Valterra Resource Corporation

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Condensed Interim Financial Statements

Six Months Ended June 30, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim financial statements of the Company for the six months ended June 30, 2015, and comparatives for the six months ended June 30, 2014, were prepared by management and have not been reviewed or audited by the Company's auditors.

Valterra Resource Corporation

(An Exploration Stage Company)
Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars, Unaudited)

	Note	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Operating Expenses					
Administration		$ -	$ -	$ -	$ 448
Consulting		3,000	3,000	6,000	6,000
Exploration and evaluation	5(c)	515	16,504	1,015	39,565
Investor relations		285	-	4,068	6,701
Office and general		3,756	5,172	8,817	11,110
Professional fees		15,844	18,041	15,844	18,041
Regulatory fees and taxes		2,643	3,364	8,502	9,873
Shareholders' communications		-	1,030	190	1,310
Transfer agent		748	827	1,798	2,276
		26,791	**47,938**	**46,234**	**95,324**
Interest and other income		-		-	(442)
		-	**-**	**-**	**(442)**
Net Loss and Comprehensive Loss for the Period		**$ 26,791**	**$ 47,938**	**$ 46,234**	**$ 94,882**
Loss per share - basic and diluted		$ 0.00	$ 0.00	$ 0.00	$ 0.00
Weighted average number of common shares outstanding		32,735,925	30,955,075	32,735,925	29,534,692

The accompanying notes are an integral part of these condensed interim financial statements

Valterra Resource Corporation

(An Exploration Stage Company)
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars, Unaudited)

As at	Note		June 30 2015		December 31 2014
Assets					
Current					
Cash	11	$	2,951	$	3,756
Receivables			853		2,938
Prepaid and deposits			-		2,681
			3,804		**9,375**
Non-current					
Mineral properties	5		388,175		388,175
Reclamation bond			10,000		10,000
			398,175		**398,175**
		$	**401,979**	**$**	**407,550**
Liabilities					
Current					
Bank indebtedness	6	$	623	$	198,567
Accounts payable and accrued liabilities	6		474,484		247,337
Due to related parties	7		45,358		33,898
			520,465		**479,802**
Deficit					
Share capital	8		12,212,977		12,212,977
Share-based payments reserve			237,867		240,708
Deficit			(12,569,330)		(12,525,937)
			(118,486)		**(72,252)**
		$	**401,979**	**$**	**407,550**

Approved on behalf of the Board

"Lawrence Page"	*"Edward Odishaw"*
Lawrence Page, Q.C. Director	Edward Odishaw Director

The accompanying notes are an integral part of these condensed interim financial statements

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statements of Changes in Equity (Deficit)
Six Months Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars, Unaudited)

	Share Capital Number of Shares	Share Capital Amount	Share-based Payment Reserve	Deficit	Total Equity (Deficit)
Balance as at December 31, 2013	**26,345,275**	**$ 11,943,801**	**$ 443,605**	**$ (12,458,430)**	**$ (71,024)**
Issued					
Private placements - non-flow-through	4,105,000	205,250	-	-	205,250
Shares for mineral property payment	500,000	25,000	-	-	25,000
Shares for settlement of debt	785,650	39,283	-	-	39,283
Share issue costs	-	(6,223)	-	-	(6,223)
Expiry of options and warrants	-	-	(8,240)	8,240	-
Net loss for the period	-	-	-	(94,882)	(94,882)
Balance as at June 30, 2014	**31,735,925**	**$ 12,207,111**	**$ 435,365**	**$ (12,545,072)**	**$ 97,404**
Balance as at December 31, 2014	**32,735,925**	**$ 12,212,977**	**$ 240,708**	**$ (12,525,937)**	**$ (72,252)**
Expiry of options and warrants	-	-	(2,841)	2,841	-
Net loss for the period	-	-	-	(46,234)	(46,234)
Balance as at June 30, 2015	**32,735,925**	**$ 12,212,977**	**$ 237,867**	**$ (12,569,330)**	**$ (118,486)**

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statements of Cash Flows
Six Months Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars, Unaudited)

		2015		2014
Operating Activities				
Net loss for the period	$	(46,234)	$	(94,882)
		(46,234)		(94,882)
Changes in Non-Cash Working Capital				
Receivables		2,085		739
Prepaid and deposits		2,681		(5,875)
Bank indebtedness		(197,944)		280
Accounts payable and accrued liabilities		227,147		8,470
Due to related parties		6,000		(168,815)
		39,969		(165,201)
Cash Used in Operating Activities		**(6,265)**		**(260,083)**
Investing Activities				
Acquisition of mineral properties		-		(10,000)
Reclamation bond recovery		-		30,000
Cash Provided by Investing Activities		**-**		**20,000**
Financing Activities				
Common shares issued for cash, net		-		199,027
Loans received from related parties		5,460		-
Cash Provided by Financing Activities		**5,460**		**199,027**
Decrease in Cash During the Period		**(805)**		**(41,056)**
Cash, Beginning of the Period		3,756		55,206
Cash, End of the Period	$	**2,951**	$	**14,150**

Supplemental cash flow information (Note 10)

1. Nature of Operations and Going Concern

Valterra Resource Corporation (the "Company") was incorporated in Alberta on September 26, 1996, continued to the Yukon on May 8, 1997 and subsequently to British Columbia on February 22, 2008.

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements. The Company's registered office is 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These condensed interim financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2015, the Company had a working capital deficit of $516,661 (December 31, 2014 - $470,427). The Company incurred a net loss of $46,234 for the six months ended June 30, 2015 (2014 - $94,882) and had an accumulated deficit of $12,569,330 as at June 30, 2015 (December 31, 2014 - $12,525,937).

As at June 30, 2015, the Company does not have sufficient working capital to meet its administrative overheads and continue with its exploration programs. 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 will be required to issue share capital to finance future activities through private placements and the exercise of options and warrants and is actively seeking additional equity financing. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern.

These financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. Basis of Preparation

These condensed interim financial statements were prepared in accordance with International Accounting Standards 34: *Interim Financial Reporting* on a historical cost basis using the accrual basis of accounting, except for cash flow information and certain financial instruments measured at fair value.

The Company's functional and presentation currency is the Canadian dollar.

(Expressed in Canadian Dollars, Unaudited)

2. Basis of Preparation, continued

These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2014.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on August 27, 2015.

3. Summary of Significant Accounting Policies

The same accounting policies are used in the preparation of these condensed interim financial statements as for the most recent audited annual financial statements and reflect all the adjustments necessary for fair presentation in accordance with International Financial Reporting Standards of the results for the interim periods presented.

4. Financial Instruments

The Company's financial instruments include cash, reclamation bond, bank indebtedness, accounts payable and accrued liabilities and due to related parties.

The carrying values of bank indebtedness, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and carrying value approximates fair value.

5. Mineral Properties

Mineral property acquisition costs as at June 30, 2015, were as follows:

	Bobcaygeon $	Swift Katie $	Total $
Balance as at December 31, 2013	59,325	388,175	447,500
Additions	62,200	-	62,200
Impairments	(121,525)	-	(121,525)
Balance as at December 31, 2014	-	388,175	388,175
Balance as at June 30, 2015	**-**	**388,175**	**388,175**

Terms of the agreements for these properties are described below:

(a) Bobcaygeon

Pursuant to an option agreement dated June 1, 2012, the Company can earn a 100% undivided interest in the property located in southern Ontario.

5. Mineral Properties, continued

(a) Bobcaygeon, continued

Remaining share issuances, staged payments and exploration commitments are due as follows:

(i) Pay $10,000, issue common shares valued at $100,000 and incur not less than an aggregate $850,000 of exploration expenditures on or before December 15, 2015; and
(ii) Pay $15,000, issue common shares valued at $200,000 and incur not less than an aggregate $1,250,000 of exploration expenditures on or before December 15, 2016.

The Company has the irrevocable right and option to satisfy any of the exploration commitments by issuing common shares of equal value based on the closing price on the day preceding the share issuance.

The optionor of the property retains the right to mine all vermiculite and limestone and also retains a 1.5% production royalty, which the Company has the option to purchase at any time in increments of 0.5% for $500,000 per increment.

On December 30, 2014, the Company received notice of default of the option agreement which claimed failure to deliver shares of sufficient value and failure to incur required expenditures, amongst certain other claims. On January 29, 2015, the Company responded to the notice disputing the claims therein and requested a standstill period in accordance with the terms of the agreement. To date, the Company has not received an official response from the optionor. The Company considered the dispute to be an indicator of impairment and recorded an impairment provision against all capitalized costs during the year ended December 31, 2014.

(b) Swift Katie

Pursuant to an agreement dated July 21, 2006, as amended, Manex Resource Group Inc. ("Manex"), a private company controlled by a director of the Company, acquired an option to purchase the property located near Salmo, British Columbia. The option was subsequently assigned by Manex to the Company for $2,500.

The optionors of the property retain a 3% net smelter royalty (“NSR”) interest. The Company has the option to purchase one-half of the NSR (1.5%) for $1,000,000 per 1% and the option to purchase a further one-sixth (0.5%) for an additional $1,500,000 at any time prior to the commencement of commercial production.

Beginning December 31, 2010 and annually thereafter, the Company is required to make an annual advance minimum royalty (“AMR”) payment of $50,000. These payments will be adjusted annually according to the Consumer Price Index (“CPI”) base of December 31, 2006 and are deductible from future NSR payments.

During the period, agreement was obtained that the AMR due on December 31, 2014 would be deferred to March 31, 2015 with interest compounded at 2% per month from April 1, 2015 (unpaid).

(Expressed in Canadian Dollars, Unaudited)

5. Mineral Properties, continued

(b) Swift Katie, continued

In addition to the NSR and the AMR, if the Company completes a positive feasibility study, the Company will issue 250,000 common shares to the optionors and if the Company achieves commercial production, the Company will issue 500,000 common shares to the optionors.

(c) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures incurred for the six months ended June 30, 2015 and 2014, were as follows:

	Bobcaygeon		Swift Katie		Star		Toughnut		Total	
	$	$	$	$	$	$	$	$	$	$
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Assays and analysis	-	-	515	1,531	-	2,204	-	1,771	**515**	**5,506**
Geological services	-	5,562	-	-	-	-	-	-	**-**	**5,562**
Project supervision	-	18,713	-	4,893	-	200	-	-	**-**	**23,806**
Travel	-	1,491	-	-	-	-	-	-	**-**	**1,491**
	-	**25,766**	**515**	**6,424**	**-**	**2,404**	**-**	**1,771**	**515**	**36,365**
General exploration									**500**	**3,200**
									1,015	**39,565**

6. Bank Indebtedness

Bank indebtedness was previously due on demand and secured by a letter of credit from Schroders (C.I.) supported by a guarantee by a company owned by a shareholder of the Company.

Pursuant to an agreement, as amended on February 3, 2015, the guarantee was extended until September 30, 2015. As consideration for the extension, the Company has approval to issue 350,000 units, where each unit will consist of one common share and one share purchase warrant exercisable to purchase one additional common share at an exercise price of $0.05 for a period of one year.

On April 20, 2015, the Company received notice of demand for payment of the bank indebtedness. As the Company was unable to comply with this notice, on June 1, 2015, security was enforced against the letter of credit from Schroders (C.I.) and supporting guarantee in the amount of $199,810. The amount now owing under the guarantee is currently unsecured, has no formal terms of repayment and presented within accounts payable and accrued liabilities.

Remaining bank indebtedness is due on demand and bears interest at prime plus 1% per annum.

(Expressed in Canadian Dollars, Unaudited)

7. Related Party Balances and Transactions

In addition to those transactions disclosed elsewhere in these condensed interim financial statements, the Company entered into the following related party transactions:

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

- $nil (2014 - $14,243) for geological consulting services; and
- $nil (2014 - $448) in respect of the mark-up on out-of-pocket expenses.

Effective October 1, 2013, the Company received notice that it was in default of the service agreement. Amounts payable as at June 30, 2015 were $11,025 (December 31, 2014 - $11,025).

(b) Fees relating to legal and consulting services of $nil (2014 - $nil) were charged by a private company controlled by a director and officer of the Company. Amounts payable as at June 30, 2015 were $4,373 (December 31, 2014 - $4,373).

(c) Fees relating to consulting services of $6,000 (2014 - $6,000) were charged by an officer of the Company. Amounts payable as at June 30, 2015 were $24,500 (December 31, 2014 - $18,500).

(d) Fees relating to geological consulting services of $nil (2014 - $2,813) were charged by a private company controlled by a director of the Company.

(e) Loans totalling $5,460 (December 31, 2014 - $nil) are payable to directors of the Company with respect to funds advanced.

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. A summary of compensation awarded to key management, included in (c) and (d) above, is as follows:

		2015		**2014**
Short-term benefits	$	6,000	$	8,813
Total	$	6,000	$	8,813

8. Share Capital

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

(Expressed in Canadian Dollars, Unaudited)

8. Share Capital, continued

(b) Equity Financings

Six months ended June 30, 2014:

On February 20, 2014, the Company closed a non-flow-through private placement by issuing 3,105,000 units at a price of $0.05 per unit for gross proceeds of $155,250. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one additional common share at an exercise price of $0.05 for a period of three years.

On June 10, 2014, the Company closed a non-flow-through private placement by issuing 1,000,000 units at a price $0.05 per unit for total gross proceeds of $50,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one additional common share at an exercise price of $0.05 for a period of three years.

(c) Non-Cash Issuances

Six months ended June 30, 2014:

On February 21, 2014, the Company completed an agreement to settle a debt of $54,283 by payment of $15,000 and by the issuance of 785,650 units at a price of $0.05 per unit. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase an additional common share at a price of $0.05 per share for a period of three years.

On March 19, 2014, the Company issued 500,000 common shares as per a property option agreement. The fair value recognized of $25,000 was based on the closing quoted market price of $0.05 per share.

(d) Stock Options

Stock options outstanding and exercisable as at June 30, 2015 were as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance December 31, 2014	Balance June 30, 2015
$1.00	$0.20	November 17, 2016	20,000	20,000
$0.10	$0.13	July 19, 2017	480,000	480,000
$0.12	$0.11	December 17, 2017	1,375,000	1,375,000
$0.17	$0.15	March 1, 2018	100,000	100,000
			1,975,000	**1,975,000**
Weighted average exercise price			$0.13	$0.13
Weighted average contractual life remaining (years)			2.86	2.37

(Expressed in Canadian Dollars, Unaudited)

8. Share Capital, continued

(e) Share Purchase Warrants

Share purchase warrants outstanding as at June 30, 2015 were as follows:

Exercise Price	Expiry Date	Balance December 31, 2014	Expired	Balance June 30, 2015
$0.60	January 14, 2015	5,000	5,000	-
$1.00	January 31, 2016	5,000	-	5,000
$0.05	February 20, 2017	3,105,000	-	3,105,000
$0.05	February 21, 2017	785,650	-	785,650
$0.05	June 10, 2017	1,000,000	-	1,000,000
$0.05	August 12, 2017	100,000	-	100,000
		5,000,650	**5,000**	**4,995,650**
Weighted average exercise price		$0.05	$0.60	$0.05
Weighted average contractual life remaining (years)		2.21		1.72

9. Segmented Information

The Company has one operating segment, the exploration of mineral properties in Canada. As at June 30, 2015, the Company's non-current assets are all located in Canada.

10. Supplemental Cash Flow Information

	2015	2014
Cash Items		
Income tax paid	$ -	$ -
Interest paid	2,594	3,980
Interest received	-	442
Non-Cash Items		
Shares for mineral property payment	-	25,000
Shares for settlement of accounts payable	-	39,283

11. Events after the Reporting Period

Other than the events disclosed elsewhere in these consolidated interim financial statements, the following events occurred subsequent to June 30, 2015:

11. Events after the Reporting Period, continued

- On June 30, 2015, a Notice of Claim was filed in Small Claims Court regarding disputed amounts owed to a certain vendor that the Company believes total approximately $45,000. The Notice of Claim demanded payment of $25,000 and stated that the vendor abandoned any claims to payment in excess of this amount.

  The Company was unable to pay and could not offer a reasonable settlement. On August 21, 2015, a Notice of Seizure was filed against the remaining balances in the Company's bank accounts.

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Management's Discussion and Analysis
For the Six Months Ended June 30, 2015
Dated: August 27, 2015

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Valterra Resource Corporation (the "Company") is for the six months ended June 30, 2015, and is dated August 27, 2015. This MD&A was prepared to conform to National Instrument 52-102F1 and was approved by the Board of Directors prior to its release. This analysis should be read in conjunction with the Company's unaudited condensed interim financial statements for the six months ended June 30, 2015, and the Company's audited financial statements for the year ended December 31, 2014, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares are listed on the TSX Venture Exchange under the symbol "VQA.V" and the Frankfurt Stock Exchange under the symbol "3VA.F".

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

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 Person

Robert W. J. Macdonald, 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. Mr. Macdonald graduated with a B.Sc. degree from Memorial University of Newfoundland and a M.Sc. from the University of British Columbia. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

C. Conversion Tables

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. Summary of Mineral Properties

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements and has been aggressively exploring in British Columbia and Ontario, Canada.

The Bobcaygeon graphite property is located in southern Ontario which is favorably situated within the Precambrian Grenville Province which is a prospective locale for potential graphitic deposits.

The Swift Katie Cu-Au-porphyry property is located within a highly metallogenic area of south-eastern British Columbia that historically has hosted several important mining districts, and is underlain by rocks considered very favourable for the discovery of porphyry-style mineralization.

Bobcaygeon

The property package encompasses over 160 square kilometres of claims, leases and private patents, and includes claims recently staked to cover important mineral trends and features. The property is located approximately 2.5 hours' drive north of Toronto and is close to transport, power, and numerous services.

Previous work on the project included: reconnaissance mapping and prospecting; backhoe excavator trenching; diamond drilling; surface geophysics; and whole rock/multi-element analyses. Sampling has identified extensive areas of anomalous to high-grade graphite throughout the property.

Graphitic horizons are associated with the Salerno Creek Deformation Zone that forms a major tectonic boundary between the Bancroft Terrane and Harvey-Cardiff Arch. The terrane contact hosts the majority of past-producing graphite mines and significant graphite occurrences in the belt; mostly within major regional-scaled fault complexes. Five areas, over a 20 kilometre strike length, have been identified by the Company for priority follow-up.

Further regional work including mapping, prospecting and trenching is planned to delineate the full extent of the graphitic stratigraphy throughout the property.

Discovery Zone

High-grade graphite horizons occur at both the Discovery and Salerno Zones. Trenching at the Discovery Zone has uncovered a high-grade vein which returned graphite values of 36.8% Cg over 1.5 metres, 20.2% Cg over 1.4 metres, 14.6% Cg over 0.7 metres. Sampling and mapping has extended the projection of the Discovery Zone mineralization to over 600 metres and now defines a priority drill target that is supported by recent EM and IP/Res geophysics on the property.

Salerno Zone

The Salerno Zone is located 24 kilometres northeast of the Discovery Trench and is hosted in rusty marble. Both the strike-length and thickness of the graphite-bearing stratigraphy make this a high priority target with the potential to develop both bulk tonnage and high-grade mineralization.

D. Summary of Mineral Properties, continued

Bobcaygeon, continued

Salerno Zone, continued

Historic drilling in the 1990's at the Salerno Zone (for zinc) identified graphite-bearing stratigraphy over a +2 kilometre strike length. Mapping in the area has identified two different graphite horizons and sampling has confirmed the high-grade potential of this newly developed occurrence. Current planning would test a +4 kilometre cumulative strike-length of the target area.

Crystal Zone

The Crystal Zone is located approximately 10.5 kilometres north-east of the Discovery Trench. Preliminary mapping in the area has shown that the graphitic horizon is associated with a biotitic/amphibolite gneiss and occurs in a unit ranging from 65 metres to 250 metres wide.

4South Zone

The 4South Zone is located approximately 450 metres northwest of the Discovery Zone trench. The graphite is hosted in amphibolite gneiss and occurs on the edge of an electromagnetic anomaly within the Discovery Zone geophysical grid.

Corridor Zone (Bass Lake North)

The Corridor Zone is located 1 kilometre to the north of the Discovery Trench. Two trends of graphitic stratigraphy may represent parallel target horizons extending the full 1.75 kilometre trend of the currently delineated zone.

Select assay results to date:

Sample No.	Type	Width	Description	Cg(%)
Main Zone				
960540	Channel	1.5m	Graphite lenses in marble	36.8
960541	Channel	1.4m	Graphite lenses in marble	20.2
960061	Channel	0.7m	Graphite plus quartz in marble	14.6
960542	Channel	0.5m	Graphite in amphibolite gneiss	8.7
960513	Grab	0.3m	Quartz vein with coarse graphite	7.8
Salerno Zone				
960685	Chip/Grab	0.1m	Graphite seam in calcitic marble	28.1
960678	Chip	1.5m	Graphite layers in calcitic marble	15.7
960683	Chip	0.6m	Graphite seams in calcitic marble	8.5
960679	Chip	1.2m	Graphite layers in calcitic marble	7.2
960709	Channel	1.7m	Graphite layers in calcitic marble	5.7
960735	Chip	1.0m	Graphite lenses and Breccia in calcitic marble	24.5
960737	Chip	0.4m	Graphite lenses in calcitic marble	14.7
960741	Chip	0.5m	Graphite seams in gneiss	9.4
960740	Chip	1.5m	Graphitic quartz monzonite	3.5

D. Summary of Mineral Properties, continued

Bobcaygeon, continued

Sample No.	Type	Width	Description	Cg(%)
4South Zone				
960701	Channel	1.2m	Mineralized amphibolite gneiss	2.4
960703	Channel	1.2m	Mineralized amphibolite gneiss	2.4
960702	Channel	1.0m	Mineralized amphibolite gneiss	2.1
960668	Chip	1.3m	Amphibolite gneiss	2.0
Corridor Zone				
960677	Grab	0.3m	Amphibolite gneiss/marble contact	2.5
960528	Grab	0.3m	Graphite in amphibolite gneiss	2.2
960530	Chip	1.0m	Graphite in gneiss/marble	2.1
Crystal Zone				
960671	Chip	3.0m	Mineralized amphibolite gneiss	2.3
960715	Channel	2.0m	Gneissose marble	1.8
960742	Chip	7.0m	Layered marble	2.9
960743	Chip	4.5m	Gneissic marble	2.5

On December 30, 2014, the Company received notice of default of the underlying option agreement to acquire the property which claimed failure to deliver shares of sufficient value and failure to incur required expenditures, amongst certain other claims.

On January 29, 2015, the Company responded to the notice disputing the claims therein and requested a standstill period in accordance with the terms of the agreement. To date, the Company has not received an official response from the optionor.

Swift Katie

The Swift Katie claims comprise more than 83 square kilometres located near Salmo, British Columbia within in an infrastructure-rich region of the province.

Since acquisition, the Company has completed 15 drill holes (4,866m) and returned several encouraging intercepts indicative of bulk-tonnage Cu-Au-Ag from the main Katie Zone. Mineralization occurs in volcano-sedimentary rocks of the Rossland Group which hosts numerous precious-metal and polymetallic past-producers in the region.

The drilling outlines a Cu-Au-Ag inventory measuring approximately 600 metres of strike length by 400 metres width, and up to 300 metres depth; being open in several directions. Inventory review work included surveying of historic drill collars, an assessment of the historic QA/QC protocols, and drill spacing with the ultimate goal being to develop a NI 43-101 compliant bulk-tonnage Cu-Au-Ag resource.

D. Summary of Mineral Properties, continued

Swift Katie, continued

A previous soil sampling program identified geochemical anomalies (copper, gold, silver and potassium) within anomalous resistivity and magnetic signatures. These geophysical and geochemical anomalies are coincident with host rocks which are of a prospective age and lithology for hosting mineralization.

The Swift target lies immediately south of the Katie deposit which hosts alkalic porphyry copper-gold mineralization. Alkalic porphyry mineralization commonly occurs in clusters, thus the Swift area presents a compelling target.

A previous reconnaissance drilling program consisted of five diamond drill holes totaling 1,423 metres. These holes tested soil and resistivity anomalies over a 1 square kilometre area. Spacing between drill hole collars ranged from 350 metres to 900 metres. The program encountered numerous zones of precious metal mineralization which include 23.4 g/t gold, 0.621% copper and 435 g/t silver over 1.5 metre, and an adjacent 2 metre, interval grading 5.69 g/t gold, 0.128% copper and 26.6 g/t silver from hole SK14-002.

The high-grade gold-silver vein intercepts warrant further exploration and follow-up, as the primary exploration objective to date has only focused on the large-scale copper-gold porphyry potential of the Swift target.

The two zones associated with the high-grade precious metals include 20-40 centimetre wide pyrite-pyrrhotite-chalcopyrite veins at the contact between andesite and a diorite intrusive and sit within a much broader zone of elevated copper mineralization (>100ppm Cu) with zones of strongly anomalous gold and silver. The interval in SK14-002 from 179.5 metres to 181 metres has associated polymetallic mineralization including 0.6% lead. This polymetallic mineralization may be an indication of a porphyry transitional environment.

Drill holes SK14-001 and SK14-003 did not intersect significant copper or gold values, however hydrothermal alteration in the form of chlorite, epidote, calcite, pyrite and magnetite were intercepted in both holes. In addition, indicators of porphyry–style mineralization have been intersected, including zones of potassic alteration (biotite and magnetite) in SK14-002, SK14-004 and SK14-005.

The results support the belief that there is a hydrothermal system associated with porphyry Cu-Au at Swift and are being evaluated along with property-scale targets to determine the next phase of work.

The Company also believes that the drill results are positive in finding gold mineralization and alkalic porphyry Cu-Au style alteration. Further work may expand these mineralized widths and over a half dozen targets remain to be tested on the property.

D. Summary of Mineral Properties, continued

Acquisition Costs, continued

Mineral property acquisition costs are capitalized, net of recoveries.

Mineral property acquisition costs as at June 30, 2015 were as follows:

	Bobcaygeon $	Swift Katie $	Total $
Balance as at December 31, 2013	59,325	388,175	447,500
Additions	62,200	-	62,200
Impairments	(121,525)	-	(121,525)
Balance as at December 31, 2014	-	388,175	388,175
Balance as at June 30, 2015	**-**	**388,175**	**388,175**

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures are expensed as incurred.

Exploration and evaluation expenditures incurred for the six months ended June 30, 2015 and 2014 were as follows:

	Bobcaygeon		Swift Katie		Star		Toughnut		Total	
	$ 2015	$ 2014	$ 2015	$ 2014	$ 2015	$ 2014	$ 2015	$ 2014	$ 2015	$ 2014
Assays and analysis	-	-	515	1,531	-	2,204	-	1,771	**515**	**5,506**
Geological services	-	5,562	-	-	-	-	-	-	**-**	**5,562**
Project supervision	-	18,713	-	4,893	-	200	-	-	**-**	**23,806**
Travel	-	1,491	-	-	-	-	-	-	**-**	**1,491**
	-	**25,766**	**515**	**6,424**	**-**	**2,404**	**-**	**1,771**	515	36,365
General exploration									500	3,200
									1,015	39,565

E. Results of Operations

During the six months ended June 30, 2015, the Company reported a net loss and comprehensive loss of $46,234 (2014 - $94,882) as follows:

	2015	2014	Increase/(Decrease)	
	$	$	$	%
Administration	-	448	(448)	(100%)
Consulting	6,000	6,000	-	0%
Exploration and evaluation	1,015	39,565	(38,550)	(97%)
Investor relations	4,068	6,701	(2,633)	(39%)
Office and general	8,817	11,110	(2,293)	(21%)
Professional fees	15,844	18,041	(2,197)	(12%)
Regulatory fees and taxes	8,502	9,873	(1,371)	(14%)
Shareholders communications	190	1,310	(1,120)	(85%)
Transfer agent	1,798	2,276	(478)	(21%)
Interest income	-	(442)	442	(100%)

The Company was mostly focused on financing efforts and other strategic initiatives during the current period in order that it may continue with its mandate to acquire, explore, and develop mineral resource properties.

Wherever possible, the Company has been reducing general and administration costs.

F. Summary of Quarterly Results

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

	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sept 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sept 30 2013
	$	$	$	$	$	$	$	$
Net loss	26,791	19,443	154,991	24,665	47,938	46,944	307,101	121,741
Basic and diluted loss per share	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.01	$0.00

The Company earned no revenue during the periods presented other than minimal interest income as the Company is in the exploration stage.

Quarterly fluctuations mainly relate to the cessation of a services agreement that came into effect on October 1, 2013, recognition of share-based payments which vary as stock options are granted and vest, deferred income tax adjustments relating to flow-through share premiums, and mineral property exploration expenditures and impairments which occur as projects are identified and results are analyzed or other indicators arise. Significant impairment charges were recognized in the three months ended December 31, 2014 and 2013.

G. Financial Condition, Liquidity and Capital Resources

As at June 30, 2015, the Company had a working capital deficit of $516,661 (December 31, 2014 - $470,427).

Where possible, the Company has been 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. However, the Company does not generate any revenue from operations and, without further financing, the Company does not have sufficient capital to meet the requirements for its administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months.

For the foreseeable future, the Company will need to rely on raising capital in the equity markets and/or enter into joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities.

Although the Company has been successful in obtaining financing through the issuance 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.

Bank indebtedness

Bank indebtedness was previously due on demand and secured by a letter of credit from Schroders (C.I.) supported by a guarantee by a company owned by a shareholder of the Company. Pursuant to an agreement, as amended on February 3, 2015, the guarantee was extended until September 30, 2015.

On April 20, 2015, the Company received notice of demand for payment of the bank indebtedness. As the Company was unable to comply with this notice, on June 1, 2015, security was enforced against the letter of credit from Schroders (C.I.) and supporting guarantee in the amount of $199,810. The amount now owing under the guarantee is currently unsecured, has no formal terms of repayment and is presented within accounts payable and accrued liabilities in the condensed interim financial statements.

Remaining bank indebtedness is due on demand and bears interest at prime plus 1% per annum.

Notice of Claim / Notice of Seizure

On June 30, 2015, a Notice of Claim was filed in Small Claims Court regarding disputed amounts owed to a certain vendor that the Company believes total approximately $45,000. The Notice of Claim demanded payment of $25,000 and stated that the vendor abandoned any claims to payment in excess of this amount.

The Company was unable to pay and could not offer a reasonable settlement. On August 21, 2015, a Notice of Seizure was filed against the remaining balances in the Company's bank accounts.

H. Outstanding Equity and Convertible Securities

i) Issued and outstanding

As at June 30, 2015 and August 27, 2015, the Company had 32,735,925 common shares issued and outstanding.

ii) Stock Options

As at June 30, 2015 and August 27, 2015, stock options outstanding were as follows:

Exercise Price	Expiry Date	Balance June 30, 2015	Balance August 27, 2015
$1.00	November 17, 2016	20,000	20,000
$0.10	July 19, 2017	480,000	480,000
$0.12	December 17, 2017	1,375,000	1,375,000
$0.17	March 1, 2018	100,000	100,000
		1,975,000	**1,975,000**
Weighted average exercise price		$0.13	$0.13
Weighted average contractual life remaining (years)		2.37	2.21

iii) Share Purchase Warrants

As at June 30, 2015 and August 27, 2015, share purchase warrants outstanding were as follows:

Exercise Price	Expiry Date	Balance June 30, 2015	Balance August 27, 2015
$1.00	January 31, 2016	5,000	5,000
$0.05	February 20, 2017	3,105,000	3,105,000
$0.05	February 21, 2017	785,650	785,650
$0.05	June 10, 2017	1,000,000	1,000,000
$0.05	August 12, 2017	100,000	100,000
		4,995,650	**4,995,650**
Weighted average exercise price		$0.05	$0.05
Weighted average contractual life remaining (years)		1.72	1.56

I. Related Party Transactions

The Company entered into the following related party transactions during the six months ended June 30, 2015:

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

- $nil (2014 - $14,243) for geological consulting services; and
- $nil (2014 - $448) in respect of the mark-up on out-of-pocket expenses.

Effective October 1, 2013, the Company received notice that it was in default of the service agreement. Amounts payable as at June 30, 2015 were $11,025 (December 31, 2014 - $11,025).

(b) Fees relating to legal and consulting services of $nil (2014 - $nil) were charged by a private company controlled by a director and officer of the Company. Amounts payable as at June 30, 2015 were $4,373 (December 31, 2014 - $4,373).

(c) Fees relating to consulting services of $6,000 (2014 - $6,000) were charged by an officer of the Company. Amounts payable as at June 30, 2015 were $24,500 (December 31, 2014 - $18,500).

(d) Fees relating to geological consulting services of $nil (2014 - $2,813) were charged by a private company controlled by a director of the Company.

(e) Loans totalling $5,460 (December 31, 2014 - $nil) are payable to directors of the Company with respect to funds advanced.

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company.

The Company has no long-term employee or post-employment benefits. A summary of compensation awarded to key management, included in (c) and (d) above, is as follows:

		2015		2014
Short-term benefits	$	6,000	$	8,813
Total	$	6,000	$	8,813

J. Financial Instruments

The Company's financial instruments include cash, reclamation bond, bank indebtedness, accounts payable and accrued liabilities and due to related parties.

J. Financial Instruments, continued

The Company has classified its financial instruments into the following categories:

Financial Instrument	Category	Carrying Value
Cash	FVTPL	Fair Value
Reclamation Bond	Loans and Receivables	Amortized Cost
Bank Indebtedness	Other Financial Liabilities	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost

The carrying values of bank indebtedness, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and carrying value approximates fair value.

These financial instruments have no material risk exposure. Risk is managed with respect to cash 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. In addition, any investments must be less than one year in duration.

K. Events After the Reporting Period and Outlook

Except as otherwise disclosed, there have been no material events after the reporting period. 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.

L. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate entering into any such arrangements in the foreseeable future.

M. Disclosure Controls and Procedures

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three independent directors who meet at least quarterly with management and at least annually with the external auditors to review accounting, internal control, financial reporting, and audit matters.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Audit Committee has established 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.

M. Disclosure Controls and Procedures, continued

The Whistleblower policy is in accordance with National Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

Being a venture issuer, the Company is exempted from the certification on Disclosure Controls and Procedures and Internal Control Over Financial Reporting. The Company is required to file Form 52-109FV1 for annual reporting and Form 52-109FV2 for interim reporting.

N. 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.

Operating History and Availability of Financial Resources

The Company has no operating revenues and is unlikely to generate any significant amount 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 issuance of securities.

The Company will need to continue its reliance on the issuance 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.

N. Risks and Uncertainties, continued

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.

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.

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.

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.

Government Regulations and Environmental Risks and Hazards

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

N. Risks and Uncertainties, continued

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.

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.

O. Proposed Transactions

Other than normal course review of monthly submittals and on-going plans to raise finance, there are no other proposed transactions contemplated as at the date of this report.

P. 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.

P. 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.