650,000 stock options granted during the nine months ended September 30, 2009. Fewer options were granted during the same period in the previous year.

The Company also recognized a future income tax recovery of $300,000 for the quarter ended March 31, 2009 and $288,698 for the same quarter in the pervious year. Future income tax recovery is a non-cash item, related to the tax benefits of eligible Canadian exploration expenditures renounced to flow-through share subscribers in January 2009 and 2008.

Net loss of the Company for the nine months ended September 30, 2009 and 2008, before stock-based compensation expense and future income tax recovery was $382,078 and $437,469 respectively. The decrease of $55,391 in the net loss before stock-based compensation and future income tax recovery was mainly due to the decrease in the following expense:

G. Results of Operations, continued

(i) Decrease in professional fees – legal fees were $43,457 higher in the nine months ended September 30, 2008 to the same period of this financial year mainly due to the legal work related to continuation of the Company from Yukon to British Columbia effective February 22, 2008. In addition more audit fees were accrued during the nine months ended September 30, 2008 compared to the same period of the current financial year.

(ii) Travel and promotion decreased by $22,860 during the nine months ended September 30, 2009 compared to the same period of the previous year. Due to the unfavorable market conditions, the Company has revised its promotion plan and promotional activities.

(iii) Office and general expenses decreased by $18,307 in line with the Company's efforts to conserve cash where possible.

(iv) Administration expenses decreased by $9,719 due to decrease in the administrative services provided to the Company and decrease in the amount of mark-up charged on out-of-pocket expenses. The decrease in the mark-up amount was directly related to the decrease in office and general expenses.

(v) General exploration decreased by $7,155, due the Company focusing its efforts mainly on the mineral properties currently in its portfolio.

(vi) Regulatory and filing fees decreased by $5,254 due to decrease in the tax payable on the unspent balance of the renounced flow-through expenditures. During the nine months ended September 30, 2008 the Company had higher outstanding balances of unspent funds on a monthly basis compared to the same period in the current year.

(vii) Interest expense decreased by $2,359 due to the lower interest rates during the nine months ended September 30, 2009 compared to the same period in the previous year.

The following expenses increased during the nine months ended September 30, 2009 compared to the same period in the previous year:

(viii) Consulting fees increased by $24,694 due to fees related to the maintenance of the Company's line of credit that was charged by the guarantor of the line of credit.

(ix) Investor relations fees increased by $16,528 due to the increased amount of time spent on investor relations activities related to the private placements completed in June and July 2009, as well as to increasing of investors' awareness about the Company.

During the nine months ended September 30, 2009, the Company wrote off its investments in Hester Creek Estate Winery, Abridean Inc., BioVan Inc., and Cardiovascular Solutions Inc. There is no quoted market price in an active market for the investments. In management's opinion, the recoverable amount of these investments is zero. These investments were purchased in the period 1999-2000 for a total of $2,350,000 and were written down to $1 each in the period 2001-2002 due to other than temporary decline in their recoverable amount.

H. Quarterly Results

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

	Sep 30 2009	Jun 30 2009 $	Mar 31 2009 $	Dec 31 2008 $	Sep 30 2008 $	Jun 30 2008 $	Mar 31 2008 $	Dec 31 2007 $	Sep 30 2007 $
Operating expenses	117,127	149,011	116,341	110,836	121,438	144,724	179,620	225,197	159,514
Interest earned	-	(402)	(3)	(7)	(7)	(1,123)	-	-	-
Foreign exchange (gain) loss	-	-	-	48	317	-	-	-	-
Loss before the following items	117,127	148,609	116,338	110,877	121,748	143,601	179,620	225,197	159,514
Stock-based compensation	95,818	-	2,751	-	-	9,167	-	234,334	-
Future income tax recovery	-	-	(300,000)	-	-	-	(288,698)	-	-
Mineral properties written-off	-	-	-	36,442	-	-	-	-	-
Investments written-off	4	-	-	-	-	-	-	-	-
Gain on written-off debt	-	-	-	-	-	-	(7,500)	-	(96,365)
Net Loss(Profit)	**212,949**	**148,609**	**(180,911)**	**147,319**	**121,748**	**152,768**	**(116,578)**	**459,531**	**63,149**
Loss (earnings) per share-basic and diluted	$0.01	$0.01	($0.01)	$0.01	$0.01	$0.01	($0.01)	$0.03	$0.01

Operating expenses decreased for four quarters in a row starting from the first quarter of the fiscal year 2008. The management had expected the deterioration in the global financial market and started cutting expenses and conserving cash where possible. During the first quarter of 2009, operating expenses slightly increased compared to the previous quarter mainly due to the boost in investors relation activities and related to them fees, and increase in accounting fees, related to the preparation of the annual audited financial statement and other financial information of the Company.

Operating expenses in the quarter ended June 30, 2009 increased compared to the previous four quarters, due to increase in consulting fees related to the maintenance of the Company's credit facility; investor relation fees and corporate secretarial fees related to the two non-brokered private placements; insurance fees related to enhanced insurance policy, and filing fees related to the filing of the Company's annual audited financial statements.

During the quarters ended March 31, 2009 and September 30, the Company recorded a stock-based compensation expense of $2,751 and $95,818 in relation to 1,650,000 stock options granted to directors, officers and consultants of the Company and management company employees.

In the first quarter of 2009, the Company recorded $300,000 in future income tax recovery in relation to renunciation of $1,000,000 in flow-through expenditures to flow-through share subscribers.

I. Related Parties Information

The Company entered into the following related party transactions during the nine months ended September 30, 2009:

(a) Under the service agreement, as amended, between the Company and a company privately held by the President of the Company, the Company was charged for office space, administration, accounting, consulting, investor relations, geological services, and a mark-up on out-of-pocket expenses. Total expenses charged for the nine months ended September 30, 2009 were $349,261. Amounts payable under the agreement at September 30, 2009 were $273,059.

(b) Fees in the amount of $53,504 were charged by a law firm controlled by the President of the Company and included in investor relations, professional fees, share issue costs and mineral property expenditures. Amounts payable as at September 30, 2009 were $42,295.

(c) Consulting fees related to office administration of $18,000 were charged by a private company controlled by the VP Administration of the Company. Amounts payable as at September 30, 2009 were $4,200.

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

J. 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 as at September 30, 2009 totaled $66,506, of which $59,227 are to be spent on eligible Canadian exploration expenditures.

The Company had a net working capital deficiency of $552,425 (current assets of $92,218 minus current liabilities of $644,643) as at September 30, 2009 compared to a net working capital deficiency of $490,767 as at December 31, 2008 (current assets of $149,955 minus current liabilities of $640,722). Working capital deficiency arose primarily from the fact that due to unfavorable market conditions the Company had not completed an initially budgeted private placement financing in the fiscal year 2008.

To address the working capital deficiency, the Company completed two non-brokered private placements for gross proceeds of $654,626 in June and July 2009 (Note J i)) and has been reducing general and administration costs, where possible, negotiating extended payment terms of its trade payables, and reviewing its capital expenditure plan and future commitments to identify opportunities to reduce or delay spending and payments.

J. Financial Conditions, Liquidity and Capital Resources, continued

In addition, the Company intends to complete one or more non-brokered equity financings before the end of the fiscal 2009 or in the first quarter of the fiscal 2010 to fund its administrative overhead, maintain its mineral interests, and continue with its exploration program in the following months.

i) Equity financings

During the nine months ended September 30, 2009, the Company completed the following non-brokered private placements:

(a) In June 2009, the Company closed the first tranche of a non-brokered private placement consisting of 850,000 units at $0.20 per unit for gross proceeds of $170,000, of which $93,500 were assigned to be spent on Canadian exploration expenditures. Each unit consisted of one flow-through share at $0.11 per share, one non flow-through share at $0.09 per share, and one share purchase warrant exercisable to purchase one additional non flow-through share at an exercise price of $0.15 per share for a period of two years.

The Company paid $3,900 in finders' fees and issued 32,500 warrants to finders at an exercise price of $0.15 per share for a period of two years. The warrants were fair valued at approximately $0.03 using the Black-Sholes option-pricing model (Note K (iv)).

(b) In June 2009, the Company closed the first tranche of a non-brokered private placement consisting of 2,322,222 units at $0.09 per unit for gross proceeds of $209,000. Each unit consisted of one non flow-through share and one share purchase warrant exercisable to purchase one additional non flow-through share at an exercise price of $0.15 per common share for a period of two years.

The Company paid $2,970 in finders' fees and issued 55,000 warrants to finders at an exercise price of $0.15 per share for a period of two years. The warrants were fair valued at approximately $0.03 using the Black-Sholes option-pricing model (Note K (iv)).

In July 2009, the Company completed the second tranche of this private placement. The second tranche consisted of 1,756,950 units at $0.09 per unit for gross proceeds of $158,126. The Company paid $4,050 in finders' fees and issued 75,000 warrants to finders at an exercise price of $0.15 per share for a period of two years. The warrants were fair valued at approximately $0.05 using the Black-Sholes option-pricing model (Note K (iv)).

(c) In July 2009, the Company completed a non-brokered private placement of 1,068,182 units at $0.11 for gross proceeds of $117,500. Each unit consisted of one flow-through share at $0.109 and one half of a share purchase warrant at $0.001. Each full warrant is exercisable to purchase an additional non flow-through share at an exercise price of $0.15 per common share for a period of two years.

The Company paid $6,600 in finders' fees and issued 100,000 warrants to finders at an exercise price of $0.15 per share for a period of two years. The warrants were fair valued at approximately $0.04 using the Black-Sholes option-pricing model (Note K (iv)).

J. Financial Conditions, Liquidity and Capital Resources, continued

i) Equity financings, continued

In summary, the Company incurred $34,556 in cash share issue costs in relation to the above described private placements, of which $17,520 were for finders' fees and $17,036 for legal and

regulatory fees, and recognized non-cash share issue costs of $10,162 in relation to a total of 262,500 warrants granted to finders for finders' fees (Note 12 (g), (h)).

No private placements were completed during the nine months ended September 30, 2008.

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

There were no stock options and share purchase warrants exercised during the nine months ended September 30, 2009 and September 30, 2008.

iii) Mineral properties expenditures

During the nine months ended September 30, 2009, the Company spent $280,855 in cash on mineral properties (net of shares issued for acquisition costs, stock-based compensation capitalized to mineral properties and ending balances of accounts payable for mineral properties). Approximately 73% of this amount was directed towards Star, 15% to Swift Katie, and 12% to Toughnut.

During the nine months ended September 30, 2008, the Company spent $1,154,608 in cash on mineral properties (net of shares issued for acquisition costs, and ending balance of accounts payable for mineral properties). Approximately 70% of this amount was directed towards Swift Katie, 28% towards Star, and 2%towards Gus.

The Company relinquished its rights in Gus property in December 2008.

iv) Amount receivable

As at September 30, 2009, the Company had $13,046 GST receivable from Revenue Canada. (December 31, 2008: $12,602), $402 accrued interest on reclamation bond for Swift Katie and $7,500 receivable for reimbursement of expenses incurred on behalf of a non-related party. These amounts were received subsequently to September 30, 2009.

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 $25,000 on or before May 13, 2010 and May 13, 2011;

(b) Swift Katie Mineral Property

- Pay $35,000 and issue 110,000 common shares to the Optionors on or before December 31, 2009;
- Pay $60,000 and issue 225,000 common shares to the Optionors on or before December 31, 2010.

J. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

Mineral properties interests, continued

(c) Toughnut Mineral Property, continued

- 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;
- 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.

vi) Other commitments

(a) 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 accommodation and office management services. The agreement expires on June 30, 2012 and may be cancelled upon one year's notice.

(b) The Company is committed to incur qualifying Canadian exploration expenditures of $1,209,932 relating to the private placements of flow-through shares completed in July 2008 ($1,000,000), June 2009 ($93,500), and July 2009 ($116,432). Funds raised through the issuance of flow-through shares are required to be expended on qualifying Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

As at November 19, 2009, the Company has incurred qualifying expenditures of approximately $1,135,296 with respect to exploration activities at its mineral properties, with a remaining commitment of $74,636 to be incurred by December 31, 2010.

K. Outstanding Shares, Options and Share Purchase Warrants

i) Issued and outstanding shares

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

	Number of shares	Total $
Balance as at December 31, 2008	23,056,439	7,598,368
Private placement, net of share issue costs	6,847,354	620,071
Shares issued for mineral property, net of share issue costs	100,000	6,228
Tax benefits renounced to flow-through share subscribers	-	(300,000)
Value assigned to agents' warrants	-	(10,162)
Balance as at November 19, 2009	**30,003,793**	**7,914,505**

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

i) Issued and outstanding shares, continued

Please refer no Note J (i) of this MD&A for detailed information on the private placements completed during the nine months ended September 30, 2009.

ii) Share purchase warrants

Warrants outstanding at November 19, 2009 are as follows:

Exercise Price	Expiry Date	Balance December 31, 2008	Granted	Cancelled or Expired	Balance November 19, 2009
$0.30	July 7, 2009	250,000	-	250,000	-
$0.30	July 7, 2010	500,000	-	-	500,000
$0.15	June 12, 2011	-	3,172,222	-	3,172,222
$0.15	June 12, 2011	-	87,500	-	87,500
$0.15	July 17, 2011	-	1,756,950	-	1,756,950
$0.15	July 17, 2011	-	75,000	-	75,000
$0.15	July 24, 2011	-	534,091	-	534,091
$0.15	July 24, 2011	-	100,000	-	100,000
		750,000	**5,725,763**	**250,000**	**6,225,763**
Weighted average exercise price		$0.30	$0.15	-	$0.16
Weighted average contractual life in years		1.18	-	-	1.53

During the nine months ended September 30, 2009, the Company granted 5,725,763 warrants in respect to the non-brokered private placement completed by the Company during the period (Note J (i)). 262,500 of these warrants were granted to agents for finders' fees. The Company recognized non-cash share issuance costs of $10,162 in respect to the agents warrant, being the fair value of the warrants calculated using the Balck-Scholes option-pricing model (Note K (iv).

iii) Stock options

Stock options outstanding at November 19, 2009 are as follows:

Exercise Price	Expiry Date	Balance December 31, 2008	Cancelled or Expired	Granted	Balance November 19, 2009
$0.25	October 9, 2012	1,345,000	10,000	-	1,335,000
$0.28	December 4, 2012	10,000	-	-	10,000
$0.25	May 26, 2013	50,000	50,000	-	-
$0.10	February 24, 2014	-	-	50,000	50,000
$0.10	August 11, 2014	-	-	1,600,000	1,600,000
		1,405,000	**60,000**	**1,650,000**	**2,995,000**
Weighted average exercise price		$0.25	$0.25	$0.10	$0.17
Weighted average contractual life in years		3.78	-	5	3.90

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

iii) Stock options, continued

During the period from January 1, 2009 to November 19, 2009, the Company granted 1,650,000 stock options to directors, officers, and consultants of the Company and management company employees. These options vested immediately and the Company recognized a stock-based compensation expense of $118,894, of which $20,325 were capitalized to mineral properties and $98,569 were included in statement of operations and deficit (Note K (iv)).

iv)Fair Value Determination

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

	Nine months ended September 30, 2009		Nine months ended September 30, 2008	
	Options	**Warrants**	**Options**	**Warrants**
Risk-free interest rate	2.59%	1.32%	3.43%	3.20%
Expected share price volatility	94.81%	106.51%	85.83%	170.24%
Expected option/warrant life in years	5	2	4.1	1.4
Expected dividend yield	0.00%	0.00%	0.00%	0.00%

	Nine months ended			
		September 30, 2009		**September 30,2008**
Consultants	$	10,162	$	-
Directors and officers		69,171		9,167
Management company employees		39,561		-
Total	**$**	**118,894**	**$**	**9,167**
Included in the statements of operations and deficit	$	98,569	$	9,167
Included in mineral properties		20,325		-
	$	**118,894**	**$**	**9,167**

Option pricing models require the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of the Company's stock options and brokers warrants.

L. Subsequent Events and Outlook

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

The Company is confident that its existing group of properties has potential warranting continued exploration. Activities over the ensuing year will focus on these assets. The Company expects to continue its strategy of collaborating with experienced mining companies to develop its properties and to advance them to production.

M. Financial Instruments

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

The carrying values of cash, reclamation bonds, accounts receivable, 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 Company has no exposure to Asset Backed Commercial Paper.

N. Off-Balance Sheet Arrangements

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

O. Use of Estimates

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

P. Disclosure Controls and Procedures

Current securities policies in Canada require that management of the Company certifies that it has assessed the effectiveness of the Company's disclosure controls and procedures as at every interim and annual period. Management has concluded that the disclosure controls as at September 30, 2009 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.

Q. Risks and Uncertainties

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

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.

Q. 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.

R. Changes in Accounting Policies, Including Initial Adoptions and 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 adoption of these sections did not have an impact on the Company's financial statements for the nine months ended September 30, 2009 since the Company does not have goodwill or intangible that are to be accounted for in accordance to this section.

ii) 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 will evaluate the impact on these new sections on its financial statements when applicable.

iii) 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 and implement the changeover plan to IFRS on a timely basis.

As at November 19, 2009 the Company has identified current GAAP applicable to the Company that will be affected by the changeover and differences with the corresponding IFRSs and has outlined appropriate policy choices allowed under IFRS.

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

iii) The management submitted a document outlining the differences between and current GAAP and IFRS, appropriate policy choices and their impact on the Company's financial statements and business processes to the Audit Committee for discussion. It is expected that the Company will be able to report on the elected policy choices and their impact on the Company's financial statements in its MD&A for the year ended December 31, 2009.

S. Licenses and Permits

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

T. Proposed Transactions

Previously the Company reported that it was contemplating a business arrangement with another junior exploration company, which would result in an amalgamation of the two companies into one entity. However, discussions about this amalgamation have been put on hold for an indefinite period since the management believes that the current market conditions would enable the Company to finance its projects independently.

U. Forward-Looking Statements

Some of the statements contained in this MD&A may be deemed "forward-looking statements." These include estimates and statements that describe the Company's future plans, objectives or goals, and expectations of a stated condition or occurrence.

Forward-looking statements may be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as but not limited to; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A.

U. Forward-Looking Statements, continued

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.