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Condensed Interim Financial Statements

Nine Months Ended September 30, 2012 and 2011

(Expressed in Canadian Dollars)

(Unaudited)

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NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim financial statements of the Company for the nine months ended September 30, 2012 and comparatives for the nine months ended September 30, 2011 were prepared by management and have not been reviewed or audited by the Company's auditors.

Valterra Resource Corporation

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

		Three Months Ended		Nine Months Ended	
	Note	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Operating Expenses					
Administration		$ 31,824	$ 5,389	$ 45,977	$ 21,607
Consulting		16,827	2,100	37,750	5,600
Exploration and evaluation	3(e)	49,924	360,097	127,571	552,955
Investor relations		13,714	10,515	26,611	31,620
Office and general		6,250	5,943	24,810	31,239
Professional fees		24,268	17,755	76,015	65,836
Regulatory fees and taxes		519	3,497	24,578	37,561
Share-based payments	7(g)	84,181	-	84,181	-
Shareholders' communications		268	700	2,443	1,914
Transfer agent		7,709	999	11,231	14,863
Travel and promotion		36	691	591	14,045
Total Operating Expenses		**235,520**	**407,686**	**461,758**	**777,240**
Interest income		(23)	-	(82)	-
Gain on settlement of debt	7(c)	(31,200)	-	(31,200)	-
Mineral property impairment	3	-	-	216	-
Realized gain on sale of investment		-	-	-	(23,138)
Total Other Items		**(31,223)**	**-**	**(31,066)**	**(23,138)**
Loss Before Tax		**204,297**	**407,686**	**430,692**	**754,102**
Deferred income tax expense		-	-	-	1,250
Net Loss for the Period		**$ 204,297**	**$ 407,686**	**$ 430,692**	**$ 755,352**
Other Comprehensive Loss					
Reclassification adjustment for realized gain on sale of investment included in net loss		-	-	-	23,138
Unrealized gain on investment, net of taxes		-	-	-	(19,388)
Comprehensive Loss for the Period		**$ 204,297**	**$ 407,686**	**$ 430,692**	**$ 759,102**
Loss per share - basic and diluted		$ 0.02	$ 0.04	$ 0.05	$ 0.09
Weighted average number of common shares outstanding		9,449,904	9,311,532	9,378,036	8,409,029

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

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

	Note	September 30 2012	December 31 2011
Assets			
Current			
Cash		$ 2,136	$ 161,636
Receivables		17,847	13,588
Prepaid and deposits		14,243	8,329
		34,226	**183,553**
Non-current			
Mineral properties	3	611,252	532,890
Reclamation bonds		45,000	45,000
		656,252	**577,890**
Total Assets		**$ 690,478**	**$ 761,443**
Liabilities			
Current			
Bank indebtedness	4	$ 196,583	$ 196,711
Accounts payable and accrued liabilities		88,342	68,604
Due to related parties	5	253,299	36,593
		538,224	**301,908**
Shareholders' Equity			
Share capital	7	10,804,907	10,780,677
Share subscriptions received	7	15,000	-
Share-based payments reserve		508,347	440,932
Deficit		(11,176,000)	(10,762,074)
Total Shareholders' Equity		**152,254**	**459,535**
Total Liabilities and Equity		**$ 690,478**	**$ 761,443**

Approved on behalf of the Board

"Lawrence Page"	*"Derek Page"*
Lawrence Page, Q.C.	Derek Page

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

Valterra Resource Corporation

(An Exploration Stage Company)
Condensed Interim Statements of Changes in Equity
Nine Months Ended September 30, 2012 and 2011
(Expressed in Canadian Dollars, Unaudited)

	Share Capital Number of Shares	Share Capital Amount	Share Subscriptions Received	Share-based Payment Reserve	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance as at December 31, 2010	**62,665,862**	**$ 9,507,868**	**$ -**	**$ 449,362**	**$ (9,902,786)**	**$ 3,750**	**$ 58,194**
Share consolidation 10:1	**(56,399,283)**						
Issued							
Private placements - non-flow-through	2,130,446	1,065,223	-	-	-	-	1,065,223
Private placements - flow-through	822,000	411,000	-	-	-	-	411,000
Shares for mineral property payment	92,500	47,250	-	-	-	-	47,250
Share issue costs	-	(244,537)	-	58,674	-	-	(185,863)
Fair value of warrants issued for mineral property	-	-	-	28,009	-	-	28,009
Expiry of options and warrants	-	-	-	(67,247)	67,247	-	-
Other comprehensive loss	-	-	-	-	-	(3,750)	(3,750)
Net loss for the period	-	-	-	-	(755,352)	-	(755,352)
Balance as at September 30, 2011	**9,311,525**	**$ 10,786,804**	**$ -**	**$ 468,798**	**$ (10,590,891)**	**$ -**	**$ 664,711**
Balance as at December 31, 2011	**9,334,025**	**$ 10,780,677**	**$ -**	**$ 440,932**	**$ (10,762,074)**	**$ -**	**$ 459,535**
Issued							
Shares for mineral property payment	75,000	16,250	-	-	-	-	16,250
Share for debt	80,000	8,800	-	-	-	-	8,800
Share issue costs	-	(820)	-	-	-	-	(820)
Share subscriptions received	-	-	15,000	-	-	-	15,000
Share-based payments	-	-	-	84,181	-	-	84,181
Expiry of options and warrants	-	-	-	(16,766)	16,766	-	-
Net loss for the period	-	-	-	-	(430,692)	-	(430,692)
Balance as at September 30, 2012	**9,489,025**	**$ 10,804,907**	**$ 15,000**	**$ 508,347**	**$ (11,176,000)**	**$ -**	**$ 152,254**

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

Valterra Resource Corporation
(An Exploration Stage Company)
Condensed Interim Statements of Cash Flows
Nine Months Ended September 30, 2012 and 2011
(Expressed in Canadian Dollars, Unaudited)

Cash provided by (used for):	**2012**	**2011**
Operating Activities		
Net loss for the period	$ (430,692)	$ (755,352)
Items not involving cash:		
Share-based payments	84,181	-
Gain on settlement of debt	(31,200)	-
Mineral property impairment	216	-
Realized gain on sale of investments	-	(23,138)
Deferred income tax expense	-	1,250
	(377,495)	(777,240)
Changes in Non-Cash Working Capital		
Receivables	(4,259)	(2,624)
Prepaid and deposits	(5,914)	(10,159)
Bank indebtedness	(128)	(3,171)
Accounts payable and accrued liabilities	59,738	(114,062)
Due to related parties	216,706	(151,960)
	266,143	(281,976)
Cash Used in Operating Activities	**(111,352)**	**(1,059,216)**
Investing Activities		
Acquisition of mineral properties	(62,328)	(165,463)
Proceeds from disposal of investment	-	48,138
Cash Used in Investing Activities	**(62,328)**	**(117,325)**
Financing Activities		
Common shares issued for cash	-	1,476,223
Shares issuance costs	(820)	(185,864)
Subscriptions received	15,000	-
Cash Provided by Financing Activities	**14,180**	**1,290,359**
(Decrease) Increase in Cash During the Period	**(159,500)**	**113,818**
Cash, Beginning of the Period	161,636	250,111
Cash, End of the Period	$ **2,136**	$ **363,929**

Supplemental cash flow information (Note 9)

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

1. Nature and Continuance of Operations and Going Concern

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

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties in British Columbia and Ontario, Canada. The Company's registered office is 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

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

These condensed interim financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2012, the Company had a working capital deficiency of $503,998 (December 31, 2011 - $118,355). The Company incurred a net loss of $430,692 for the nine months ended September 30, 2012 (2011 - $755,352) and had an accumulated deficit of $11,176,000 as at September 30, 2012 (December 31, 2011 - $10,762,074).

As at September 30, 2012 the Company does not have sufficient working capital to meet its administrative overheads and continue with its exploration programs. The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company will be required to issue share capital to finance future activities through private placements and the exercise of options and warrants and is actively seeking additional equity financing (Note 10). There can be no assurance that such financing will be available 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.

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

2. Basis of Preparation

These condensed interim financial statements were prepared in accordance with International Accounting Standards 34: *Interim Financial Reporting* on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments measured at fair value. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2011.

(Expressed in Canadian Dollars, Unaudited)

2. Basis of Preparation, continued

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

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

3. Mineral Properties

Mineral property acquisition costs by property as at September 30, 2012 , were as follows:

	Star $	Swift Katie $	Toughnut $	Rozan $	Bobcaygeon $	Kemano Gold $	Total $
Acquisition costs							
Balance as at December 31, 2010	59,963	136,642	53,802	9,490	-	-	259,897
Additions during the year	27,424	216,917	38,142	63,969	-	-	346,452
Impairments during the year	-	-	-	(73,459)	-	-	(73,459)
Balance as at December 31, 2011	87,387	353,559	91,944	-	-	-	532,890
Additions during the period	31,023	1,054	18,151	216	24,792	3,342	78,578
Impairments during the period	-	-	-	(216)	-	-	(216)
Balance as at September 30, 2012	**118,410**	**354,613**	**110,095**	**-**	**24,792**	**3,342**	**611,252**

Terms of the agreements for these properties are described below:

(a) Star

Pursuant to an agreement dated May 13, 2008, the Company can earn a 100% undivided interest in the Star Property.

Remaining staged payments are due as follows:

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

The optionors of the property retain a 3% net smelter return ("NSR") interest in the property, of which, the Company has the option to purchase 1% for US $1,500,000 at any time prior to the commencement of commercial production.

3. Mineral Properties, continued

(b) Swift Katie

Pursuant to an agreement dated July 21, 2006, as amended, Manex Resource Group Inc. ("Manex"), a private company controlled by the President of the Company, acquired an option to purchase the Swift Katie Property. The option was assigned by Manex to the Company for $2,500 and the Company now owns a 100% interest in the property.

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

Beginning December 31, 2012 and annually thereafter, the Company is required to make an annual advance minimum royalty ("AMR") payment of $50,000. These payments will be adjusted annually according to the Consumer Price Index ("CPI") base of December 31, 2006 and are deductible from future NSR royalty payments.

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

(c) Toughnut

Pursuant to an agreement dated March 10, 2009, as amended, the Company can earn a 100% undivided interest in the Toughnut Property.

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

(i) Pay $40,000 on or before September 30, 2012 (paid subsequent to period end);
(ii) Issue 50,000 common shares and pay $40,000 on or before September 10, 2013;
(iii) Incur not less than an aggregate $1,000,000 of exploration expenditures on or before December 31, 2013; and
(iv) Issue 100,000 common shares, pay $50,000 and incur not less than an aggregate $1,250,000 of exploration expenditures on or before March 10, 2014.

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

In addition to the 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.

(Expressed in Canadian Dollars, Unaudited)

3. Mineral Properties, continued

(d) Bobcaygeon

Pursuant to an option agreement dated June 1, 2012, the Company can earn a 100% undivided interest in the Bobcaygeon Property.

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

- **(i)** Issue common shares valued at $5,000 upon execution of the Formal Agreement;
- **(ii)** Issue common shares valued at $15,000 and incur not less than an aggregate $100,000 of exploration expenditures on or before December 15, 2012 ($34,009 incurred to September 30, 2012);
- **(iii)** Pay $10,000, issue common shares valued at $25,000 and incur not less than an aggregate $300,000 of exploration expenditures on or before December 15, 2013;
- **(iv)** Pay $10,000, issue common shares valued at $50,000 and incur not less than an aggregate $550,000 of exploration expenditures on or before December 15, 2014;
- **(v)** Pay $10,000, issue common shares valued at $100,000 and incur not less than an aggregate $850,000 of exploration expenditures on or before December 15, 2015; and
- **(vi)** Pay $15,000, issue common shares valued at $200,000 and incur not less than an aggregate $1,250,000 of exploration expenditures on or before December 15, 2016.

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

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

(e) Mineral Property Exploration Expenditures

Exploration expenditures incurred for the nine months ended September 30, 2012, were as follows:

	Star $	Swift Katie $	Toughnut $	Rozan $	Bobcaygeon $	Total $
Assays and analysis	3,998	1,682	3,949	-	2,232	**11,861**
Equipment rental and field supplies	1,452	1,200	1,200	-	-	**3,852**
Geological services	3,869	4,998	3,869	-	1,225	**13,961**
Project supervision	16,257	17,870	24,509	1,529	30,552	**90,717**
	25,576	**25,750**	**33,527**	**1,529**	**34,009**	**120,391**
General exploration						**7,180**
						127,571

(Expressed in Canadian Dollars, Unaudited)

3. Mineral Properties, continued

(e) Mineral Property Exploration Expenditures, continued

Exploration expenditures incurred for the nine months ended September 30, 2011, were as follows:

	Star $	Swift Katie $	Toughnut $	Rozan $	Total $
Assays and analysis	25,527	948	20,115	130	**46,720**
Camp and supplies	3,233	223	3,146	549	**7,151**
Drilling	166,108	-	32,954	-	**199,062**
Equipment rental and field supplies	4,316	2,275	10,136	1,238	**17,965**
Geological services	64,348	19,074	48,024	11,841	**143,287**
Project supervision	46,540	30,385	38,760	18,720	**134,405**
Travel	78	819	108	-	**1,005**
	310,150	**53,724**	**153,243**	**32,478**	**549,595**
General exploration					**3,360**
					552,955

4. 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. 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 September 30, 2012, was $196,583 (December 31, 2011 - $196,711).

5. Related Party Balances and Transactions

In addition to those transactions disclosed elsewhere in these interim financial statements, the Company entered into the following related party transactions during the nine months ended September 30, 2012:

(a) Under a service agreement, as amended and effective July 1, 2012, between the Company and a company privately held by a director and officer of the Company, the Company was charged as follows:

- $43,500 (2011 - $18,000) for office space and general administration services;
- $19,986 (2011 - $9,000), for professional services;
- $7,350 (2011 - $4,500), for consulting services;
- $15,143 (2011 - $4,500), for investor relations services;
- $97,898 (2011 - $136,403) for geological consulting services; and
- $1,526 (2011 - $3,607) in respect of the mark-up on out-of-pocket expenses.

As at September 30, 2012, amounts payable under the agreement were $160,681 (December 31, 2011 - $597).

(Expressed in Canadian Dollars, Unaudited)

5. 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:

- $19,971 (2011 - $35,407), for professional fees;
- $8,559 (2011 - $3,410), for legal consulting services in relation to mineral properties; and
- $820 (2011 - $18,855), included in share issue costs.

Amounts payable as at September 30, 2012 were $29,938 (December 31, 2011 - $3,696).

(c) Fees relating to management, geological and mining consulting services of $27,125 (2011 - $nil) were charged by a private company controlled by an officer of the Company. Amounts payable as at September 30, 2012 were $30,380 (December 31, 2011 - $nil).

(d) 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 September 30, 2012 were $7,625 (December 31, 2011 - $7,625).

(e) Consulting fees relating to corporate development and financing activities of $nil (2011 - $6,500) were charged by a private company controlled by a former director of the Company. Amounts payable as at September 30, 2012 were $24,675 (December 31, 2011 - $24,675).

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

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. Compensation awarded to key management during the nine months ended September 30, 2012, was as follows:

		2012		**2011**
Short-term employee benefits	$	37,625	$	4,500
Share-based payments		42,091		-
Total	$	79,716	$	4,500

6. Segmented Information

The Company reports segmented information based on its operating and geographic segments. The Company's operations are primarily directed towards the acquisition, exploration, and ultimate development of gold and other precious metals with regard to mineral properties held in British Columbia and Ontario, Canada.

7. Share Capital

(a) Authorized

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

On July 10, 2012, the Company completed a consolidation of its outstanding share capital on a basis of one post-consolidation share for every ten pre-consolidation shares. All comparative figures have been adjusted retrospectively.

(b) Shares Issued for Mineral Property

On March 29, 2012, the Company issued 15,000 common shares to the optionors of the Toughnut Property as per the amended option agreement. The fair value recognized of $2,250 was based on the quoted market price of $0.15 per share.

On June 25, 2012, the Company issued 10,000 common shares to the optionors of the Bobcaygeon Property as per the option agreement at an agreed fair value of $5,000 (equivalent to $0.50 per share).

On August 14, 2012, the Company issued 50,000 common shares to the optionors of the Toughnut Property as per the amended option agreement. The fair value recognized of $9,000 was based on the quoted market price of $0.18 per share.

(c) Shares Issued for Debt

On July 18, 2012, 80,000 common shares were issued as part of a debt settlement agreement. The fair value recognized of $8,800 was based on the quoted market price of $0.18 per share. The difference between the fair value of debt extinguished and the fair value of common shares issued, of $31,200, was recorded as a gain on settlement of debt.

(d) Stock Options

The Company has a rolling 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 term of stock options granted under the Plan may not exceed ten years and the exercise price may not be less than the closing price of the Company’s shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company’s shareholders and submission for regulatory review and acceptance.

- On July 19, 2012, the Company granted 630,000 fully vested stock options to directors, officers and consultants at an exercise price of $0.10 per share expiring July 19, 2017.

(Expressed in Canadian Dollars, Unaudited)

7. Share Capital, continued

(d) Stock Options, continued

Stock options outstanding and exercisable as at September 30, 2012 and 2011, were as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance December 31, 2011	Granted	Expired	Balance September 30, 2012
$2.50	$1.70	October 9, 2012	120,000	-	2,500	117,500
$1.00	$0.60	February 24, 2014	5,000	-	-	5,000
$1.00	$0.88	August 11, 2014	138,500	-	7,000	131,500
$1.00	$0.20	November 17, 2016	40,000	-	-	40,000
$0.10	$0.13	July 19, 2017	-	630,000	-	630,000
			303,500	**630,000**	**9,500**	**924,000**
Weighted average exercise price			$1.59	$0.10	$1.39	$0.58
Weighted average contractual life remaining (years)			2.18			3.73

Exercise Price	Grant Date Fair Value	Expiry Date	Balance December 31, 2010	Granted	Expired	Balance September 30, 2011
$2.50	$1.70	October 9, 2012	126,000	-	6,000	120,000
$1.00	$0.60	February 24, 2014	5,000	-	-	5,000
$1.00	$0.88	August 11, 2014	145,500	-	7,000	138,500
			276,500	**-**	**13,000**	**263,500**
Weighted average exercise price			$1.68		$0.17	$1.68
Weighted average contractual life remaining (years)			2.77			2.02

(e) Finders' Options

Finders' options outstanding and exercisable as at September 30, 2012 and 2011, were as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance December 31, 2011	Balance September 30, 2012
$0.50	$0.29	November 17, 2012	50,000	50,000
			50,000	**50,000**
Weighted average exercise price			$0.50	$0.50
Weighted average contractual life remaining (years)			0.88	0.13

(Expressed in Canadian Dollars, Unaudited)

7. Share Capital, continued

(e) Finders' Options, continued

Exercise Price	Grant Date Fair Value	Expiry Date	Balance December 31, 2010	Balance September 30, 2011
$0.80	$0.50	December 23, 2011	56,250	56,250
$0.50	$0.29	November 17, 2012	50,000	50,000
			106,250	**106,250**
Weighted average exercise price			$0.70	$0.70
Weighted average contractual life remaining (years)			1.40	0.66

(f) Share Purchase Warrants

Share purchase warrants outstanding as at September 30, 2012 and 2011, were as follows:

Exercise Price	Expiry Date	Balance December 31, 2011	Balance September 30, 2012
$1.00	November 17, 2012	250,000	250,000
$1.00	November 17, 2012	1,504,831	1,504,831
$1.00	November 17, 2012	12,500	12,500
$1.00	December 30, 2012	313,000	313,000
$1.00	December 30, 2012	38,850	38,850
$0.60	January 14, 2015	5,000	5,000
$1.00	January 31, 2016	5,000	5,000
$1.00	February 8, 2013	60,000	60,000
$1.00	March 22, 2013	1,812,446	1,812,446
$1.00	March 22, 2013	92,500	92,500
$1.00	March 22, 2013	411,000	411,000
$1.00	March 22, 2013	80,000	80,000
$1.00	May 4, 2013	318,000	318,000
$1.00	May 4, 2013	31,200	31,200
		4,934,327	**4,934,327**
Weighted average exercise price		$1.00	$1.00
Weighted average contractual life remaining (years)		1.10	0.35

(Expressed in Canadian Dollars, Unaudited)

7. Share Capital, continued

(f) Share Purchase Warrants, continued

Exercise Price	Expiry Date	Balance December 31, 2010	Granted	Expired	Balance September 30, 2011
$1.50	June 12, 2011	317,222	-	317,222	-
$1.50	June 12, 2011	8,750	-	8,750	-
$1.50	July 17, 2011	175,695	-	175,695	-
$1.50	July 17, 2011	7,500	-	7,500	-
$1.50	July 24, 2011	53,409	-	53,409	-
$1.50	July 24, 2011	10,000	-	10,000	-
$1.50	December 23, 2011	348,750	-	-	348,750
$1.50	December 23, 2011	16,912	-	-	16,912
$1.00	December 23, 2011	31,250	-	-	31,250
$1.00	December 23, 2011	750	-	-	750
$1.00	November 17, 2012	250,000	-	-	250,000
$1.00	November 17, 2012	1,504,831	-	-	1,504,831
$1.00	November 17, 2012	12,500	-	-	12,500
$1.00	December 30, 2012	313,000	-	-	313,000
$1.00	December 30, 2012	38,850	-	-	38,850
$0.60	January 14, 2015	5,000	-	-	5,000
$1.00	January 31, 2016	-	5,000	-	5,000
$1.00	February 8, 2013	-	60,000	-	60,000
$1.00	March 22, 2013	-	1,812,446	-	1,812,446
$1.00	March 22, 2013	-	92,500	-	92,500
$1.00	March 22, 2013	-	411,000	-	411,000
$1.00	March 22, 2013	-	80,000	-	80,000
$1.00	May 4, 2013	-	318,000	-	318,000
$1.00	May 4, 2013	-	31,200	-	31,200
		3,094,419	**2,810,146**	**572,576**	**5,331,989**
Weighted average exercise price		$1.20	$1.00	$1.50	$1.00
Weighted average contractual life remaining (years)		1.52			1.27

(Expressed in Canadian Dollars, Unaudited)

7. Share Capital, continued

(g) Fair Value Determination

The fair value of stock options granted and share purchase warrants and finders' warrants issued were calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	September 30, 2012	September 30, 2011	
	Stock Options	Warrants	Finders' Warrants
Risk-free interest rate	1.18%	1.93%	1.67%
Expected share price volatility	132.39%	135.46%	133.65%
Expected life in years	5.00	2.23	2.00
Expected dividend yield	0.00%	0.00%	0.00%

The expected volatility assumptions have been developed taking into consideration both historical and implied volatility of the Company's share price, where data is available, and comparable companies in similar development stages and property locations, where Company data is unavailable.

(h) Share-based Payments

The total calculated fair value of share-based payments for the nine months ended September 30, 2012 and 2011 were as follows:

	September 30, 2012	September 30, 2011
Statements of Comprehensive Loss		
Directors and officers	$ 42,091	$ -
Consultants	42,090	-
	84,181	-
Statements of Changes in Equity		
Agent warrants	-	58,674
Mineral property payments	-	28,009
	-	86,683
Total	$ 84,181	$ 86,683

(Expressed in Canadian Dollars, Unaudited)

8. Commitments

Effective July 1, 2012, under an amended service agreement between the Company and a company privately held by a director and officer of the Company, the Company is being charged $10,500 per month for office accommodation and services ("Basic Rent"), $1,750 per month per dedicated office ("Specific Rent") and $2,500 per month for CFO services. The Company may terminate the agreement through written notice at any time by paying the Basic and Specific Rents for the lesser of 24 months or the remainder of the term. The agreement expires on August 31, 2017, and the remaining minimum fee commitment based on current rental space as at September 30, 2012 was $252,000.

9. Supplemental Cash Flow Information

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Cash comprised of:		
Cash	$ 2,136	$ 363,102
Cash reserved for flow-through expenditures	-	827
Total Cash	$ 2,136	$ 363,929
Cash Items		
Income tax paid	$ -	$ -
Interest received	82	890
Interest paid	5,972	1,995
Non-Cash Items		
Non-Cash Working Capital		
Accounts payable settled by equity issuance	$ 40,000	$ -
Financing Activities		
Fair value of warrants issued for mineral properties	-	28,009
Shares issued for mineral properties	16,250	47,250
Shares issued for debt	8,800	-
Fair value of finders' warrants	-	58,674

10. Events after the Reporting Period

The following events occurred subsequent to September 30, 2012:

- On October 9, 2012, 117,500 stock options with an exercise price of $2.50 expired unexercised.
- On November 1, 2012, the Company announced a non-flow-through private placement of up to 7,000,000 units at a price of $0.08 per unit for gross proceeds of $560,000.

10. Events after the Reporting Period, continued

Each unit will consist of one common share and one-half share purchase warrant, with each whole share purchase warrant exercisable to purchase one additional common share at an exercise price of $0.12 for a period of 2 years.

On November 1, 2012, the Company also announced a flow-through private placement of up to 3,000,000 flow-through shares at a price of $0.10 per share to raise gross proceeds of $300,000.

To date, the Company has received non-flow through subscriptions of 14,077,500 units for gross proceeds of $1,126,200 and flow through subscriptions of 1,805,000 flow-through shares for gross proceeds of $180,500.

- On November 1, 2012, 2,000 stock options with an exercise price of $1.00 expired unexercised.
- On November 17, 2012, 50,000 finders' stock options with an exercise price of $0.50 expired unexercised.
- On November 17, 2012, 1,767,331 share purchase warrants with an exercise price of $1.00 expired unexercised.

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Management's Discussion and Analysis
For the Nine Months Ended September 30, 2012
Dated: November 21, 2012

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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 nine months ended September 30, 2012, and is dated November 21, 2012. 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 nine months ended September 30, 2012, and the Company's audited financial statements for the year ended December 31, 2011, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

C. Conversion Tables, continued

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, Canada since 2007, building key assets including the Cu-Au-Ag porphyry/shear-hosted Swift Katie Project and the Au-Ag+/-Cu porphyry/shear-hosted "Star Project" (Star and Toughnut claims). 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.

In June 2012, the Company entered into an option agreement to acquire the Bobcaygeon Graphite Property in Southern Ontario. The project area covers over 7,000 hectares and is favourably situated on the border of the Precambrian Grenville Province and the Paleozoic Lowlands forming a prospective locale for potential graphitic deposits. The graphite veins are within calcitic marbles sitting west of a syenitic amphibolite unit and the contact is traceable for up to 10-12 kilometres.

In July 2012, a new property, Kemano Gold, was staked in north-western British Columbia comprising approximately 1,290 hectares of contiguous claims in the Kemano/Terrace area which were recognized by the Company in past generative work as being highly prospective for Au, Cu, and Ag. The property covers mineralized fault/shear zones in roof pendants of Permian-aged Gamsby Group metasediments and volcanics within Coast Range granodiorite bodies. The mineralization may be related to structurally controlled moderate to high sulphidation quartz veins.

Swift Katie Project

The Swift Katie group of claims are owned 100% by the Company and comprise more than 83 square kilometres located near Salmo, British Columbia 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-Ag 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.

D. Summary of Mineral Properties, continued

Swift Katie Project, continued

In 2011, the Company retained Micon International Limited of Vancouver to conduct a Phase I, in-house review of the current drill database for the Katie, West, and 17 zones which comprise over 70 drill holes completed between 1987 and 2008. The drilling outlines a Cu-Au-Ag inventory measuring approximately 600 metres of strike length by 400 metres width, and up to 300 metres depth; being open in several directions. The Phase I work included 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-Ag resource.

Star Project

The Star project comprises over 20 square kilometres centralized in the prolific Silver King shear zone located in south-eastern British Columbia. The signature of the rocks intercepted in 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.

Encouraging results received to date warrant continued drilling and the Company anticipates that the Gold Eagle and Alma N targets are advancing toward grid-patterned drilling designed to develop Au-Ag resources of potential economic significance. The Company has completed 25 NQ2/BTW-sized drill holes (5,785m) on the project and has returned several encouraging intercepts for Au-Ag +/- Cu from five known zones. Furthermore, advanced studies on the project database have identified 'embayments' in the magnetic geophysical signature coincident with prospective geological contacts and strong hydrothermal alteration. The precious metal signature is often elevated when these features are core sampled, yet the structures are only nominally tested in the drill record.

The Company has permits for a small-scale trenching program at the Gold Eagle zone, the focus of which will be to increase the surface exposure of the zone and facilitate expanded mapping, sampling and drilling along the mineralized trends. Drilling results continue to advance a porphyry model for the property and airborne data show numerous anomalies warranting follow-up.

Select drill intercept highlights to date 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**
		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**
		VST11-014:	**0.36 g/t Au, 1.21 g/t Ag & 0.13% Cu over 64.0 metres**
		Including	**1.23 g/t Au, 2.17 g/t Ag & 0.24% Cu over 15.52 metres**

D. Summary of Mineral Properties, continued

Star Project, continued

Claim Group	Zone	Drill Intercept Results	
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**
		VTN11-010:	**1.22 g/t Au & 2.71 g/t Ag over 29.72 metres**
		Including	**4.40 g/t Au & 6.10 g/t Ag over 2.0 metres**

Bobcaygeon

The property package encompasses over 70 square kilometres of claims, leases and private patents, and includes claims recently staked to cover important mineral trends and features. The property is located approximately 1.5 hours' drive north of Toronto and is close to transport, power, and numerous services.

Assay highlights from three grab and select chip samples include:

Sample ID	Sample Type	Cg%
767772	**Float Grab**	**54.9**
767773	**Float Grab**	**69.1**
767774	**0.5m Select Trench Chip**	**41.9**

The sampling included two float samples and one select chip sample collected from a near surface trench, the results of which are consistent with earlier reported grab assays from the property that were provided by the vendor.

Further results from metallurgical testing of a 20kg sample returned very high head grades of primarily flake graphite with flakes of up to 3mm in length. The sample was comprised of float pieces from a shallow backhoe trench and returned a high-grade assay of 34% Cg. A 'Rougher Kinetics' flotation test is being conducted as the final stage of the metallurgical work and should provide a quantitative estimate of the sample's flake size distribution and percent recovery.

Crew mobilization commenced in November and initial work will establish an 11 line-km grid over the main occurrence and flanking stratigraphy to be followed by a surface conductivity survey (EM), and later an IP geophysical survey. Trenching will extend the initial outcrop exposure for mapping and sampling and expand the strike-length of the target zone by completing a series of spaced cross-trenches stepping out from the initial discovery. Additional trenching will target newly defined geophysical anomalies that may be related to graphitic deposits, veins, or controlling structures / bodies critical to ore-formation.

D. Summary of Mineral Properties, continued

Bobcaygeon, continued

Contingent on initial results, the Company has also planned for diamond drilling of the main zone, and a large scale EM / MAG airborne geophysics program.

Kemano Gold

The property is accessible via the Sandifer Lake logging road which passes through the western portion of the property and connects to tidewater at Kemano Landing.

One of the more promising zones on the property is the "K-Zone" which was initially explored by others through surface sampling and trenching in the 1980s. The assessment reporting identifies numerous precious and base metal sample results from a NE-SW trending corridor striking for over 3.5 kilometres. One of the best reported assays came from a small bulk sample which yielded 1.494 oz./t Au (46.47 g/t), 3.13 oz./t Ag (97.35 g/t), & 5.01% Cu.

Acquisition Costs

The Company's accounting policy related to expenditures incurred for the acquisition of mineral properties is to capitalize on a property-by-property basis, net of recoveries. During the nine months ended September 30, 2012, the Company incurred acquisition costs on its mineral properties as follows:

	Balance	Additions				Balance
	December 31, 2011	Q1	Q2	Q3	Impairment	September 30, 2012
	$	$	$	$	$	$
Toughnut	91,944	7,365	-	10,786	-	110,095
Star	87,387	-	31,023	-	-	118,410
Swift Katie	353,559	1,054	-	-	-	354,613
Bobcaygeon	-	-	23,552	1,240	-	24,792
Kemano Gold	-	-	-	3,342	-	3,342
Rozan	-	216	-	-	(216)	-
Total	**532,890**	**8,635**	**54,575**	**15,368**	**(216)**	**611,252**

D. Summary of Mineral Properties, continued

Exploration Costs

The Company's accounting policy related to expenditures incurred for the exploration and development of mineral properties are expensed to the statement of comprehensive loss in the period in which they are incurred. During the nine months ended September 30, 2012, the Company incurred exploration costs on its mineral properties as follows:

	Total to December 31, 2011 $	Expensed Q1 $	Q2 $	Q3 $	Total to September 30, 2012 $
Toughnut	645,704	12,686	10,999	9,842	679,231
Star	1,225,008	10,681	5,733	9,162	1,250,584
Swift Katie	1,613,928	13,291	4,149	8,310	1,639,678
Bobcaygeon	-	-	16,953	17,056	34,009
Rozan	63,188	1,530	95	(96)	64,717
General / Other	88,293	-	1,530	5,650	95,473
Total	**3,636,121**	**38,188**	**39,459**	**49,924**	**3,763,692**

E. Results of Operations

During the nine months ended September 30, 2012, the Company reported a net loss and comprehensive loss of $430,692 (2011 - $755,352 net loss, $759,102 comprehensive loss).

Administration costs increased as a result of an amended office services agreement, which came into effect on July 1, 2012.

Consulting fees increased due to a new contract for the Company's President and costs incurred relating to the letter of credit guarantee.

Exploration expenses fluctuate based on levels and types of exploration activities incurred.

Investor relations, regulatory fees, transfer agent and travel and promotion expenses fluctuate based on the number of conferences and trade shows attended and other work performed in preparation of financing activities.

Office and general expenses decreased as a result of one-off charges incurred in 2011 relating to an insurance claim.

Professional fees increased as a result of timing of accountancy and audit fees incurred, an increase in CFO fees and an increase in legal fees arising from the share consolidation.

Non-cash share-based payments were recognized as a result of options granted and vested during 2012.

E. Results of Operations, continued

A gain was realized in 2012 relating to the settlement of certain accounts payable via the issuance of common shares.

A gain was realized in 2011 relating to the sale of all of the Company's investments previously acquired via mineral property earn-in agreements.

The following table summarizes variances in operating expenses and other items for the nine months ended September 30, 2012 and 2011:

	2012	2011	Variance Increase/(Decrease)	
	$	$	$	%
Expenses				
Administration	45,977	21,607	24,370	113%
Consulting	37,750	5,600	32,150	574%
Exploration and evaluation	127,571	552,955	(425,384)	(77%)
Investor relations	26,611	31,620	(5,009)	(16%)
Office and general	24,810	31,239	(6,429)	(21%)
Professional fees	76,015	65,836	10,179	15%
Regulatory fees and taxes	24,578	37,561	(12,983)	(35%)
Share-based payments	84,181	-	84,181	-
Shareholders communications	2,443	1,914	529	28%
Transfer agent	11,231	14,863	(3,632)	(24%)
Travel and promotion	591	14,045	(13,454)	(96%)
Other				
Interest income	(82)	-	(82)	-
Gain on settlement of debt	(31,200)	-	(31,200)	-
Mineral property impairment	216	-	216	-
Realized gain on sale of investment	-	(23,138)	23,138	(100%)

F. Summary of Quarterly Results

The following financial data was derived from the Company's financial statements for the last eight quarters as prepared in accordance with IFRS:

	Sep 30 2012	Jun 30 2012	Mar 31 2012	Dec 31 2011	Sept 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010
	$	$	$	$	$	$	$	$
Net loss	204,297	107,034	119,361	206,967	407,686	136,878	210,788	347,547
Comprehensive loss	204,297	107,034	119,361	206,967	407,686	161,628	189,788	334,797
Basic and diluted loss per share	$0.02	$0.01	$0.00	$0.02	$0.04	$0.02	$0.03	$0.08

F. Summary of Quarterly Results, continued

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

Quarterly fluctuations mainly related to share-based payments which vary as stock options are granted, expenditures on mineral property exploration which vary as projects are identified, impairment of mineral properties which vary as projects are assessed and future income tax adjustments relating to flow-through share renunciations.

G. Financial Condition, Liquidity and Capital Resources

The Company does not generate any revenue from operations, has limited financial resources and 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. 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.

As at September 30, 2012, the Company had a working capital deficiency of $503,998 (December 31, 2011 - $118,355). The Company has been negotiating extended payment terms of its trade payables and reviewing its capital expenditure plan and future commitments to identify opportunities to reduce or delay spending and payments.

i) Equity financing

On November 1, 2012, the Company announced a non-flow-through private placement of up to 7,000,000 units at a price of $0.08 per unit for gross proceeds of $560,000.

Each unit will consist of one common share and one-half share purchase warrant, with each whole share purchase warrant exercisable to purchase one additional common share at an exercise price of $0.12 for a period of 2 years.

On November 1, 2012, the Company also announced a flow-through private placement of up to 3,000,000 flow-through shares at a price of $0.10 per share to raise gross proceeds of $300,000.

To date, the Company has received non-flow through subscriptions of 14,077,500 units for gross proceeds of $1,126,200 and flow through subscriptions of 1,805,000 flow-through shares for gross proceeds of $180,500.

ii) Commitments

Effective July 1, 2012, under an amended service agreement between the Company and a company privately held by a director and officer of the Company, the Company will be charged $10,500 per month for office accommodation and services ("Basic Rent"), $1,750 per month per dedicated office ("Specific Rent") and $2,500 per month for CFO services. The Company may terminate the agreement through written notice at any time by paying the Basic and Specific Rents for the lesser of 24 months or the remainder of the term. The agreement expires on August 31, 2017, and the remaining minimum fee commitment based on current rental space as at September 30, 2012 was $252,000.

H. Outstanding Equity and Convertible Securities

i) Issued and outstanding

As at September 30, 2012 the Company had 9,489,025 common shares issued and outstanding. The Company did not issue, cancel or re-issue any common shares since that date and as at November 21, 2012, the Company had 9,489,025 common shares issued and outstanding.

ii) Stock Options

As at September 30, 2012, and November 21, 2012, the Company had stock options outstanding as follows:

Exercise Price	Expiry Date	Balance September 30, 2012	Expired	Balance November 21, 2012
$2.50	October 9, 2012	117,500	117,500	-
$1.00	February 24, 2014	5,000	-	5,000
$1.00	August 11, 2014	131,500	2,000	129,500
$1.00	November 17, 2016	40,000	-	40,000
$0.10	July 19, 2017	630,000	-	630,000
		924,000	**119,500**	**804,500**
Weighted average exercise price		$0.58	$2.47	$0.30
Weighted average contractual life remaining (years)		3.73		4.13

iii) Finders' Options

As at September 30, 2012, and November 21, 2012, the Company had finders' options outstanding as follows:

Exercise Price	Expiry Date	Balance September 30, 2012	Expired	Balance November 21, 2012
$0.50	November 17, 2012	50,000	50,000	-
		50,000	**50,000**	**-**
Weighted average exercise price		$0.50	$0.50	-
Weighted average contractual life remaining (years)		0.13		-

H. Outstanding Equity and Convertible Securities, continued

iv) Share Purchase Warrants

As at September 30, 2012, and November 21, 2012, the Company had share purchase warrants outstanding as follows:

Exercise Price	Expiry Date	Balance September 30, 2012	Expired	Balance November 21, 2012
$1.00	November 17, 2012	250,000	250,000	-
$1.00	November 17, 2012	1,504,831	1,504,831	-
$1.00	November 17, 2012	12,500	12,500	-
$1.00	December 30, 2012	313,000	-	313,000
$1.00	December 30, 2012	38,850	-	38,850
$0.60	January 14, 2015	5,000	-	5,000
$1.00	January 31, 2016	5,000	-	5,000
$1.00	February 8, 2013	60,000	-	60,000
$1.00	March 22, 2013	1,812,446	-	1,812,446
$1.00	March 22, 2013	92,500	-	92,500
$1.00	March 22, 2013	411,000	-	411,000
$1.00	March 22, 2013	80,000	-	80,000
$1.00	May 4, 2013	318,000		318,000
$1.00	May 4, 2013	31,200		31,200
		4,934,327	**1,767,331**	**3,166,996**
Weighted average exercise price		$1.00		$1.00
Weighted average contractual life remaining (years)		0.35		0.32

I. Related Party Information

The Company entered into the following related party transactions during the nine months ended September 30, 2012:

(a) Under a service agreement, as amended and effective July 1, 2012, between the Company and a company privately held by a director and officer of the Company, the Company was charged as follows:

- $43,500 (2011 - $18,000) for office space and general administration services;
- $19,986 (2011 - $9,000), for professional services;
- $7,350 (2011 - $4,500), for consulting services;
- $15,143 (2011 - $4,500), for investor relations services;
- $97,898 (2011 - $136,403) for geological consulting services; and
- $1,526 (2011 - $3,607) in respect of the mark-up on out-of-pocket expenses.

As at September 30, 2012, amounts payable under the agreement were $160,681 (December 31, 2011 - $597).

I. Related Party Information, continued

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

- $19,971 (2011 - $35,407), for professional fees;
- $8,559 (2011 - $3,410), for legal consulting services in relation to mineral properties; and
- $820 (2011 - $18,855), included in share issue costs.

Amounts payable as at September 30, 2012 were $29,938 (December 31, 2011 - $3,696).

(c) Fees relating to management, geological and mining consulting services of $27,125 (2011 - $nil) were charged by a private company controlled by an officer of the Company. Amounts payable as at September 30, 2012 were $30,380 (December 31, 2011 - $nil).

(d) 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 September 30, 2012 were $7,625 (December 31, 2011 - $7,625).

(e) Consulting fees relating to corporate development and financing activities of $nil (2011 - $6,500) were charged by a private company controlled by a former director of the Company. Amounts payable as at September 30, 2012 were $24,675 (December 31, 2011 - $24,675).

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

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. Compensation awarded to key management during the nine months ended September 30, 2012, was as follows:

		2012		2011
Short-term employee benefits	$	37,625	$	4,500
Share-based payments		42,091		-
Total	$	79,716	$	4,500

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.

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, any investments must be less than one year in duration.

K. Events After the Reporting Period and Outlook

Except as otherwise disclosed, there have been no material events after the reporting period. The Company is confident that its existing group of properties has potential warranting continued exploration. Activities over the ensuing year will focus on these assets. The Company expects to continue its strategy of collaborating with experienced mining companies to develop its properties and to advance them to production.

L. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate 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 National Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

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

N. Risks and Uncertainties

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

Exploration Stage Company

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

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

Operating History and Availability of Financial Resources

The Company has no operating revenues and is unlikely to generate any significant amount in the foreseeable future. Hence, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the issuance of securities.

The Company will need to continue its reliance on the issuance of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favourable terms, if at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or discontinue its operations.

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.

N. Risks and Uncertainties, continued

Competition

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

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.

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.

N. Risks and Uncertainties, continued

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. 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.

P. Forward-Looking Statements

Some of the statements contained in this MD&A may be deemed "forward-looking statements." These include estimates and statements that describe the Company's future plans, objectives or goals, and expectations of a stated condition or occurrence. Forward-looking statements may be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

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

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.