(An Exploration Stage Company)

Condensed Interim Financial Statements

Six Months Ended June 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

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Valterra Resource Corporation
Condensed Interim Financial Statements
Six Months Ended June 30, 2011
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, 2011 and comparatives for the six months ended June 30, 2010 were prepared by management and have not been reviewed or audited by the Company's auditors.

Valterra Resource Corporation
Condensed Interim Statement of Comprehensive Loss
Expressed in Canadian Dollars
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2011	June 30, 2010 Restated (Note 15)	June 30, 2011	June 30, 2010 Restated (Note 15)
Operating Expenses				
Administration	$ 13,501	$ 26,702	$ 16,218	$ 53,492
Consulting	1,000	23,943	3,500	40,608
Independent director fees	-	14,250	-	23,250
Interest	306	943	1,701	2,888
Investor relations	8,196	6,101	21,105	21,568
Mineral Property Exploration Expenditures (Note 7(h))	66,989	173,345	192,859	220,873
Office and general	12,386	11,211	23,590	17,793
Professional fees	13,007	28,032	48,081	52,978
Regulatory fees and taxes	26,656	10,905	34,064	16,943
Shareholders communications	654	568	1,215	1,198
Transfer agent	12,370	899	13,864	3,319
Travel and promotion	3,701	24	13,354	805
Total Operating Expenses	**158,766**	**296,923**	**369,551**	**455,715**
Realized gain on sale of investment	(18,888)	-	(23,138)	-
Future income tax recovery - flow-through shares	-	-	(95,673)	(190,239)
Future income tax expense - investment	-	1,187	1,252	1,563
Net Loss for the Period	**139,878**	**298,110**	**$ 251,992**	**$ 267,039**
Other comprehensive loss				
Adjustment for fair value of investment	-	9,500	-	7,500
Comprehensive Loss for the Period	**139,878**	**307,610**	**$ 251,992**	**$ 274,539**
Loss per share - basic and diluted	$ 0.00	$ 0.00	$ 0.00	$ 0.01
Weighted average number of common shares outstanding	91,997,080	37,832,543	79,502,983	37,787,265

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

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Financial Position
Expressed in Canadian Dollars
(Unaudited)

	Note		June 30, 2011		December 31, 2010 Restated (Note 15)
Assets					
Current					
Cash		$	806,452	$	250,111
Receivables			57,749		43,155
Prepaid and deposits			11,317		14,290
			875,518		**307,556**
Non-Current					
Mineral properties	7		497,064		259,897
Investment	6		-		30,000
Reclamation bonds	8		45,000		45,000
			542,064		**334,897**
Total Assets		**$**	**1,417,582**	**$**	**642,453**
Liabilities					
Current					
Bank indebtedness	9	$	197,153	$	197,619
Accounts payable and accrued liabilities			84,045		197,270
Due to related parties	10		63,987		189,370
			345,185		**584,259**
Shareholders' Equity					
Share capital	12		10,626,750		9,443,488
Contributed Surplus			496,980		477,544
Accumulated Other Comprehensive Income (Loss)			-		3,750
Deficit			(10,051,333)		(9,866,588)
Total Shareholders' Equity			**1,072,397**		**58,194**
Total Liabilities and Equity		**$**	**1,417,582**	**$**	**642,453**

Nature and continuance of operations (Note 1)
Commitments (Note 14)
Subsequent events (Note 16)

Approved on behalf of the Board

"Lawrence Page"

Lawrence Page, Q.C.
Director

"Derek Page"

Derek Page
Director

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

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Changes in Equity
Expressed in Canadian Dollars
(Unaudited)

	Number of shares	Amount	Contributed Surplus Restated (Note 15)	Deficit Restated (Note 15)	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit) Restated (Note 15)
Balance as at December 31, 2009, restated (Note 15)	**37,682,543**	**$ 8,458,736**	**$ 462,129**	**$ (8,871,974)**	**$ (5,000)**	**$ 43,891**
Issued						
Shares for mineral property payment	150,000	6,000	-	-	-	6,000
Subtotal	150,000	6,000	-	-	-	6,000
Value assigned to warrants, mineral property payment	-	-	2,841	-	-	2,841
Value of options and warrants cancelled or expired	-	-	(16,636)	16,636	-	-
Tax benefit of renunciation of flow-through expenditures	-	(190,239)	-	-	-	(190,239)
Unrealized gain on investment, net of taxes	-	-	-	-	(5,938)	(5,938)
Net loss for the period, restated (Note 15)	-	-	-	(267,039)	-	(267,039)
Balance as at June 30, 2010, restated (Note 15)	**37,832,543**	**$ 8,274,497**	**$ 448,334**	**$ (9,122,377)**	**$ (10,938)**	**$ (410,484)**
Balance as at December 31, 2010, restated (Note 15)	**62,665,862**	**$ 9,443,488**	**$ 477,544**	**$ (9,866,588)**	**$ 3,750**	**$ 58,194**
Issued						
Private placements - non-flow-through	21,304,460	1,065,223	-	-	-	1,065,223
Private placements - flow-through	8,220,000	411,000	-	-	-	411,000
Shares for mineral property payment	925,000	47,250	-	-	-	47,250
Subtotal	30,449,460	1,523,473	-	-	-	1,523,473
Share issue costs	-	(185,864)	-	-	-	(185,864)
Value assigned to finders' warrants	-	(58,674)	58,674	-	-	-
Value assigned to warrants, mineral property payment	-	-	28,009	-	-	28,009
Value of options and warrants cancelled or expired	-	-	(67,247)	67,247	-	-
Tax benefit of renunciation of flow-through expenditures	-	(95,673)	-	-	-	(95,673)
Realized gain on investment	-	-	-	-	(3,750)	(3,750)
Net loss for the period	-	-	-	(251,992)	-	(251,992)
Balance as at June 30, 2011	**93,115,322**	**$ 10,626,750**	**$ 496,980**	**$ (10,051,333)**	**$ -**	**$ 1,072,397**

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

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Cash Flows
Expressed in Canadian Dollars
(Unaudited)

		Six months ended June 30, 2011		2010 Restated (Note 15)
Cash provided by (used for):				
Operating Activities				
Net income (loss) for the period	$	(251,992)	$	(267,039)
Items not involving cash:				
Gain on sale of investments		(23,138)		-
Future income tax expense		1,252		1,563
Tax benefits renounced to flow-through shares		(95,673)		(190,239)
		(369,551)		(455,715)
Changes in Non-Cash Working Capital				
Receivables		(14,594)		(1,870)
Prepaid and deposits		2,973		(4,433)
Bank indebtedness		(466)		529
Accounts payable and accrued liabilities		(113,225)		52,683
Due to related parties		(125,382)		244,957
		(250,694)		291,866
Cash Used in Operating Activities		**(620,245)**		**(163,849)**
Investing Activities				
Expenditures on mineral properties		(161,908)		(28,405)
Proceeds from disposal of investment		48,135		-
Cash Used in Investing Activities		**(113,773)**		**(28,405)**
Financing Activity				
Common shares issued for cash		1,476,223		-
Share issuance costs		(185,864)		-
Cash Provided by Financing Activities		1,290,359		-
Increase (Decrease) in Cash During the Period		**556,341**		**(192,254)**
Cash, Beginning of the Period		250,111		587,199
Cash, End of the Period	$	**806,452**	$	**394,945**

Supplemental cash flow information (Note 13)

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

1. Nature and Continuance of Operations

Valterra Resource Corporation (the "Company") was incorporated in Alberta, continued to the Yukon on May 8, 1997 and subsequently continued to British Columbia on February 22, 2008. Effective June 28, 2011 the Company's shares were listed and commenced trading on the TSX Venture Exchange. The Company's shares were previously listed on the Canadian National Stock Exchange up to July 4, 2011.

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties. All current mineral properties are located in British Columbia, Canada. The Company has yet not determined whether any of its mineral properties contain ore reserves.

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 for the foreseeable future. Currently the Company is unable to self-finance operations, has limited resources, no source of operating cash flow, no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property projects and continues to incur losses.

The Company had a net working capital of $530,333 as at June 30, 2011 (December 31, 2010: net working capital deficiency $276,703). As at June 30, 2011, the Company has an accumulated deficit of $10,051,333 (December 31, 2010: $9,866,588).

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 future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

Failure to continue as a going concern may require restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

2. Comparatives

Certain comparative amounts have been reclassified to conform to the current period's presentation.

3. Summary of Significant Accounting Policies and Future Accounting Changes

(a) Basis of Presentation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its condensed interim financial statements for the three months ended March 31, 2011. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting ("IAS 34") and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1").

These condensed interim financial statements do not include all the information and notes required by IFRS for complete financial statements for year-end reporting purposes. The accounting principles applied in the preparation of these condensed interim financial statements included herein have been applied consistently for each of the periods presented and are based on IFRS issued and outstanding as of August 23, 2011, the date the Board of Directors approved the condensed interim financial statements. Any subsequent changes to IFRS that are reflected in the Company's financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

Note 15 includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, and reconciliations of equity, comprehensive loss and cash flows for comparative periods and equity.

The condensed interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

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

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

(b) Mineral Property

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries, until these mineral properties are placed into commercial production, sold, or abandoned. The costs incurred to date do not necessarily reflect present or future values. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to the statement of comprehensive loss in that period.

All expenditures related to the exploration and development of mineral properties are expensed to the statement of comprehensive loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are capitalized as part of acquisition costs. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in the statement of comprehensive loss.

All capitalized mineral property expenditures are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company’s assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value.

(c) Reclamation Bonds

Reclamation bonds are non-interest-bearing, recorded at cost, and held by Canadian government agencies or in trust.

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

(d) Financial Instruments

(i) Categories

Financial instruments are classified as one of the following five categories: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recognized in profit and loss. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive loss and classified as a component of shareholders' equity until the investment is no longer recognized or is impaired, at which time the amounts are included in profit and loss.

(ii) Impairment of Financial Instruments

Financial instruments, other than those classified as fair value through profit and loss, are assessed for indicators of impairment at each period-end. Financial instruments are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial instrument, the estimated future cash flows have been impacted. The carrying value of all financial instruments are directly reduced by an impairment loss.

For financial instruments carried at amortized cost, the amount of the impairment is the difference between the instrument's carrying amount and the present value of the estimated future cash flows, discounted at the financial instrument's original effective interest rate.

With the exception of available-for-sale financial instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of comprehensive loss. On the date of impairment reversal, the carrying amount of the financial instrument cannot exceed its amortized cost had impairment not been recognized.

(e) Share Capital

The Company uses the residual value method with respect to the issue of units, wherein the fair value of the common shares is determined by the market value on the date of issuance and the balance, if any, is allocated to the attached warrants. Financing costs associated with private placements are deferred until the shares are issued.

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

(e) Share Capital, continued

Shares issued for non-monetary consideration are recorded at fair value based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

(f) Flow-Through Shares

Flow-through shares entitle a company that incurs certain exploration expenditures in Canada to renounce the expenditures to the investors who purchased the flow-through shares. The renounced expenditures can be deducted for income tax purposes by the investors. The proceeds from shares issued under flow-through share financing agreements are credited to share capital. The tax impact to the Company of the renouncement is recorded on the date the renunciation is filed with the taxation authorities, through an offset to share capital and the recognition of a future tax liability.

(g) Loss (Earnings) per Share

Basic loss (earnings) per share is calculated using the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and, accordingly, basic and diluted loss per share are the same.

(h) Share-Based Payments

Share-based payments for employees are measured at fair value of the instruments issued and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of the options is charged to profit and loss using the graded vesting method, with the offset credit to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value calculated is transferred from contributed surplus to share capital. Upon expiry, related fair value calculated is transferred from contributed surplus to deficit.

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

(i) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, deferred income tax assets and liabilities are determined and recognized based on differences between the financial statement carrying values and their respective income tax basis. Deferred income tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of comprehensive loss in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized, including the benefit of income tax losses available for carry-forward, is recognized only to the extent that it is more likely than not to be realized. A valuation allowance is provided against deferred income tax assets when it is more likely than not that the income tax asset will not be utilized.

(j) Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position, and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates appear throughout the financial statements and may require adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other relevant factors that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- restoration, rehabilitation, and environmental provisions;
- accrued liabilities;
- determination of the valuation allowance for future income tax assets; and
- the assumptions used in the calculation of the fair value assigned to stock-based payments.

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

(j) Significant Accounting Estimates and Judgments, continued

Critical Accounting Judgments

Management must make judgments given the various options available as per accounting standards for items included in the financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. A summary of items involving management judgment include, but are not limited to:

- the determination of the categories in which financial assets and financial liabilities are classified;
- the determination of environmental obligations;
- the impairment and recoverability of capitalized mineral property acquisition costs; and
- the rate and timing of depreciation.

(k) Restoration, Rehabilitation, and Environmental Obligations

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive, or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining acquisition assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit and loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision.

Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded. At present, the Company has determined that it has no material obligations of this nature to record in the financial statements.

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

(l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Segmented Information

The Company reports segmented information based on its operating and geographic segments.

(n) Future Accounting Changes

In 2011, the IASB issued four new IFRSs and IASs, which will come into effect for reporting periods beginning on or after January 1, 2013. Earlier application is permitted. The Company will evaluate the impact of these new standards on its financial statements when applicable. The new IFRSs and IASs are as follows:

- IFRS 9: *Financial Instruments* to replace IAS 39: *Financial Instruments: Recognition and Measurement*.
- IFRS 10: *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 supersedes IAS 27: *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities*.
- IFRS 11: *Joint Arrangements* is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers* .

Expressed in Canadian Dollars

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

(n) Future Accounting Changes, continued

- IFRS 12: *Disclosure of Interests in Other Entities*, which combines, enhances, and replaces the disclosure requirements for subsidiaries, joint arrangements, associates, and unconsolidated structured entities.
- IFRS 13: *Fair Value Measurement*, which defines fair value, sets out in a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements.
- IAS 27 *Separate Financial Statements (as amended in* 2011) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. In completing IFRS 10, the IASB removed from IAS 27 all requirements relating to consolidated financial statements.
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

4. Financial Instruments

(a) Categories of Financial Instruments

The Company's financial instruments include cash, reclamation bonds, bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties. Receivables consist of amounts due from the government and are excluded as a financial instrument. The Company has classified its financial instruments into the following categories:

	June 30, 2011		
Financial Assets	**Held-for-trading**	**Available-for-sale**	**Loans and receivables**
Cash	$ 806,452	$ -	$ -
Reclamation bonds	-	-	45,000
	$ 806,452	$ -	$ 45,000

4. Financial Instruments, continued

(a) Categories of Financial Instruments, continued

Financial Liabilities		June 30, 2011 Other Financial Liabilities
Bank indebtedness	$	197,153
Accounts payable and accrued liabilities		84,045
Due to related parties		63,987
	$	345,185

(b) Fair Value

The carrying values of cash, amounts due to related parties, bank indebtedness, and accounts payable and accrued liabilities estimate their fair values due to the short period to maturity. Reclamation bonds are non-interest-bearing and recorded at their fair value.

(c) Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, interest rate risk, credit risk, and other price risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

(i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. 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 and through management of its capital structure.

As at June 30, 2011, the cash balance of $806,452 would not be sufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral interests, and continuing with its exploration program in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations.

4. Financial Instruments, continued

(c) Financial Risk Management, continued

(ii) 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 a 100% undivided interest in Star claims group (the "Star Property"), whereby the Company is required to make further payments totaling US $230,000. An appreciation or depreciation of the US dollar by 10% could affect the Company's cash flow by $22,179 over the remaining term of the agreement.

As at June 30, 2011, the Company had no amounts receivable or payable in foreign currencies.

(iii) Interest Rate Risk

The Company is exposed to interest rate risk on its bank indebtedness, as the payments fluctuate with changes in interest rates. Based on the current balance of the bank indebtedness, an assumed 0.5% increase or decrease in interest rates would not have a significant effect on the Company's results of operations.

(iv) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash position of $806,452, which is all held with Canadian financial institutions. 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.

(v) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

Expressed in Canadian Dollars

5. Capital Management

The capital of the Company consists of components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests. The Company's objectives of capital management are to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the exploration of its mineral properties, and support any expansionary plans. The Company's primary process for managing capital consists of the ongoing assessment of current capital resources against budgeted exploration and administrative expenditures. In order to maintain or adjust the capital structure, the Company may issue new shares. There can be no assurance that the Company will be able to obtain equity capital in the case of operating cash deficits.

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.

There have been no changes in the Company's approach to capital management during the period ended June 30, 2011. The Company is not subject to externally imposed capital requirements other than those related to its credit facility, as disclosed in Note 9. The Company is in compliance with the externally imposed capital requirements.

6. Investment

On April 20, 2011, the Company received the funds from the sale of its investment of 100,000 common shares in Tosca Mining Corporation ("Tosca") for gross proceeds of $48,135. The Tosca shares were obtained in consideration for payments required pursuant to an earn-in agreement on the Swift Katie property, located in the Nelson Mining Division, British Columbia, Canada (note 7(b)). The Company held less than 1% of the total number of outstanding shares of Tosca at each of the previous reporting periods.

	Cost	Fair Value
December 31, 2009	$ 25,000	$ 20,000
Fair value adjustment	-	10,000
December 31, 2010	25,000	30,000
Proceeds received	(48,138)	(48,138)
Realized gain on sale	23,138	23,138
Fair value adjustment	-	(5,000)
December 31, 2011	$ -	$ -

Expressed in Canadian Dollars

7. Mineral Properties

The Company has interests in four mineral properties called Star, Swift Katie, Toughnut, and Rozan. All the properties are located near the towns of Nelson and Salmo, British Columbia. All acquisition costs are capitalized until such time these mineral properties are placed into commercial production, sold, or abandoned.

A summary of total mineral property acquisition costs as at June 30, 2011 is as follows:

	Toughnut $	Star $	Swift Katie $	Rozan $	Total $
Acquisition costs					
Balance as at December 31, 2009	19,453	33,484	133,889	-	186,826
Additions during the year	34,349	26,479	2,753	9,490	73,071
Balance as at December 31, 2010	53,802	59,963	136,642	9,490	259,897
Additions during the period	38,142	27,423	109,413	62,189	237,167
Balance as at June 30, 2011	**91,944**	**87,386**	**246,055**	**71,679**	**497,064**

(a) Star Property

Pursuant to an agreement dated May 13, 2008, the Company can earn a 100% undivided interest in the Star Property subject to a net smelter return royalty ("NSR") of 3% with a buy-down option to 2% before the commencement of commercial production for US $1,500,000. To earn a 100% undivided interest in the Star Property, the Company is required to make staged payments totaling US $300,000 and incur total exploration expenditures of $400,000 as follows:

(i) US $20,000 and incur in the aggregate a minimum of $100,000 in exploration expenditures on or before May 13, 2009 (paid and incurred);
(ii) US $25,000 and incur in the aggregate a minimum of $200,000 in exploration expenditures on or before May 13, 2010 (paid and incurred);
(iii) US $25,000 and incur in the aggregate a minimum of $300,000 in exploration expenditures on or before May 13, 2011 (paid and incurred);
(iv) US $30,000 and incur in the aggregate a minimum of $400,000 (incurred) in exploration expenditures on or before May 13, 2012; and
(v) US $40,000 on or before May 13, 2013, 2014 and 2015; US $50,000 on or before May 13, 2016; and US $30,000 on or before May 13, 2017.

In order to facilitate the Star option payment on May 13, 2010, as per the option agreement, the Company issued promissory notes to one director/officer and three consultants of the Company for $25,494. As at June 30, 2011, the remaining amount outstanding is $7,625 and is included in due to related parties.

7. Mineral Properties, continued

(b) Swift Katie Property

Pursuant to an agreement dated July 21, 2006 (the "Option Agreement") as amended, Manex Resource Group Inc. ("Manex"), a private company controlled by the President of the Company, acquired an option from the optionors to purchase the Swift Katie Property. The option was assigned by Manex to the Company for $2,500.

Pursuant to the amended option agreement dated December 18, 2008, the Company owns a 60% interest in the Swift Katie Property and expects to increase its interest in 2011 to 100% by making cash payments, incur exploration expenditures, and issue shares to the optionors as follows:

(i) Pay $60,000, incur $350,000 in exploration expenditures and issue 225,000 common shares on or before December 31, 2010 (paid, incurred, and issued); and
(ii) Pay an additional $60,000, incur an additional $350,000 in exploration expenditures, and issue an additional 225,000 common shares on or before December 31, 2011.

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

Beginning December 31, 2010 and annually thereafter, the Company is required to make an annual advance minimum royalty (“AMR”) payment of $35,000, increasing to $50,000 annually in December 2012 and thereafter. These payments will be adjusted annually according to the Consumer Price Index (“CPI”) base of December 31, 2006. Annual AMR payments are deductible from future NSR royalty payments. On March 23, 2011, the Company paid the AMR due December 31, 2010 of an amount of $37,600. The CPI base was calculated to be 1.074.

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.

On August 21, 2009, the Company entered into an option agreement with JRTL Capital Corp. (“JRTL”) on the Swift Katie Property. On December 3, 2009, JRTL changed its name to Tosca. In December 2010, Tosca terminated the option agreement.

7. Mineral Properties, continued

(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 (the "Toughnut Property").

On March 16, 2009 and March 4, 2010, the agreement was amended for the requirements on cash payments, exploration expenditures, and share issuances. Pursuant to the amended agreement 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 450,000 of its common shares to the optionors over five years as follows:

(i) Pay $5,000 and issue 100,000 common shares on March 9, 2009 (paid and issued);
(ii) Issue 100,000 common shares on or before March 10, 2010 (issued);
(iii) Pay $30,000 on or before August 1, 2010 (paid);
(iv) Incur not less than $300,000 of exploration expenditures on or before September 30, 2010 (incurred);
(v) Pay $35,000, issue 50,000 common shares and incur not less than an aggregate $500,000 of exploration expenditures on or before March 10, 2011 (paid, issued, and incurred);
(vi) Pay $40,000, issue 50,000 common shares and incur not less than an aggregate $750,000 of exploration expenditures on or before March 10, 2012;
(vii) Pay $40,000, issue 50,000 common shares and incur not less than an aggregate $1,000,000 of exploration expenditures on or before March 10, 2013; and
(viii) Pay $50,000, issue 100,000 common shares and incur not less than an aggregate $1,250,000 of exploration expenditures on or before March 10, 2014.

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

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

7. Mineral Properties, continued

(d) Rozan Property

On January 13, 2010, the Company entered into an option agreement to acquire a 100% undivided interest in the Rozan property, comprising thirty-two mineral claims located near Nelson, BC (the "Rozan Property"). To acquire a 100% interest in the Rozan Property, the Company is required to make staged payments totaling $200,000, incur total exploration expenditures of $1,000,000, and issue 350,000 units* to the optionors over the next five years as follows:

(i) Issue 50,000 units on the signing of the agreement (issued);
(ii) Pay $30,000**, issue 50,000 units (issued), and incur not less than an aggregate $50,000 of exploration expenditures on or before January 13, 2011**;
(iii) Pay $30,000, issue 50,000 units, and incur not less than an aggregate $250,000 of exploration expenditures on or before January 13, 2012**;
(iv) Pay $40,000, issue 50,000 units, and incur not less than an aggregate $500,000 of exploration expenditures on or before January 13, 2013;
(v) Pay $40,000, issue 50,000 units, and incur not less than an aggregate $750,000 of exploration expenditures on or before January 13, 2014; and
(vi) Pay $60,000, issue 100,000 units, and incur not less than an aggregate $1,000,000 of exploration expenditures on or before January 13, 2015.

*Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable for a period of five years with the exercise price based on the quoted market value of the Company's shares at the date of issuance, subject to a minimum exercise price of $0.10 per share.

**On February 8, 2011, the Company and the optionors for the Rozan Property amended the agreement. The Company issued 600,000 units to the optionors in lieu of the $30,000 cash payment. The units consist of one common share and one share purchase warrant. Each share purchase warrant is exercisable to purchase one common share at an exercise price of $0.10 for a period of two years. During March 2011, the parties mutually agreed to defer the requirement to incur not less than an aggregate $50,000 of exploration expenditures to on or before January 13, 2012 ($42,978 incurred to June 30, 2011).

The optionors of the Rozan Property retain a 2% NSR on the mineral claims of the property. The Company has the option to purchase one-half of the NSR by paying $500,000 to the optionors.

In addition to the optionors' 2% NSR on the property, there is an underlying royalty, pursuant to which a third party is entitled to a 1% NSR on the property. The additional 1% NSR is subject to a right of first purchase by the optionor. Should the optionor acquire the additional 1% NSR on the property, the Company will have right of first purchase to acquire this royalty should the optionor elect in the future to sell it to a third party.

7. Mineral Properties, continued

(e) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to site restoration and reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. Environmental legislation is becoming increasingly stringent and the cost of regulatory compliance is 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 mineral properties, the potential for production on the properties may be diminished or negated.

(f) Title to Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history of many mineral properties. The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties and, to the best of its knowledge, title to its properties are in good standing; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(g) Realization of Assets

Realization of the Company's investment in mineral properties is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements, the attainment of successful production from the properties, or from the proceeds of their disposal. The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from the sale of the mineral properties. The carrying value of the Company's mineral properties may not reflect current or future values.

Expressed in Canadian Dollars

7. Mineral Properties, continued

(h) Mineral property exploration expenditures

Exploration expenditures incurred for the six-month period ended June 30, 2011 were as follows:

	Toughnut $	Star $	Swift Katie $	Rozan $	Total $
Assays and analysis	15,795	5,663	390	17	**21,865**
Camp and supplies	430	518	-	-	**948**
Equipment rental and field supplies	1,002	1,239	715	-	**2,956**
Geological services	32,314	36,391	1,761	4,000	**74,466**
Project supervision	30,550	30,028	12,868	17,093	**90,539**
Travel	88	-	-	-	**88**
	80,179	73,839	15,734	21,110	**190,862**
General exploration					**1,997**
Total mineral property exploration expenditures					**192,859**

Exploration expenditures incurred for the six-month period ended June 30, 2010 were as follows:

	Toughnut $	Star $	Swift Katie $	Rozan $	Total $
Assays and analysis	-	5,762	-	-	**5,762**
Drilling	-	46,056	-	-	**46,056**
Equipment rental and field supplies	173	1,603	-	-	**1,776**
Geological services	44,185	33,380	-	-	**77,565**
Project supervision	17,195	50,227	-	8,373	**75,795**
Travel	73	73	-	-	**146**
	61,626	137,101	-	8,373	**207,100**
General exploration					**13,773**
Total mineral property exploration expenditures					**220,873**

8. Reclamation Bonds

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

As at June 30, 2011, the amount on deposit was $45,000 (December 31, 2010: $45,000), of which $35,000 is for the Swift Katie Property, and $10,000 is for the Star Property.

9. Bank Indebtedness

Bank indebtedness is due on demand, bears interest at prime plus 1% per annum, and is secured by a letter of credit from Schroders (C.I.) supported by a guarantee by a company owned by a shareholder of the Company. During 2006, the Company issued 200,000 common 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 control. The balance outstanding as at June 30, 2011 was $197,153 (December 31, 2010: $197,619).

10. Related Party Balances and Transactions

In addition to those transactions disclosed elsewhere in these financial statements, the Company entered into the following related party transactions during the six months ended June 30, 2011, as follows:

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

- $14,000 (June 30, 2010: $51,504) for office space and general administration services, included in administration expenses;
- $7,000 (June 30, 2010: $26,764), included in professional fees;
- $3,500 (June 30, 2010: $18,495), included in consulting;
- $3,500 (June 30, 2010: $14,801), included in investor relations;
- $92,535 (June 30, 2010: $85,098) for geological consulting services in relation to mineral properties; and
- $2,218 (June 30, 2010: $1,988) in respect of the mark-up on out-of-pocket expenses, included in administration expenses.

Amounts payable under the agreement at June 30, 2011 were $23,690 (December 31, 2010: $55,366).

10. Related Party Balances and Transactions, continued

(b) Fees charged by a law firm privately held by a director and officer of the Company were as follows:

- $19,653 (June 30, 2010: $11,443), included in professional fees;
- $1,320 (June 30, 2010: $1,592), for legal consulting services in relation to mineral properties; and
- $18,855 (June 30, 2010: $Nil), included in share issue costs.

Amounts payable as at June 30, 2011 were $7,997 (December 31, 2010: $11,243).

(c) Consulting fees relating to office administration of $Nil (June 30, 2010: $12,000) were charged by a private company controlled by an officer of the Company (resigned as an officer effective July 31, 2010). Amounts payable as at June 30, 2011 were $Nil (December 31, 2010: $25,340).

(d) Independent directors' fees of $Nil (June 30, 2010: $23,250) were incurred by the Company (independent directors' fees were discontinued as of July 1, 2010). Amounts payable as at June 30, 2011 were $Nil (December 31, 2010: $50,378).

(e) In order to facilitate the Star option payment due on May 13, 2010 as per the option agreement, the Company issued promissory notes to one director/officer and three consultants for $25,494. Amounts payable as at June 30, 2011 were $7,625 (December 31, 2010: $17,868).

(f) Consulting fees relating to corporate development and financing activities were charged by a private company controlled by a former director of the Company. Amounts payable as at June 30, 2011 were $24,675 (December 31, 2010: $29,175).

The total amount due to related parties as at June 30, 2011 was $63,987 (December 31, 2010: $189,370). 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.

With the exception of the fees paid to independent directors and consulting fees in the amount of $3,500 (June 30, 2010: $15,000) paid for CFO services (disclosed in (a) above and (c) above), the Company did not provide any other form of remuneration or share-based payments to directors and other members of key management personnel during the six months ended June 30, 2011 and 2010.

11. Segmented Information

Operating segment – The Company's operations are primarily directed towards the acquisition, exploration, and development of gold and other precious metals.

Geographic segment – The Company's assets and expenditures are held and incurred with regard to mineral properties held in British Columbia, Canada.

12. Share Capital

(a) Authorized

(i) Unlimited common shares without par value; and
(ii) Unlimited preferred shares without par value.

(b) Equity Financings

On March 23, 2011, the Company closed the third tranche of a non-brokered private placement by issuing 18,124,460 units at a price of $0.05 per unit for gross proceeds of $906,223. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one common share at a price of $0.10 for a period of two years.

The Company paid $27,750 in finders' fees and issued 925,000 share purchase warrants to finders at an exercise price of $0.10 per share for a period of two years. The warrants were fair valued at $0.031 per warrant using the Black-Scholes option pricing model (Note 12(h)).

On March 23, 2011, the Company closed the first tranche of a non-brokered flow-through private placement by issuing 8,220,000 units at a price of $0.05 per unit for gross proceeds of $411,000. Each unit consisted of one flow-through common share and one-half of one share purchase warrant, with each whole warrant exercisable to purchase one non-flow-through common share at a price of $0.10 for a period of two years.

The Company paid $24,000 in finders' fees and issued 800,000 share purchase warrants to finders at an exercise price of $0.10 per share for a period of two years. The warrants were fair valued at $0.031 per warrant using the Black-Scholes option pricing model (Note 12(h)).

On May 2, 2011, the Company closed the fourth tranche of a non-brokered private placement by issuing 3,180,000 units at a price of $0.05 per unit for gross proceeds of $159,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one common share at a price of $0.10 for a period of two years.

The Company paid $9,360 in finders' fees and issued 312,000 share purchase warrants to finders at an exercise price of $0.10 per share for a period of two years. The warrants were fair valued at $0.019 per warrant using the Black-Scholes option pricing model (Note 12(h)).

12. Share Capital, continued

(c) Shares Issued for Mineral Property

On January 31, 2011 and February 8, 2011, the Company issued 50,000 and 600,000 common shares, respectively, to the optionors of the Rozan Property as per the amended agreement. The fair value based on the quoted market price was $0.06 and $0.05 per share, respectively.

On March 21, 2011, the Company issued 225,000 common shares to the optionors of the Swift Katie Property as per the option agreement. The fair value based on the quoted market price was $0.05 per share.

On March 29, 2011, the Company issued 50,000 common shares to the optionors of the Toughnut Property as per the option agreement. The fair value based on the quoted market price was $0.06 per share.

(d) Renunciation of Flow-Through Shares

The Company recorded a future income tax liability of $95,673 and recognized a charge against share capital for this amount, in connection with the renunciation of flow-through expenditures of $382,690 in February 2011.

(e) Stock Options

The Company has 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 the length of term permitted by the policies of any stock exchange on which the Company's shares are listed at the date of grant. The exercise price may not be less than the greater of the closing price on the trading day prior to the date of grant of the options or the closing price on the date of grant of the options. On an annual basis, the Plan requires approval by the Company's shareholders.

Expressed in Canadian Dollars

12. Share Capital, continued

(e) Stock Options, continued

A summary of the stock options outstanding and exercisable as at June 30, 2011 and 2010 are provided below:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2010	Expired	Balance June 30, 2011
$0.25	$0.19	October 9, 2012	1,260,000	60,000	1,200,000
$0.10	$0.06	February 24, 2014	50,000	-	50,000
$0.10	$0.09	August 11, 2014	1,455,000	70,000	1,385,000
			2,765,000	**130,000**	**2,635,000**
Weighted average exercise price			$0.17	$0.17	$0.17
Weighted average fair value			$0.13	$0.14	$0.13
Weighted average contractual life remaining in years			2.77		2.27

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2009	Expired	Balance June 30, 2010
$0.25	$0.19	October 9, 2012	1,335,000	50,000	1,285,000
$0.28	$0.21	December 4, 2012	10,000	-	10,000
$0.10	$0.06	February 24, 2014	50,000	-	50,000
$0.10	$0.09	August 11, 2014	1,600,000	70,000	1,530,000
			2,995,000	**120,000**	**2,875,000**
Weighted average exercise price			$0.17	$0.16	$0.17
Weighted average fair value			$0.13	$0.13	$0.13
Weighted average contractual life remaining in years			3.78		3.28

Expressed in Canadian Dollars

12. Share Capital, continued

(f) Finders' Options

A summary of the options granted to finders that are outstanding and exercisable as at June 30, 2011 and 2010 are provided below:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2010	Balance June 30, 2011
$0.08	$0.05	December 23, 2011	562,500	562,500
$0.05	$0.03	November 17, 2012	500,000	500,000
			1,062,500	**1,062,500**
Weighted average exercise price			$0.07	$0.07
Weighted average fair value			$0.04	$0.04
Weighted average contractual life remaining in years			1.40	0.91

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance December 31, 2009	Balance June 30, 2010
$0.08	$0.05	December 23, 2011	562,500	562,500
			562,500	**562,500**
Weighted average exercise price			$0.08	$0.08
Weighted average fair value			$0.05	$0.05
Weighted average contractual life remaining in years			1.98	1.48

Expressed in Canadian Dollars

12. Share Capital, continued

(g) Share Purchase Warrants

The Company's share purchase warrants outstanding as at June 30, 2011 and 2010 are provided below:

Exercise Price	Expiry Date	Balance December 31, 2010	Granted	Expired	Balance June 30, 2011
$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
$0.15	December 23, 2011	3,487,500	-	-	3,487,500
$0.15	December 23, 2011	169,125	-	-	169,125
$0.10	December 23, 2011	312,500	-	-	312,500
$0.10	December 23, 2011	7,500	-	-	7,500
$0.06	January 14, 2015	50,000	-	-	50,000
$0.10	November 17, 2012	2,500,000			2,500,000
$0.10	November 17, 2012	15,048,319	-	-	15,048,319
$0.10	November 17, 2012	125,000	-	-	125,000
$0.10	December 30, 2012	3,130,000	-	-	3,130,000
$0.10	December 30, 2012	388,500	-	-	388,500
$0.10	January 31, 2016	-	50,000	-	50,000
$0.10	February 8, 2013	-	600,000	-	600,000
$0.10	March 22, 2013	-	18,124,460	-	18,124,460
$0.10	March 22, 2013	-	925,000	-	925,000
$0.10	March 22, 2013	-	4,110,000	-	4,110,000
$0.10	March 22, 2013	-	800,000	-	800,000
$0.10	May 4, 2013	-	3,180,000		3,180,000
$0.10	May 4, 2013	-	312,000		312,000
		30,944,207	**28,101,460**	**3,259,722**	**55,785,945**
Weighted average exercise price		$0.12	$0.10	$0.15	$0.11
Weighted average contractual life remaining in years		1.53			1.45

Expressed in Canadian Dollars

12. Share Capital, continued

(g) Share Purchase Warrants, continued

Exercise Price	Expiry Date	Balance December 31, 2009	Issued	Balance June 30, 2010
$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
$0.15	December 23, 2011	3,487,500	-	3,487,500
$0.15	December 23, 2011	169,125	-	169,125
$0.10	December 23, 2011	312,500	-	312,500
$0.10	December 23, 2011	7,500	-	7,500
$0.06	January 14, 2015	-	50,000	50,000
		10,202,388	**50,000**	**10,252,388**
Weighted average exercise price		$0.16	$0.06	$0.16
Weighted average contractual life remaining in years		1.63		1.40

On January 31, 2011, the Company granted 50,000 share purchase warrants to the optionors of the Rozan Property as per the amended agreement. The Company recognized the fair value of the share purchase warrants of $0.039 calculated using the Black-Scholes option pricing model (Note 12(h)).

On February 8, 2011, the Company granted 600,000 share purchase warrants to the optionors of the Rozan Property as per the amended agreement. The Company recognized the fair value of the share purchase warrants of $0.043 calculated using the Black-Scholes option pricing model (Note 12(h)).

Expressed in Canadian Dollars

12. Share Capital, continued

(h) Fair Value Determination

The Company applies the fair value method of accounting for share-based payments and the fair value calculated for share-based payments are expensed in the statement of comprehensive loss.

The fair value of finders' options and finders' warrants granted during the six-month period ended June 30, 2011 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2011		
	Options	Warrants	Finders' Warrants
Risk-free interest rate	n/a	1.93%	1.67%
Expected share price volatility	n/a	137.80%	133.09%
Expected option/warrant life in years	n/a	2.23	2.00
Expected dividend yield	n/a	0.00%	0.00%

(i) Share-Based Payments

Option pricing models require the input of highly subjective assumptions. Changes in the input assumptions can materially affect the fair value estimate. The Company did not grant stock options during the six-month periods ended June 30, 2011 and 2010.

Expressed in Canadian Dollars

13. Supplemental Cash Flow Information

	Six months ended June 30, 2011	2010
Cash comprised of:		
Unrestricted cash	$ 423,149	$ 4,423
Cash reserved for flow-through expenditures	383,303	390,522
Total Cash	$ 806,452	$ 394,945
Cash Items		
Income tax paid	$ -	$ -
Interest received	2,187	598
Interest paid	3,889	3,083
Non-Cash Items		
Financing Activities		
Fair value of warrants issued for mineral properties	$ 28,009	$ 2,841
Shares issued for mineral properties	47,250	6,000
Fair value of finders' warrants	58,674	-
Tax benefits renounced to flow-through share subscribers	95,673	190,239

14. 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 $4,000 monthly for office accommodation ($2,000), accounting ($1,000) and office management services ($1,000). The agreement expires June 30, 2012. The Company may terminate the agreement at any time by paying the remaining monthly fees for one year from the date of written notice of the termination.

(b) Flow-Through Expenditures

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.

The Company is committed to incur qualifying Canadian exploration expenditures of approximately $383,000 by December 31, 2011. As at June 30, 2011, the Company has incurred qualifying expenditures of approximately $377,000 with respect to exploration activities at its mineral properties, with a remaining commitment of approximately $6,000 to be incurred by December 31, 2011.

15. Transition to IFRS

The condensed consolidated interim financial statements for the six months ended June 30, 2011 are the Company's second financial statements prepared under IFRS, as stated in note 3. The accounting policies described in note 3 have been applied in preparing these condensed interim financial statements for the three and six months ended June 30, 2011, the comparative information presented in these condensed interim financial statements for the three and six months ended June 30, 2010, and the statement of financial position at December 31, 2010. An explanation of IFRS 1, first-time adoption of IFRS exemptions, and the required reconciliations between IFRS and Canadian GAAP are described below.

In preparing these condensed interim financial statements, the Company has applied IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

The following are the optional exemptions available under IFRS 1 that the Company has elected to apply:

Share-based Payments

The Company elected to not apply IFRS 2, Share-based Payments, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS. As a result, the Company has applied IFRS 2 for stock options granted after November 7, 2002 that are not fully vested at January 1, 2010.

The following adjustments have been made on the transition to IFRS:

(a) Exploration expenditures

On transition to IFRS the Company elected to change to its accounting policy for the treatment of exploration expenditures to a policy of expensing all exploration expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry.

(b) Share-based payments

On transition to IFRS the Company elected to change to its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options, finders options, and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

Expressed in Canadian Dollars

15. Transition to IFRS, continued

Reconciliation of Assets, Liabilities and Equity

The below table provides a summary of the adjustments to the Company's statement of financial position:

	Note		December 31, 2010		June 30, 2010
Total Assets per Canadian GAAP		$	3,552,803	$	3,061,318
Adjustment on adoption of IFRS					
Decrease in mineral properties	15(a)		(2,910,350)		(2,364,589)
Total assets per IFRS		$	**642,453**	$	**696,729**
Total Liabilities under Canadian GAAP		$	584,259	$	1,107,213
Adjustment on adoption of IFRS			-		-
Total Liabilities under IFRS		**$**	**584,259**	**$**	**1,107,213**

	Note		December 31, 2010		June 30, 2010
Shareholders' Equity					
Total Equity under Canadian GAAP		$	2,968,544	$	1,954,105
Adjustments on adoption of IFRS					
Increase in deficit	15(a)		(2,910,350)		(2,364,589)
Decrease in contributed surplus	15(b)		(72,399)		(16,636)
Decrease in deficit	15(b)		72,399		16,636
Total IFRS adjustments to equity			(2,910,350)		(2,364,589)
Total Equity under IFRS			**58,194**		**(410,484)**
Total Liabilities and Equity under IFRS		**$**	**642,453**	**$**	**696,729**

Expressed in Canadian Dollars

15. Transition to IFRS, continued

Reconciliation of Comprehensive Loss

The below table provides a summary of the adjustments to comprehensive loss:

	Note	December 31, 2010	June 30, 2010
Comprehensive loss per Canadian GAAP		$ 234,941	$ 67,439
Adjustment on adoption of IFRS			
Increase in exploration expenditures	15(a)	752,861	207,100
Comprehensive loss per IFRS		**$ 987,802**	**$ 274,539**

Reconciliation of Cash flows

The below table provides a summary of the adjustments to cash flows for the year ended December 31, 2010 and for the six months ended June 30, 2010:

	December 31, 2010	June 30, 2010
Operating Activities		
Operating Activities per Canadian GAAP	$ (726,424)	$ (28,141)
Adjustment required on transition to IFRS		
Increase in net loss for the period	(729,937)	(135,708)
Operating Activities per IFRS	**$ (1,456,361)**	**$ (163,849)**
Investing Activities per Canadian GAAP	$ (794,167)	$ (164,113)
Adjustment required on adoption of IFRS		
Decrease in expenditures on mineral properties	729,937	135,708
Investing Activities per IFRS	**$ (64,230)**	**$ (28,405)**
Financing Activities per Canadian GAAP	$ 1,183,503	$ -
Adjustment required on adoption of IFRS	-	-
Financing Activities per IFRS	**$ 1,183,503**	**$ -**

16. Subsequent Events

(a) Expired Warrants

On July 17, 2011 and July 24, 2011, respectively, 1,831,950 and 634,091 share purchase warrants with an exercise price of $0.15 expired unexercised.

Management's Discussion and Analysis

For the Six Months Ended June 30, 2011

Dated: August 23, 2011

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, 2011 and is dated August 23, 2011. 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, 2011, audited annual financial statements as at December 31, 2010 and the accompanying notes. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future periods.

Effective June 28, 2011, the Company's shares were listed and commenced trading on the TSX Venture Exchange under the symbol "VQA.V". The Company's shares continue to be listed on the Frankfurt Stock Exchange, open market (Freiverkehr) under the trading symbol "3VA.F". The Company's shares were previously listed on the Canadian National Stock Exchange up to July 4, 2011.

The Company's functional and reporting currency is the Canadian dollar and all amounts 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

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. Mr. McGrath is a director of the Company.

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. Summary of Mineral Properties

The Company has been aggressively exploring south-eastern British Columbia since 2007, building key assets including the Au-Ag+/-Cu porphyry/shear-hosted "Star Project" (Star, Toughnut, and Rozan claims), and the Cu-Au porphyry/shear-hosted Swift Katie Project, all located near the towns of Nelson and 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, and are underlain by rocks considered very favourable for the discovery of polymetallic mineralization.

The Company has conducted over 810 line-kilometres of airborne geophysical surveys and completed several mapping/diamond drilling programs totaling more than 10,600 metres. Numerous drill intercepts for Au, Ag, and Cu have been returned, and the prospective claim group controlled by the Company has doubled to over 120 square kilometres.

Star Project

The Star project comprises almost 40 square kilometres centralized in the prolific Silver King Shear Zone. The Company has completed 25 NQ2/BTW-sized drill holes (5,785m) and returned several encouraging intercepts for Au-Ag +/- Cu from five known zones aligned over a 3.5 kilometre strike length.

Select drill intercept highlights include:

Claim Group	Zone	Drill Intercept Results	
Star	Alma N	**VST08-006:**	**18.77 g/t Au & 11.55 g/t Ag over 4.0 metres**
		Including	**35.68 g/t Au & 21.80 g/t Ag over 2.0 metres**
	Alma N	**VST09-007:**	**2.12 g/t Au & 1.63 g/t Ag over 44.5 metres**
		Including	**11.29 g/t Au & 5.60 g/t Ag over 2.0 metres**
	Eureka	**VST10-011:**	**0.28 g/t Au, 4.45 g/t Ag & 0.27% Cu over 66.67 metres**
Toughnut	Toughnut	**VTN10-005:**	**4.05 g/t Au & 0.88 g/t Ag over 8.0 metres**
	Gold Eagle	**VTN10-008:**	**4.02 g/t Au & 9.51 g/t Ag over 24.33 metres**
		Including	**7.76 g/t Au & 20.29 g/t Ag over 9.11 metres**
		Including	**14.47 g/t Au & 34.60 g/t Ag over 4.0 metres**

The signature of the rocks intercepted in the past drilling are generally consistent with a zoned porphyry model subjected to shortening and intense shear-fault/hydrothermal activity that generated focused zones of higher-grade mineralization. Targeting has been aided by several technical programs implemented by the Company that included a technical report titled *NI 43-101 Technical Report, Compilation Report on the Star-Toughnut Property, Nelson Mining Division, British Columbia, Canada, March 10, 2011*. The report supported the Company's recent TSX Venture Exchange listing application and is filed on SEDAR.

D. Summary of Mineral Properties, continued

Star Project, continued

Additionally, a 30 square kilometre airborne EM-MAG survey was completed in 2010. The resultant data, together with historical ground geophysical surveys were subjected to detailed processing analyses by consultants whose work refined and sharpened numerous anomalies warranting follow-up.

In June 2011, the Phase I drilling and surface exploration program commenced at the Star Project. The Company budgeted $300,000 toward testing four high priority zones; the Eureka, the Alma-Star Link, the Alma N, and the Gold Eagle. A total of approximately 1,362 metres of diamond drilling was conducted over a series of five drill holes within the 3.5 kilometres of strike length currently defined by a combination of previous wide-spaced drilling, geochemical, and geophysical surveys. Furthermore, advanced studies on the vast project database have identified 'embayments' in the geophysics coincident with geological contact zones and strong hydrothermally altered units. To date, the Au-Ag signature is often elevated when these features are core sampled, yet the structures are only nominally tested in the drill record. In 2011, two large embayment features were earmarked for drill testing; assays are pending.

Swift Katie Project

The Swift Katie group of claims comprises more than 83 square kilometres located near Salmo BC and centralized in an infrastructure-rich region of the province. The Company has completed 15 drill holes (4,866m) and returned several encouraging intercepts for bulk-tonnage Cu-Au from the Main Katie zone; being underlain by prospective volcano-sedimentary rocks assigned to the Rossland Group which hosts numerous precious-metal and polymetallic past-producers in this prolific belt.

The Company has retained Micon International Limited of Vancouver in 2011 to conduct a Phase I, in-house review of the current database for the Katie deposit which comprises over 45 drill holes, completed between 1987 and 2008. The drilling outlines a Cu-Au inventory measuring approximately 600 metres of strike length by 400 metres width, and up to 300 metres depth; being open in several directions. The Phase I work includes surveying of historic drill collars, an assessment of the historic QA/QC protocols, and drill spacing. Contingent on the Phase I results, the Phase II proposal includes provisions for developing a NI 43-101 compliant bulk-tonnage Cu-Au resource.

D. Summary of Mineral Properties, continued

Acquisition Costs

During the six months ended June 30, 2011, the Company incurred acquisition costs on its mineral properties as follows:

	Balance December 31, 2010 $	Additions Q1 $	Q2 $	Balance June 30, 2011 $
Toughnut	53,802	38,142	-	91,944
Star	59,963	2,320	25,103	87,386
Swift Katie	136,642	109,264	149	246,055
Rozan	9,490	62,189	-	71,679
Total	**259,897**	**211,915**	**25,252**	**497,064**

Exploration Costs

During the six months ended June 30, 2011, the Company incurred exploration costs on its mineral properties as follows:

	Total to December 31, 2010	Expensed Q1 $	Q2 $	Total to June 30, 2011 $
Toughnut	484,244	57,223	22,956	564,423
Star	897,434	41,239	32,600	971,273
Swift Katie	1,506,803	7,590	8,144	1,522,537
Rozan	21,869	19,818	1,292	42,979
General / Other	84,934	-	1,997	86,931
Total	**2,995,284**	**125,870**	**66,989**	**3,188,143**

E. Results of Operations

The following table summarizes variances for the six months ended June 30, 2011 and 2010:

	Six months ended June 30,		Variance Increase/(Decrease)	
	2011	2010		
	$	$	$	%
Expenses				
Administration	16,218	53,492	(37,274)	(70%)
Consulting	3,500	40,608	(37,108)	(91%)
Independent director fees	-	23,250	(23,250)	(100%)
Interest	1,701	2,888	(1,187)	(41%)
Investor relations	21,105	21,568	(463)	(2%)
Mineral property exploration expenditures	192,859	220,873	(28,014)	(13%)
Office and general	23,590	17,793	5,797	33%
Professional fees	48,081	52,978	(4,897)	(9%)
Regulatory fees and taxes	34,064	16,943	17,121	101%
Shareholders communications	1,215	1,198	17	1%
Transfer agent	13,864	3,319	10,545	318%
Travel and promotion	13,354	805	12,549	1,559%

Administration expenses decreased by $37,274 due to the amendment of the service agreement between the Company and the service provider effective January 1, 2011 which resulted in a reduction of the monthly fees from $8,000 to $2,000.

Consulting decreased by $37,108 due to a decrease in fees paid to officers.

Independent director fees decreased by $23,250 as the independent directors' fees were discontinued as of July 1, 2010.

Mineral property exploration expenses decreased by $28,014 due to a marginal decrease in exploration activities incurred.

Regulatory fees, and transfer agent expenses increased by $17,121 and $10,545 respectively due to the listing change and financing completed during the period.

Travel and promotion expenses increased by $12,549 due to increased travelling for trade shows and conferences.

F. Summary of Quarterly Results

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

	IFRS						Canadian GAAP	
	Jun 30 2011 $	Mar 31 2011 $	Dec 31 2010 $	Sep 30 2010 $	Jun 30 2010 $	Mar 31 2010 $	Dec 31 2009 $	Sep 30 2009 $
Net loss (profit)	139,878	112,113	347,547	381,966	298,110	(31,072)	221,046	212,949
Comprehensive loss (profit)	139,878	91,113	334,797	378,466	307,610	(33,072)	221,046	212,949
Basic and diluted loss (earnings) per share	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.01	$0.01

The Company earned no revenue during the periods presented other than minimal interest income due to the nature of the industry and its current operations.

Quarterly fluctuations mainly relate to stock-based compensation which varies as stock options are granted, mineral property write-offs, which occur as drilling results are analyzed and properties assessed, future income tax adjustments relating to flow-through share renunciations and unrealized gains and losses on available-for sale investments. The Company's main operating costs have remained materially constant over the quarters presented subject to costs that may be incurred for financing or other ad-hoc projects.

G. 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 issuance 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 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.

The Company had a net working capital of $530,333 as at June 30, 2011 compared to a net working capital deficiency of $276,703 as at December 31, 2010. Excluding cash reserved for Canadian exploration expenditures of $383,303, net working capital as at June 30, 2011 was $147,030.

The Company 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.

However, at June 30, 2011, the unrestricted cash balance of $423,149 would be insufficient to meet the cash requirements for the Company's administrative overhead and maintaining its mineral interests in the years to come. Therefore, the Company will be required to raise additional capital in order to fund its operations after 2011.

i) Commitments

(a) Flow-through expenditures

The Company is committed to incur qualifying Canadian exploration expenditures of $382,690 by December 31, 2011 relating to the private placements of flow-through shares completed in December 2010. As at August 23, 2011, the Company had incurred all such qualifying expenditures.

(b) Under a service agreement, between the Company and a company privately held by a director and an officer of the Company, the Company is charged $4,000 monthly for office accommodation ($2,000), accounting services ($1,000) and office management services ($1,000). The agreement may be cancelled through written notice at any time by paying the monthly charge for the lesser of 12 months or the remainder of the term. The agreement expires on June 30, 2012.

G. Financial Conditions, Liquidity and Capital Resources, continued

i) Commitments, continued

(c) As at August 23, 2011, the Company, at its discretion, has mineral property option agreement payments and equity issuances as follows:

		Total		Less than 1 year		1-3 years		4-5 years
CND$								
Swift Katie Option Expenditures	$	310,000	$	60,000	$	150,000	$	100,000
Toughnut Option Expenditures		130,000		40,000		90,000		-
Toughnut Exploration Expenditures		750,000		250,000		500,000		-
Rozan Option Expenditures		170,000		30,000		140,000		-
Rozan Exploration Expenditures		1,000,000		250,000		750,000		-
Total CND$ Payments	**$**	**2,360,000**	**$**	**630,000**	**$**	**1,630,000**	**$**	**100,000**
USD$								
Star Option Expenditures	$	230,000	$	30,000	$	120,000	$	80,000
Total USD$ Payments	**$**	**230,000**	**$**	**30,000**	**$**	**120,000**	**$**	**80,000**
Swift Katie Shares To Be Issued		225,000		225,000		-		-
Toughnut Shares To Be Issued		200,000		50,000		150,000		-
Rozan Shares To Be Issued		250,000		50,000		200,000		-
Rozan Warrants To Be Issued		250,000		50,000		200,000		-
Total Equity to be Issued		**925,000**		**375,000**		**550,000**		**-**

H. Outstanding Equity and Convertible Securities

i) Issued and outstanding

As at August 23, 2011, the Company had 93,115,322 common shares issued and outstanding.

ii) Stock Options

As at June 30, 2011, and August 23, 2011 the Company had stock options outstanding as follows:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance June 30, 2011	Balance August 23, 2011
$0.25	$0.19	October 9, 2012	1,200,000	1,200,000
$0.10	$0.06	February 24, 2014	50,000	50,000
$0.10	$0.09	August 11, 2014	1,385,000	1,385,000
			2,635,000	**2,635,000**
Weighted average exercise price			$0.17	$0.17
Weighted average fair value			$0.13	$0.13
Weighted average contractual life remaining in years			2.27	2.12

H. Outstanding Equity and Convertible Securities, continued

iii) Finders' Options

As at June 30, 2011, and August 23, 2011 the Company had finders' options outstanding as follows:

Exercise Price	Fair Value at Grant Date	Expiry Date	Balance June 30, 2011	Balance August 23, 2011
$0.08	$0.05	December 23, 2011	562,500	562,500
$0.05	$0.03	November 17, 2012	500,000	500,000
			1,062,500	**1,062,500**
Weighted average exercise price			$0.07	$0.07
Weighted average fair value			$0.04	$0.04
Weighted average contractual life remaining in years			0.91	0.76

iv) Share Purchase Warrants

As at June 30, 2011, and August 23, 2011 the Company had share purchase warrants outstanding as follows:

Exercise Price	Expiry Date	Balance June 30, 2011	Expired	Balance August 23, 2011
$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	-
$0.15	December 23, 2011	3,487,500	-	3,487,500
$0.15	December 23, 2011	169,125	-	169,125
$0.10	December 23, 2011	312,500	-	312,500
$0.10	December 23, 2011	7,500	-	7,500
$0.06	January 14, 2015	50,000	-	50,000
$0.10	November 17, 2012	2,500,000		2,500,000
$0.10	November 17, 2012	15,048,319	-	15,048,319
$0.10	November 17, 2012	125,000	-	125,000
$0.10	December 30, 2012	3,130,000	-	3,130,000
$0.10	December 30, 2012	388,500	-	388,500
$0.10	January 31, 2016	50,000	-	50,000
$0.10	February 8, 2013	600,000	-	600,000
$0.10	March 22, 2013	18,124,460	-	18,124,460
$0.10	March 22, 2013	925,000	-	925,000
$0.10	March 22, 2013	4,110,000	-	4,110,000
$0.10	March 22, 2013	800,000	-	800,000
$0.10	May 4, 2013	3,180,000		3,180,000
$0.10	May 4, 2013	312,000		312,000
		55,785,945	**2,466,041**	**53,319,904**
Weighted average exercise price		$0.11	$0.15	$0.10
Weighted average contractual life remaining in years		1.45		1.37

I. Related Party Information

The Company entered into the following related party transactions during the six months ended June 30, 2011:

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

- $14,000 (June 30, 2010: $51,504) for office space and general administration services, included in administration expenses;
- $7,000 (June 30, 2010: $26,764), included in professional fees;
- $3,500 (June 30, 2010: $18,495), included in consulting;
- $3,500 (June 30, 2010: $14,801), included in investor relations;
- $92,535 (June 30, 2010: $85,098) for geological consulting services in relation to mineral properties; and
- $2,218 (June 30, 2010: $1,988) in respect of the mark-up on out-of-pocket expenses, included in administration expenses.

Amounts payable under the agreement at June 30, 2011 were $23,690 (December 31, 2010: $55,366).

(b) Fees charged by a law firm privately held by a director and officer of the Company were as follows:

- $19,653 (June 30, 2010: $11,443), included in professional fees;
- $1,320 (June 30, 2010: $1,592), for legal consulting services in relation to mineral properties; and
- $18,855 (June 30, 2010: $Nil), included in share issue costs.

Amounts payable as at June 30, 2011 were $7,997 (December 31, 2010: $11,243).

(c) Consulting fees relating to office administration of $Nil (June 30, 2010: $12,000) were charged by a private company controlled by an officer of the Company (resigned as an officer effective July 31, 2010). Amounts payable as at June 30, 2011 were $Nil (December 31, 2010: $25,340).

(d) Independent directors' fees of $Nil (June 30, 2010: $23,250) were incurred by the Company (independent directors' fees were discontinued as of July 1, 2010). Amounts payable as at June 30, 2011 were $Nil (December 31, 2010: $50,378).

(e) In order to facilitate the Star option payment due on May 13, 2010 as per the option agreement, the Company issued promissory notes to one director/officer and three consultants for $25,494. Amounts payable as at June 30, 2011 were $7,625 (December 31, 2010: $17,868).

(f) Consulting fees relating to corporate development and financing activities were charged by a private company controlled by a former director of the Company. Amounts payable as at June 30, 2011 were $24,675 (December 31, 2010: $29,175).

I. Related Party Information, continued

The total amount due to related parties as at June 30, 2011 was $63,987 (December 31, 2010: $189,370). 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.

With the exception of the fees paid to independent directors and consulting fees in the amount of $3,500 (June 30, 2010: $15,000) paid for CFO services (disclosed in (a) above and (c) above), the Company did not provide any other form of remuneration or share-based payments to directors and other members of key management personnel during the six months ended June 30, 2011 and 2010.

J. Financial Instruments

The Company's financial instruments include cash, reclamation bonds, bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties which are classified into the following categories:

Cash	Held-for-trading
Reclamation bonds	Loans and receivables
Bank Indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Amounts due to related parties	Other financial liabilities

The carrying values of cash, bank indebtedness, accounts payable and accrued liabilities, and amounts due to related parties approximate their fair values due to their short term to maturity. The reclamation bonds are non-interest-bearing and the carrying values approximate their fair value.

Other than cash, the Company's 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, all investments must be less than one year in duration.

K. Subsequent Events and Outlook

There are no significant 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.

L. Off-Balance Sheet Arrangements

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

Being a venture issuer, the Company is exempted from the certification on Disclosure Controls and Procedures ("DC&P") and Internal Control Over Financial Reporting ("ICFR"). The Company is required to file Form 52-109FV1 for the annual 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.

N. Risks and Uncertainties, continued

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.

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.

N. Risks and Uncertainties, continued

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.

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.

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.

O. Changes in Accounting Policies Including Initial Adoption

The condensed interim financial statements for the six months ended June 30, 2011 are the Company's second financial statements prepared under IFRS, as stated in the accounting policies described in note 3 in those statements.

O. Changes in Accounting Policies Including Initial Adoption, continued

The following are the optional exemptions available under IFRS 1 that the Company elected to apply:

Share-based payments

The Company elected to not apply IFRS 2, Share-based Payments, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS. As a result, the Company has applied IFRS 2 for stock options granted after November 7, 2002 that are not fully vested at January 1, 2010.

Adjustments on transition to IFRS

(a) Exploration expenditures

On transition to IFRS the Company elected to change to its accounting policy for the treatment of exploration expenditures to a policy of expensing all exploration expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry.

(b) Share-based payments

On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options, finders options and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

P. Proposed Transactions

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

Q. 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

Q. Forward-Looking Statements, continued

encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A.

Readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not assume any obligation to update or revise any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws, whether as a result of new information, future events or otherwise.