

VALTERRA RESOURCE CORPORATION

Financial Statements

Six Months Ended June 30, 2007

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements of the Company for the three months ended June 30, 2007 were prepared by management and have not been reviewed or audited by the Company's auditors.

VALTERRA RESOURCE CORPORATION**Balance Sheet****Expressed in Canadian Dollars**

	June 30 2007	December 31 2006
	(Unaudited)	(Audited)
Assets		
Current		
Cash	\$ 6,888	\$ 175,846
GST receivable	5,615	7,111
Prepaid expenses	11,982	299
	24,485	183,256
Investments	4	4
Mineral property	84,263	49,593
	\$ 108,752	\$ 232,853
Liabilities		
Current		
Bank indebtedness	\$ 200,349	\$ 196,533
Accounts payable and accrued liabilities	194,593	253,094
Due to related parties	185,172	100,735
	580,114	550,362
Shareholders' Equity		
Capital Stock	5,083,954	5,091,426
Subscription receivable	-	(17,500)
Deficit	(5,555,316)	(5,391,435)
	(471,362)	(317,509)
	\$ 108,752	\$ 232,853

Approved on Behalf of the Board

*"Lawrence Page" (signed)**"Robert Liverant" (signed)*

Lawrence Page

Robert Liverant

VALTERRA RESOURCE CORPORATION**Statement of Operations And Deficit****Expressed in Canadian Dollars****Unaudited**

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2007	2006	2007	2006
Expenses				
General exploration	\$ 9,720	\$ 0	\$ 9,720	\$ 0
Insurance	882	49,103	882	95,941
Interest and bank charges	3,832	11,877	7,605	22,322
Investor relations	1,038	0	3,009	0
Office and administration	23,770	14,638	44,645	30,718
Professional fees	42,513	2,825	72,404	17,929
Regulatory fees	7,525	0	18,425	0
Shareholders communications	823	0	823	0
Transfer agent	1,962	0	6,149	0
Travel and promotion	123	0	230	0
Loss Before the Following	(92,188)	(78,443)	(163,892)	(166,910)
Interest income	11	-	11	-
Gain on Written off Debt	0	362	0	1,391
Net Loss for the Period	(92,177)	(78,081)	(163,881)	(165,519)
Deficit, Beginning of the Period	5,463,139	6,533,701	5,391,435	6,446,263
Deficit, End of the Period	\$ 5,555,316	\$ 6,611,782	\$ 5,555,316	\$ 6,611,782
Loss per share	\$ (0.01)	\$ (0.09)	\$ (0.01)	\$ (0.09)
Weighted Average Number of Common Shares Outstanding	11,115,439	1,765,659	11,115,439	1,765,659

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

VALTERRA RESOURCE CORPORATION

Statement of Cash Flows

Expressed in Canadian Dollars

Unaudited

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2007	2006	2007	2006
Operating Activities				
Net loss	\$ (92,177)	\$ (78,081)	\$ (163,881)	\$ (165,519)
Items not involving cash				
Accrued interest on long term debt	0	49,103	0	95,939
Operating Cash Flow	(92,177)	(28,978)	(163,881)	(69,580)
Changes in Non-Cash Working Capital				
GST receivable	1,396	(1,345)	1,496	(1,345)
Prepaid expenses	(11,280)	0	(11,683)	0
Accounts payable and accrued liabilities	(11,125)	9,498	(58,500)	22,417
Due to related party	58,979	15,900	84,437	31,475
	37,970	24,053	15,750	52,547
Cash Used in Operating Activities	(54,207)	(4,925)	(148,131)	(17,033)
Investing Activity				
Expenditures on mineral property	(25,471)	(6,805)	(34,670)	(6,805)
Financing Activity				
Subscription received, net of share issue costs	(1,972)	0	10,027	30,000
Outflow of Cash	(81,650)	(11,730)	(172,774)	6,162
Bank Indebtedness, Beginning of the period	(111,811)	(182,340)	(20,687)	(200,232)
Bank Indebtedness, End of the period	\$ (193,461)	\$ (194,070)	\$ (193,461)	\$ (194,070)
Consisting of the following:				
Cash	\$ 6,888	\$ 0	\$ 6,888	\$ 0
Bank indebtedness	(200,349)	(194,070)	(200,349)	(194,070)
	\$ (193,461)	\$ (194,070)	\$ (193,461)	\$ (194,070)
Supplemental Cash Flow Information				
Interest paid	\$ 3,521	\$ 3,177	\$ 6,935	\$ 6,169

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

VALTERRA RESOURCE CORPORATION

Notes to Financial Statements

Six Months Ended June 30, 2007

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the Business Corporations Act (Alberta) on September 1, 1996 as Boltons Capital Corp. and continued under the Business Corporations Act (Yukon). The Company changed its name to Valterra Wines Ltd. and consolidated its capital stock on a 10:1 basis during the year ended December 31, 2002. The Company then changed its name to Valterra Resource Corporation ("Valterra") in April 2005 and changed its principal business activity to the exploration for and development of natural resource properties. The Company's shares were subject to a cease trade order made by the Alberta Securities Commission on July 18, 2003 and a cease trade order made by the British Columbia Securities Commission on June 3, 2003 (collectively the "CTOs"). The CTOs were fully revoked on August 3, 2007. On May 10, 2007 the Canadian Trading and Quotation System Inc. ("CNQ") granted the Company conditional listing approval.

The unaudited interim financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles. The Company's reporting currency is the Canadian dollar and all dollar amounts in these statements are in Canadian dollars. 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, 2006. All material adjustments necessary for a fair presentation of the results of the interim periods have been reflected.

2. ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS

The results for the six months ended June 30, 2007 were stated utilizing the same accounting policies and methods of application as the most recent annual financial statements, except for the following changes in accounting policies:

Financial Instruments - Recognition and measurement

The Company adopted the provisions of CICA Sections 3855, Financial Instruments - Recognition and Measurement on January 1, 2007 which addresses the classification, recognition and measurement of financial instruments and inclusion of other comprehensive income. Assets classified as available-for-sale securities are carried at fair value on the balance sheet and the resulting revaluation gains and losses are included in other comprehensive income (and not included in the income statements) until such time as the asset is disposed of or incurs a decline in fair value that is other than temporary. At such time, any gains and losses will then be realized and reclassified to the income statement. Adoption of these new standards will have no impact on the financial statements of the Company.

VALTERRA RESOURCE CORPORATION

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Six Months Ended June 30, 2007

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

3. FINANCIAL INSTRUMENTS

(a) Fair value

The company financial instruments comprise cash, accounts receivable, long-term investments, line of credit, accounts payable and accrued liabilities and due to related parties amounts.

Cash, accounts receivable, line of credit, accounts payable and accrued liabilities are reported at their fair values on the balance sheet. The fair values are the same as carrying values due to their short-term nature.

The fair value of long-term investments are disclosed in the note 8 to these financial statements.

The fair value of the due to related parties amount has not been determined due to the fact that the cash flow stream is not determinable and is carried at cost.

(b) Interest risk

The Company is exposed to interest rate cash flow risk on bank indebtedness, as the payments will fluctuate as interest rates fluctuate.

(c) Credit risk

The Company is not exposed to significant credit risk on its financial assets due to cash being placed with a major financial institution.

4. LONG TERM INVESTMENTS (each held at \$1.00)

(a) Hester Creek Estate Winery

The Company holds 1,200 shares of HCEW out of a total of 1,001,200 shares, representing 0.12% of HCEW. The Company carries its investment at \$1, being the exercise price of Investco's option to purchase the Company's 1,200 shares of HCEW.

VALTERRA RESOURCE CORPORATION

Notes to Financial Statements

Six Months Ended June 30, 2007

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

4. LONG TERM INVESTMENTS (each held at \$1.00)

(b) Abridgean Inc.

The Company had invested \$400,000 for 554,046 Class B preferred shares of Abridgean Inc. The Class B preferred shares are convertible into common shares of Abridgean Inc. on a one for one basis. At December 31, 2002, the Company wrote down Abridgean Inc. to a nominal amount.

(c) BioVan Inc.

The Company had invested \$750,000 in BioVan Inc. to obtain a minority equity interest. At December 31, 2001, the Company has recognized an other-than-temporary decline in the recoverable amount of this investment and accordingly had written the investment down to a nominal amount.

(d) Cardiovascular Solutions Inc.

The Company had invested \$1,200,000 in preferred shares of CSI. The preferred shares are redeemable and retractable, are not entitled to a vote at shareholders' meetings, and are not convertible to common shares. At December 31, 2002, the Company wrote down the CSI shares to a nominal amount.

Prior to adoption of the Section 3855 of the *CICA Handbook* long-term investments were accounted for using the cost method for investments in which the Company holds a minority interest and exhibits no significant influence. On January 1, 2007 the Company adopted the change in accounting policies, accordingly all long term investments were recognized as financial assets designated as available for sale as there is no active market where the investments can be sold. The investments were carried at \$1.00 which was the lower of its cost and estimated net recoverable amount. This amount is the fair value of each investment.

Unrealised holding gains and losses related to available-for-sale investments are excluded from net income and are included in other comprehensive income until such gains or losses are realized.

VALTERRA RESOURCE CORPORATION

Notes to Financial Statements

Six Months Ended June 30, 2007

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

5. MINERAL PROPERTY

On July 21, 2006, Manex Resource Group Inc. (the “Assignor”), a related party, acquired an option from the Optionors to purchase the Swift Katie gold/copper property located near Salmo in the Nelson Mining District of southern British Columbia. The option was then assigned by the Assignor to the Company for which the Company paid the Assignor \$2,500. The option agreement was amended February 7, 2007 to defer the date certain exploration expenditures had to be made from December 31, 2006 to June 30, 2007. On June 30, 2007 the agreement was further amended to change exploration expenditures requirement for June 30, 2007 to \$35,000 and to accelerate a portion of the December 31, 2007 cash payment to the Optionors so that \$12,500 will be paid out by June 30, 2007. This amount was paid to the Optionors as at June 30, 2006.

A summary of capitalized acquisition and exploration expenditures on the Company’s Swift Katie property for the six months ended June 30, 2007 is as follows:

	Balance December 31 2006	Six Months Ended June 30 2007	Balance June 30 2007
Acquisition costs:			
Acquisition	\$ 36,000	\$ 16,145	\$ 52,145
Shares returned to treasury	0	(5,500)	(5,500)
Total acquisition	36,000	10,645	46,645
Exploration costs:			
Assays and surveys	0	214	214
General exploration	0	4,288	4,288
Geological services	13,562	17,881	31,443
Travel and other	31	1,642	1,673
Total exploration costs	13,593	24,025	37,618
Total Mineral Property Expenditures	\$ 49,593	\$ 34,670	\$ 84,263

VALTERRA RESOURCE CORPORATION

Notes to Financial Statements

Six Months Ended June 30, 2007

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

5. MINERAL PROPERTY (continued)

A summary of capitalized acquisition and exploration expenditures on the Company's Swift Katie property for the year ended December 31, 2006 is as follows:

	Balance December 31 2005	Additions (Reductions) During the Year	Balance December 31 2006
Acquisition costs:			
Acquisition	\$ 0	\$ 36,000	\$ 36,000
Total acquisition	0	36,000	36,000
Exploration costs:			
Geological services	0	13,562	13,562
Travel and other	0	31	31
Total exploration costs	0	13,593	13,593
Total Mineral Property Expenditures	\$ 0	\$ 49,593	\$ 49,593

6. 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.) in support of a guarantee by a company owned by a shareholder of the Company.

VALTERRA RESOURCE CORPORATION

Notes to Financial Statements

Six Months Ended June 30, 2007

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(Unaudited – Prepared by Management)

7. CAPITAL STOCK

- (a) Authorized
Unlimited common shares without par value
Unlimited preference shares without par value

- (b) Issued and outstanding

As at June 30 2007, there were 11,115,439 common shares issued and outstanding. Share capital and contributed surplus transactions for the six months ended June 30, 2007 and for the fiscal year ended December 31, 2006 are summarized as follows:

	Number of shares	Value of shares
Balance as at December 31, 2005	1,765,659	\$ 3,217,354
Shares issued for cash:		
Private placement at \$0.10 net of share issue costs of \$623 (note 5(d)).	3,000,000	299,377
Shares issued in settlement of debt at \$0.25 (note 5(c))	6,048,000	1,512,000
Shares allotted in settlement of debt at \$0.25 but not issued (note 5(c))	46,780	11,695
Shares issued as consideration for a loan guarantee (note 5(e))	200,000	40,000
Shares issued for mineral property acquisition	110,000	11,000
Balance as at December 31, 2006	11,170,439	5,091,426
Shares returned to treasury	(55,000)	(5,500)
Share issue costs		(1,972)
Balance as at June 30 2007	11,115,439	\$ 5,083,954

- (c) Shares issued for debt

On July 21, 2006, the Company entered into a debt settlement agreement with EACL whereby \$2,636,269 of debt was settled by the assignment of the \$250,000 HCEW note receivable and the issuance of 3,912,000 common shares at an agreed price of \$0.25 per share.

VALTERRA RESOURCE CORPORATION

Notes to Financial Statements

Six Months Ended June 30, 2007

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(Unaudited – Prepared by Management)

7. CAPITAL STOCK

(c) Shares issued for debt (continued)

On July 21, 2006, the Company entered into three other debt settlement agreements for amounts in accounts payable and due to related parties. One was to a creditor to settle the debt of \$403,237 by issuing 1,528,000 common shares. The second was to a company owned by the President of the Company to settle a debt of \$152,000 owed by issuing 608,000 shares.

The third was to settle a debt of \$11,695 by issuing 46,780 common shares. At December 31, 2006, these shares had been allotted but not issued to the debtor. On January 27, 2007 the shares were issued and full satisfaction of the debt had occurred.

All three settlements were at an agreed price of \$0.25 per share.

(d) Private placements

On September 26, 2006, the Company announced an equity financing by way of a non-brokered private placement of 3,000,000 common shares at a price of \$0.10 per share. On November 7, 2006 the BCSC and, on December 13, 2006, the ASC approved the private placement and subsequently 3,000,000 shares were issued at a price of \$0.10 per share, for gross proceeds of \$300,000. At December 31, 2006, \$17,500 remained uncollected resulting in the share subscription receivable amount. This receivable was collected on March 13, 2007.

(e) The Company issued 200,000 shares at an agreed price of \$0.20 per share as consideration for the guarantee (note 4).

(f) Share warrants

There were no share purchase warrants outstanding and exercisable as at December 31, 2005 or 2006 and June 30 2007.

VALTERRA RESOURCE CORPORATION

Notes to Financial Statements

Six Months Ended June 30, 2007

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

8. RELATED PARTY TRANSACTIONS

The aggregate amount of expenditures made to related parties not at arm's length to the Company include:

	Six Months Ended June 30	
	2007	2006
Services		
Accounting fees	(1) \$ 10,035	\$ 0
Administration fee	(1) \$ 30,000	\$ 30,075
General exploration	(1) \$ 9,590	\$ 0
Investor relations	(1) \$ 2,625	\$ 0
Legal fees	(2) \$ 42,066	\$ 0
Management fees	(1) \$ 7,306	\$ 0
Cost recovery		
Employee benefit	(1) \$ 1,088	\$ 0
Filing fees	(1) \$ 3,965	\$ 0
Office and general expenses	(1) \$ 6,929	\$ 0
Travel	(1) \$ 149	\$ 0
Property		
Assays and surveys	(1) \$ 214	\$ 0
Geological	(1) \$ 9,261	\$ 0
General exploration	(1) \$ 400	\$ 0

- (1) A service agreement was signed between the Company and a private company controlled by the President of the Company from 1997. The private company has provided administrative and accounting services to the Company to meet existing regulatory and compliance filings. A \$5,000 monthly administration charge was paid plus scheduled personnel charges for accounting, consulting, geological and investor relations services rendered. The Company is also required to reimburse out-of-pocket expenses, the majority of which is subject to a 10% markup.
- (2) Legal fees in the amount of \$42,066 (2006 - NIL) billed by a company controlled by the President of the Company and included in professional fees.

VALTERRA RESOURCE CORPORATION
Notes to Financial Statements
Six Months Ended June 30, 2007
Expressed in Canadian Dollars
(Unaudited – Prepared by Management)

8. RELATED PARTY TRANSACTIONS (continued)

Balances due to related parties:

- (3) Included in due to related parties is \$107,923 (2006 - \$167,000) payable to a company owned by the President of the Company;
- (4) Included in due to related parties is \$24,230 (2006 - \$24,107) owing to the President of the Company;
- (5) Included in due to related parties is \$36,414 (2006 - NIL) due to a law corporation owned by the President of the Company;
- (6) Included in due to related parties is \$16,605 (2006 - \$16,605) owing to a Director of the Company.

These transactions were made in the normal course of operations for consideration established and accepted by the Company and the related parties.

9. SUBSEQUENT EVENTS

On August 3, 2007 the CTOs issued by ASC and BCSC, for details refer to the Note 1 of these financial statements, were fully revoked. On May 10, 2007 the CNQ granted the Company conditional listing approval. This equity offering is carried out to raise funds to support exploration of the Swift Katie mining claims.

10. CONTINGENCIES

- (a) The Company has approximately \$96,000 included in accounts payable that it is currently disputing. The resolution of this may result in a gain or loss to the Company at some time in the future; however, the outcome is not known at this point.

VALTERRA RESOURCE CORPORATION

Notes to Financial Statements

Six Months Ended June 30, 2007

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

10. CONTINGENCIES (continued)

(b) The note receivable due from HCEW is in dispute by EACL. The note receivable was used in the settlement of outstanding long-term debt during 2006 (note 8 of the audited financial statements for the fiscal year ended December 31, 2006). The Company may be obligated for further amounts with respect to the debt settlement. The outcome of the dispute cannot be determined at this time, and accordingly, will be recorded when known and may impact future results of operations and cash flows.

11. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year.