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**Financial Statements**  
**Years Ended December 31, 2015 and 2014**  
**(Expressed in Canadian Dollars)**

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALTERRA RESOURCE CORPORATION

We have audited the accompanying financial statements of Valterra Resource Corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, the statements of comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Valterra Resource Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 26, 2016

## Valterra Resource Corporation

(An Exploration Stage Company)

Statements of Comprehensive Loss

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

	Note	2015	2014
<b>Operating Expenses</b>			
Administration		\$ -	\$ 448
Consulting		12,000	20,000
Exploration and evaluation	6(e)	(183)	64,102
Investor relations		4,433	7,248
Office and general		11,803	21,578
Professional fees		20,840	18,041
Regulatory fees and taxes		8,502	11,103
Shareholders' communications		-	3,333
Transfer agent		2,940	7,234
Travel		-	994
		<b>60,335</b>	<b>154,081</b>
<b>Gain on settlement of debt</b>	13	(19,497)	-
<b>Interest and other income</b>		-	(1,068)
<b>Mineral property impairment</b>	6	388,175	121,525
		<b>368,678</b>	<b>120,457</b>
<b>Net Loss and Comprehensive Loss for the Year</b>		<b>\$ 429,013</b>	<b>\$ 274,538</b>
Loss per share - basic and diluted		\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding		32,735,925	30,699,737

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

# Valterra Resource Corporation

(An Exploration Stage Company)

Statements of Financial Position

(Expressed in Canadian Dollars)

As at	Note	December 31 2015	December 31 2014
<b>Assets</b>			
<b>Current</b>			
Cash		\$ -	\$ 3,756
Receivables		10,174	2,938
Prepaid and deposits		-	2,681
		<b>10,174</b>	<b>9,375</b>
<b>Non-current</b>			
Mineral properties	6	-	388,175
Reclamation bond	7	-	10,000
		-	<b>398,175</b>
		<b>\$ 10,174</b>	<b>\$ 407,550</b>
<b>Liabilities</b>			
<b>Current</b>			
Bank indebtedness	8	\$ -	\$ 198,567
Accounts payable and accrued liabilities	8 & 13	460,081	247,337
Due to related parties	9	51,358	33,898
		<b>511,439</b>	<b>479,802</b>
<b>Deficit</b>			
Share capital	11	12,212,977	12,212,977
Share-based payments reserve		237,867	240,708
Deficit		(12,952,109)	(12,525,937)
		<b>(501,265)</b>	<b>(72,252)</b>
		<b>\$ 10,174</b>	<b>\$ 407,550</b>

Approved on behalf of the Board

*"Lawrence Page"*

Lawrence Page, Q.C.  
Director

*"Edward Odishaw"*

Edward Odishaw  
Director

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

## Valterra Resource Corporation

(An Exploration Stage Company)

Statements of Changes in Equity (Deficit)

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

	Share Capital		Share-based		Total
	Number of Shares	Amount	Payment Reserve	Deficit	Equity (Deficit)
<b>Balance as at December 31, 2013</b>	<b>26,345,275</b>	<b>\$ 11,943,801</b>	<b>\$ 443,605</b>	<b>\$ (12,458,430)</b>	<b>\$ (71,024)</b>
Issued					
Private placements - non-flow-through	4,105,000	205,250	-	-	205,250
Shares for mineral property payment	1,500,000	35,000	-	-	35,000
Shares for settlement of debt	785,650	39,283	-	-	39,283
Share issue costs	-	(10,357)	4,134	-	(6,223)
Expiry of options and warrants	-	-	(207,031)	207,031	-
Net loss	-	-	-	(274,538)	(274,538)
<b>Balance as at December 31, 2014</b>	<b>32,735,925</b>	<b>\$ 12,212,977</b>	<b>\$ 240,708</b>	<b>\$ (12,525,937)</b>	<b>\$ (72,252)</b>
Expiry of options and warrants	-	-	(2,841)	2,841	-
Net loss	-	-	-	(429,013)	(429,013)
<b>Balance as at December 31, 2015</b>	<b>32,735,925</b>	<b>\$ 12,212,977</b>	<b>\$ 237,867</b>	<b>\$ (12,952,109)</b>	<b>\$ (501,265)</b>

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

## Valterra Resource Corporation

(An Exploration Stage Company)

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

	2015	2014
<b>Operating Activities</b>		
Net loss	\$ (429,013)	\$ (274,538)
<b>Items not involving cash:</b>		
Mineral property impairment	388,175	121,525
	(40,838)	(153,013)
<b>Changes in Non-Cash Working Capital</b>		
Receivables	(7,236)	5
Prepaid and deposits	2,681	5,716
Bank indebtedness	(198,567)	(142)
Accounts payable and accrued liabilities	212,744	5,799
Due to related parties	12,000	(116,642)
	21,622	(105,264)
<b>Cash Used in Operating Activities</b>	<b>(19,216)</b>	<b>(258,277)</b>
<b>Investing Activities</b>		
Acquisition of mineral properties	-	(27,200)
Reclamation bond recovery	10,000	35,000
<b>Cash Provided by Investing Activities</b>	<b>10,000</b>	<b>7,800</b>
<b>Financing Activities</b>		
Common shares issued for cash, net	-	199,027
Loans received from related parties	5,460	-
<b>Cash Provided by Financing Activities</b>	<b>5,460</b>	<b>199,027</b>
<b>Decrease in Cash During the Year</b>	<b>(3,756)</b>	<b>(51,450)</b>
<b>Cash, Beginning of the Year</b>	<b>3,756</b>	<b>55,206</b>
<b>Cash, End of the Year</b>	<b>\$ -</b>	<b>\$ 3,756</b>

Supplemental cash flow information (Note 12)

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

# Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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## 1. Nature of Operations and Going Concern

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

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

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

These 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 December 31, 2015, the Company had a working capital deficit of \$501,265 (2014 - \$470,427). The Company incurred a net loss of \$429,013 for the year ended December 31, 2015 (2014 - \$274,538) and had an accumulated deficit of \$12,952,109 as at December 31, 2015 (2014 - \$12,525,937).

As at December 31, 2015, the Company does not have sufficient working capital to meet its administrative overheads and continue with its exploration programs. The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company will be required to issue share capital to finance future activities through private placements and the exercise of options and warrants and is actively seeking additional equity financing. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern.

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

## 2. Basis of Preparation

These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using historical cost, except for cash flow information and financial instruments measured at fair value.

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

These financial statements were approved and authorized for issue by the Board of Directors on April 26, 2016.

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies

#### (a) Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the financial statements include:

##### *Impairment of long-lived assets*

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

##### *Determination of, and provision for, reclamation and remediation obligations*

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

##### *Deferred taxes*

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

##### *Share-based payments*

Share-based payments are determined using the Black-Scholes option pricing model at the date of grant and are expensed to net loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies, continued

#### (b) Mineral Properties

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries which are recorded when receivable, until these mineral properties are placed into commercial production, sold or abandoned. 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 profit or loss in that period.

All expenditures related to the exploration and evaluation of mineral properties, net of recoveries which are recorded when receivable, are expensed to net 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 recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

All capitalized mineral property costs are reviewed at each reporting date, 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. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

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 or 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.

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies, continued

#### (c) Reclamation Bonds

Reclamation bonds are recorded at amortized cost and held by government agencies or in trust.

#### (d) Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

#### (e) Share Capital

##### *Equity units*

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds prorated to common shares and share purchase warrants.

##### *Flow-through shares*

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares.

Any excess difference between the market value of the common shares and proceeds received is deemed equal to an estimated premium investors pay for the flow-through feature and is initially recorded as a liability.

The amount recorded as a liability relating to the sale of tax benefits is reversed when the obligation is fulfilled. The difference between the amount originally recorded as a liability and the estimated income tax benefits on date of renunciation is recognized in profit or loss. The tax effect of the renunciation is recorded at the time expenditures are made, which may differ from the effective date of renunciation.

#### (f) Non-monetary Consideration

Shares issued for non-monetary consideration to non-employees are recorded at the fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured 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.

## **Valterra Resource Corporation**

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### **3. Summary of Significant Accounting Policies, continued**

#### **(g) Share-based Payments**

Share-based payments for employees are measured at fair value of the instruments issued on the date of grant 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 stock options is charged to profit or loss using the graded vesting method, with the offset credit to share-based payment reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value previously recorded is transferred from share-based payment reserve to share capital. Upon expiry, related fair value previously recorded is transferred from share-based payment reserve to deficit.

#### **(h) Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those 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 profit or loss in the period that includes the enactment date. Deferred tax assets also result from unused tax losses carried forward, resource related tax pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **(i) Loss per Share**

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies, continued

#### (j) Financial Instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

##### *Fair value through profit or loss ("FVTPL")*

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss.

##### *Available-for-sale ("AFS")*

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

##### *Impairment of financial assets*

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

##### *Financial liabilities*

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies, continued

#### (j) Financial Instruments, continued

Other financial liabilities are classified as current or non-current based on their maturity date.

The Company has no derivative financial liabilities.

#### (k) Future Accounting Standards Changes

IFRS 9: *Financial Instruments* will eventually form a complete replacement for IAS 39: *Financial Instruments: Recognition and Measurement*.

All financial assets are classified as measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified at fair value through profit and loss, financial guarantees and certain other exceptions.

In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date from January 1, 2013 to annual periods beginning on or after January 1, 2018. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. The Company is currently assessing these effects.

### 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 due to related parties. The Company has classified its financial instruments into the following categories:

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

#### (b) Fair Value

The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity. During the year ended December 31, 2015, the reclamation bond was refunded and bank indebtedness was repaid.

## **Valterra Resource Corporation**

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### **4. Financial Instruments, continued**

#### **(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, anticipated investing and financing activities and through management of its capital structure.

As at December 31, 2015, all of the Company's financial liabilities are either past due or have contractual maturities of less than 90 days. The Company does not have sufficient resources to meet requirements for 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.

##### **(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 manage currency risks through hedging or other currency management tools and considers the risks related to foreign currency are not significant at this time. The Company is not exposed to material currency risk.

##### **(iii) Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Subsequent to the repayment of the Company's bank indebtedness, the Company is not exposed to material interest rate risk.

##### **(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 not exposed to material credit risk.

##### **(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 significant other price risk.

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### 5. Capital Management

The Company's capital includes bank indebtedness and components of shareholders' equity.

The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities. As the Company is in the exploration stage, its operations have been substantially funded by the issuance of equity instruments. The Company will continue to rely on equity 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 year ended December 31, 2015.

### 6. Mineral Properties

Mineral property acquisition costs as at December 31, 2015, were as follows:

	Bobcaygeon	Swift Katie	Total
	\$	\$	\$
Balance as at December 31, 2013	59,325	388,175	447,500
Additions	62,200	-	62,200
Impairments	(121,525)	-	(121,525)
Balance as at December 31, 2014	-	388,175	388,175
Impairments	-	(388,175)	(388,175)
<b>Balance as at December 31, 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### (a) Bobcaygeon

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

On December 30, 2014, the Company received notice of default of the option agreement which claimed failure to deliver shares of sufficient value and failure to incur required expenditures, amongst certain other claims. On January 29, 2015, the Company responded to the notice disputing the claims therein and requested a standstill period in accordance with the terms of the agreement. On December 16, 2015, the Company received a final notice of default.

An impairment provision was recognized against all capitalized costs totalling \$121,525 during the year ended December 31, 2014.

## **Valterra Resource Corporation**

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### **6. 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 a director of the Company, acquired an option to purchase the property located near Salmo, British Columbia. The option was subsequently assigned by Manex to the Company for \$2,500.

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

Beginning December 31, 2010 and annually thereafter, the Company is required to make an annual advance minimum royalty ("AMR") payment of \$50,000. These payments will be adjusted annually according to the Consumer Price Index base of December 31, 2006 and are deductible from future NSR payments. During the year ended December 31, 2015, agreement was obtained that the AMR due on December 31, 2014 would be deferred to March 31, 2015 with interest compounded at 2% per month from April 1, 2015 (unpaid). The AMR due on December 31, 2015 remains unpaid.

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.

As the Company continues to assess planned courses of action with respect to the property it has determined this to be an indicator of impairment. Accordingly, an impairment provision was recognized against all capitalized costs totalling \$388,175 during the year ended December 31, 2015.

#### **(c) 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 property 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 conducts its mineral exploration activities in compliance with applicable environmental protection legislation. 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. 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 mineral properties, the potential for production on the properties may be diminished or negated.

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 6. Mineral Properties, continued

#### (d) 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 conveyance 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.

#### (e) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures incurred for the years ended December 31, 2015 and 2014, were as follows:

	Bobcaygeon		Swift Katie		Star		Toughnut		Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Assays and analysis	-	1,045	515	765	-	2,204	-	1,771	515	5,785
Drilling	-	15,102	-	-	-	-	-	-	-	15,102
Geological services	-	14,282	-	-	-	-	-	-	-	14,282
Project supervision	-	21,010	-	6,158	-	200	-	-	-	27,368
Travel	-	3,038	-	-	-	-	-	-	-	3,038
	-	54,477	515	6,923	-	2,404	-	1,771	515	65,575
General / BC METC refunds									(698)	(1,473)
									(183)	64,102

### 7. Reclamation Bonds

The Company posts 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 December 31, 2015, amounts on deposit were \$nil (2014 - \$10,000).

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### 8. Bank Indebtedness

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

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

On April 20, 2015, the Company received notice of demand for payment of the bank indebtedness. As the Company was unable to comply with this notice, on June 1, 2015, security was enforced against the letter of credit from Schroders (C.I.) and supporting guarantee in the amount of \$199,810.

The amount now owing under the guarantee is currently unsecured, has no formal terms of interest or repayment and is presented within accounts payable and accrued liabilities.

### 9. 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:

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

- \$nil (2014 - \$30,368) for geological consulting services; and
- \$nil (2014 - \$448) in respect of the mark-up on out-of-pocket expenses.

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

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

(c) Fees relating to consulting services of \$12,000 (2014 - \$12,000) were charged by an officer of the Company. Amounts payable as at December 31, 2015 were \$30,500 (2014 - \$18,500).

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

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

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### 9. Related Party Balances and Transactions, continued

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

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

	2015	2014
Short-term benefits	\$ 12,000	\$ 14,813
Total	\$ 12,000	\$ 14,813

### 10. Segmented Information

The Company has one operating segment, the exploration of mineral properties in Canada. As at December 31, 2015, the Company's non-current assets are all located in Canada.

### 11. Share Capital

#### (a) Authorized

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

#### (b) Equity Financings

*Year ended December 31, 2014:*

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

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

On August 12, 2014, the Company issued 100,000 finders' warrants with each warrant exercisable to purchase one additional common share at an exercise price of \$0.05 for a period of three years (Note 11(f)).

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### 11. Share Capital, continued

#### (c) Non-Cash Issuances

*Year ended December 31, 2014:*

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

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

On December 10, 2014, the Company issued 1,000,000 common shares as per a property option agreement. The fair value recognized of \$10,000 was based on the closing quoted market price of \$0.01 per share.

#### (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.

Stock options outstanding and exercisable as at December 31, 2015 were as follows:

Exercise Price	Expiry Date	Balance	Balance
		December 31, 2014	December 31, 2015
\$1.00	November 17, 2016	20,000	20,000
\$0.10	July 19, 2017	480,000	480,000
\$0.12	December 17, 2017	1,375,000	1,375,000
\$0.17	March 1, 2018	100,000	100,000
		<b>1,975,000</b>	<b>1,975,000</b>
Weighted average exercise price		\$0.13	\$0.13
Weighted average contractual life remaining (years)		2.86	1.86

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 11. Share Capital, continued

#### (d) Stock Options, continued

Stock options outstanding and exercisable as at December 31, 2014 were as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance		Balance December 31, 2014
			December 31, 2013	Expired	
\$1.00	\$0.60	February 24, 2014	5,000	5,000	-
\$1.00	\$0.88	August 11, 2014	129,500	129,500	-
\$1.00	\$0.20	November 17, 2016	20,000	-	20,000
\$0.10	\$0.13	July 19, 2017	550,000	70,000	480,000
\$0.12	\$0.11	December 17, 2017	1,490,000	115,000	1,375,000
\$0.17	\$0.15	March 1, 2018	100,000	-	100,000
			<b>2,294,500</b>	<b>319,500</b>	<b>1,975,000</b>
Weighted average exercise price			\$0.18	\$0.49	\$0.13
Weighted average contractual life remaining (years)			3.67		2.86

#### (e) Share Purchase Warrants

Share purchase warrants outstanding as at December 31, 2015 were as follows:

Exercise Price	Expiry Date	Balance		Balance December 31, 2015
		December 31, 2014	Expired	
\$0.60	January 14, 2015	5,000	5,000	-
\$1.00	January 31, 2016	5,000	-	5,000
\$0.05	February 20, 2017	3,105,000	-	3,105,000
\$0.05	February 21, 2017	785,650	-	785,650
\$0.05	June 10, 2017	1,000,000	-	1,000,000
\$0.05	August 12, 2017	100,000	-	100,000
		<b>5,000,650</b>	<b>5,000</b>	<b>4,995,650</b>
Weighted average exercise price		\$0.05	\$0.60	\$0.05
Weighted average contractual life remaining (years)		2.21		1.21

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 11. Share Capital, continued

#### (e) Share Purchase Warrants, continued

Share purchase warrants outstanding as at December 31, 2014 were as follows:

Exercise Price	Expiry Date	Balance			Balance December 31, 2014
		December 31, 2013	Issued	Expired	
\$0.60	January 14, 2015	5,000	-	-	5,000
\$1.00	January 31, 2016	5,000	-	-	5,000
\$0.12	November 22, 2014	7,154,750	-	7,154,750	-
\$0.12	November 30, 2014	312,500	-	312,500	-
\$0.05	February 20, 2017	-	3,105,000	-	3,105,000
\$0.05	February 21, 2017	-	785,650	-	785,650
\$0.05	June 10, 2017	-	1,000,000	-	1,000,000
\$0.05	August 12, 2017	-	100,000	-	100,000
		<b>7,477,250</b>	<b>4,990,650</b>	<b>7,467,250</b>	<b>5,000,650</b>
Weighted average exercise price		\$0.12	\$0.05	\$0.12	\$0.05
Weighted average contractual life remaining (years)		0.89			2.21

#### (f) Fair Value Determination

The weighted average fair value of finders' share purchase warrants issued was \$nil (2014 - \$0.04). Fair values were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31,	
	2015	2014
Risk-free interest rate	N/A	1.11%
Expected share price volatility	N/A	156.21%
Expected life in years	N/A	3.00
Expected dividend yield	N/A	0.00%

Expected volatility assumptions have been developed taking into consideration historical volatility of the Company's share price, where data is available, and a comparable company in similar development stage and property location, where Company data is unavailable.

The total calculated fair value of share-based payments recognized was \$nil (2014 - \$4,134 and presented in the Statements of Changes in Equity (Deficit)).

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

### 12. Supplemental Cash Flow Information

	2015	2014
Cash Items		
Income tax paid	\$ -	\$ -
Interest paid	2,594	7,958
Interest received	-	468
Non-Cash Items		
Shares for mineral property payment	-	35,000
Shares for settlement of accounts payable	-	39,283

### 13. Gain on Settlement of Debt

On June 30, 2015, a Notice of Claim was filed in Small Claims Court regarding disputed amounts owed to a certain vendor that the Company believed total \$44,497. The Notice of Claim demanded payment of \$25,000 and stated that the vendor would abandon any claims to payment in excess of this amount plus costs.

The Company was unable to pay and could not offer a reasonable settlement.

On August 21, 2015, a Notice of Seizure was filed against the remaining balances in the Company's bank accounts that totaled approximately \$2,500.

A gain on settlement of debt of \$19,497 has been recognized.

### 14. Income Tax

A reconciliation of the income tax expense computed at statutory rates to the reported loss before taxes is as follows:

	2015	2014
Income tax benefit at statutory rate of 26.00% (2014 - 26.00%)	\$ 111,543	\$ 71,380
Permanent differences	5,381	1,293
Temporary differences	(82,965)	(27,398)
Change in timing differences	(4,224)	(87,170)
Unused tax losses and tax offsets not recognized	(29,735)	41,895
	\$ -	\$ -

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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### 14. Income Tax, continued

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2015	2014
Non-capital losses	\$ 4,500,250	\$ 4,685,487
Share issue costs	36,028	106,120
Tax value over book value of mineral properties	1,265,585	895,892
Tax value over book value of income tax credits	26,929	26,929
Tax value over book value of equipment	29,417	29,417
	\$ 5,858,209	\$ 5,743,845

The Company's unrecognized non-capital losses of approximately \$4,500,000 expire as follows:

	2015
2026	\$ 374,000
2027	564,000
2028	594,000
2029	594,000
2030	512,000
2031	369,000
2032	521,000
2033	667,000
2034	174,000
2035	131,000
	\$ 4,500,000

### 15. Events after the Reporting Period

Other than events disclosed elsewhere in these financial statements, on January 31, 2016, 5,000 share purchase warrants with an exercise price of \$1.00 expired unexercised.



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**Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Dated: April 26, 2016**

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# Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended December 31, 2015

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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 year ended December 31, 2015, and is dated April 26, 2016. 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 audited financial statements for the year ended December 31, 2015, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

Additional information relating to the Company, including detailed drill results previously disclosed in news releases, is available on the Company's website at [www.valterraresource.com](http://www.valterraresource.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## B. Qualified Person

Robert W. J. Macdonald, P. Geo., is the qualified person under National Instrument 43-101 responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs. Mr. Macdonald graduated with a B.Sc. degree from Memorial University of Newfoundland and a M.Sc. from the University of British Columbia. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

## C. Conversion Tables

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### Precious metal units and conversion factors

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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		

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Information from [www.onlineconversion.com](http://www.onlineconversion.com)

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## **Valterra Resource Corporation**

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended December 31, 2015

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### **D. Summary of Mineral Properties**

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

#### **Swift Katie**

The Swift Katie Cu-Au-porphyry property comprises more than 83 square kilometres and is located near Salmo, British Columbia in an area that, historically, has hosted several important mining districts, and is underlain by rocks considered very favourable for the discovery of porphyry-style mineralization.

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

The drilling outlines a Cu-Au-Ag inventory measuring approximately 600 metres of strike length by 400 metres width, and up to 300 metres depth; being open in several directions. Inventory review work included surveying of historic drill collars, an assessment of the historic QA/QC protocols, and drill spacing with the ultimate goal being to develop a NI 43-101 compliant bulk-tonnage Cu-Au-Ag resource. A previous soil sampling program identified geochemical anomalies (copper, gold, silver and potassium) within anomalous resistivity and magnetic signatures. These geophysical and geochemical anomalies are coincident with host rocks which are of a prospective age and lithology for hosting mineralization.

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

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

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

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

## Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended December 31, 2015

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### D. Summary of Mineral Properties, continued

#### Swift Katie, continued

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

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

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

#### Bobcaygeon

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

On January 29, 2015, the Company responded to the notice disputing the claims therein and requested a standstill period in accordance with the terms of the agreement.

On December 16, 2015, the Company received a final notice of default and the property was returned to the vendor.

#### Acquisition Costs

Mineral property acquisition costs are capitalized, net of recoveries. Mineral property acquisition costs as at December 31, 2015, were as follows:

	Bobcaygeon	Swift Katie	Total
	\$	\$	\$
Balance as at December 31, 2013	59,325	388,175	447,500
Additions	62,200	-	62,200
Impairments	(121,525)	-	(121,525)
Balance as at December 31, 2014	-	388,175	388,175
Impairments	-	(388,175)	(388,175)
<b>Balance as at December 31, 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended December 31, 2015

### D. Summary of Mineral Properties, continued

#### Exploration and Evaluation Expenditures

Exploration and evaluation expenditures are expensed as incurred. Exploration and evaluation expenditures incurred for the years ended December 31, 2015 and 2014, were as follows:

	Bobcaygeon		Swift Katie		Star		Toughnut		Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Assays and analysis	-	1,045	515	765	-	2,204	-	1,771	515	5,785
Drilling	-	15,102	-	-	-	-	-	-	-	15,102
Geological services	-	14,282	-	-	-	-	-	-	-	14,282
Project supervision	-	21,010	-	6,158	-	200	-	-	-	27,368
Travel	-	3,038	-	-	-	-	-	-	-	3,038
	-	54,477	515	6,923	-	2,404	-	1,771	515	65,575
General / BC METC refunds									(698)	(1,473)
									(183)	64,102

### E. Results of Operations

During the year ended December 31, 2015, the Company reported a net loss and comprehensive loss of \$429,013 (2014 - \$274,538). A summary of variances is as follows:

	2015	2014	Increase/(Decrease)	
	\$	\$	\$	%
Administration	-	448	(448)	(100%)
Consulting	12,000	20,000	(8,000)	(40%)
Exploration and evaluation	(183)	64,102	(64,285)	(100%)
Investor relations	4,433	7,248	(2,815)	(39%)
Office and general	11,803	21,578	(9,775)	(45%)
Professional fees	20,840	18,041	2,799	16%
Regulatory fees and taxes	8,502	11,103	(2,601)	(23%)
Shareholders communications	-	3,333	(3,333)	(100%)
Transfer agent	2,940	7,234	(4,294)	(59%)
Travel	-	994	(994)	(100%)
Gain on settlement of debt	(19,497)	-	(19,497)	-
Interest and other income	-	(1,068)	1,068	(100%)
Mineral property impairment	388,175	121,525	266,650	219%

## Valterra Resource Corporation

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended December 31, 2015

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### E. Results of Operations, continued

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

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

Additional legal fees were incurred during the current period with respect to a notice of demand for payment of the Company's bank indebtedness (*J - Financial Condition, Liquidity and Capital Resources*).

On June 30, 2015, a Notice of Claim was filed in Small Claims Court regarding disputed amounts owed to a certain vendor that the Company believed total \$44,497. The Notice of Claim demanded payment of \$25,000 and stated that the vendor would abandon any claims to payment in excess of this amount plus costs. As a result, a gain on settlement of debt of \$19,497 was subsequently recognized.

As the Company continues to assess planned courses of action with respect to the Swift Katie property it has determined this to be an indicator of impairment. Accordingly, an impairment provision was recognized against all capitalized costs incurred to date (2014 - impairment recognized as a result of an unresolved dispute with respect to the Bobcaygeon option agreement).

### F. Summary of Quarterly Results

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

	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
	2015	2015	2015	2015	2014	2014	2014	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss	374,759	8,020	26,791	19,443	154,991	24,665	47,938	46,944
Basic and diluted loss per share	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Due to the nature of its current operation, the Company earned no revenue during the periods presented.

Quarterly fluctuations mainly relate to mineral property exploration expenditures and impairments which occur as projects are identified and results are analyzed or other indicators arise. Significant impairment charges were recognized in the three months ended December 31, 2015 and 2014.

### G. Fourth Quarter

Other than already disclosed, no other unusual events affected the Company's financial performance or cash flows during the fourth quarter.

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**H. Summary of Annual Information**

The following represents certain financial data for the previous three fiscal years:

	2015	2014	2013
	\$	\$	\$
<b>Net loss</b>	(429,013)	(274,538)	(1,133,634)
<b>Basic and diluted loss per share</b>	(0.01)	(0.01)	(0.04)
<b>Current assets</b>	10,174	9,375	66,546
<b>Other non-current assets</b>	-	10,000	45,000
<b>Mineral properties</b>	-	388,175	447,500
<b>Total assets</b>	10,174	407,550	559,046
<b>Total non-current financial liabilities</b>	-	-	-
<b>Cash dividends per common share</b>	-	-	-

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. The Company's operating costs fluctuate as financing or other ad-hoc projects are undertaken. Costs previously incurred under a services agreement decreased due to the cessation of the agreement that came into effect on October 1, 2013. The Company continues to invest in its mineral properties as finance and assessments have permitted. Impairment charges are recognized as relevant indicators arise.

To date, the Company has not paid dividends and does not have any long-term financial liabilities.

**I. Related Party Transactions**

The Company entered into the following related party transactions during the year ended December 31, 2015:

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

- \$nil (2014 - \$30,368) for geological consulting services; and
- \$nil (2014 - \$448) in respect of the mark-up on out-of-pocket expenses.

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

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

(c) Fees relating to consulting services of \$12,000 (2014 - \$12,000) were charged by an officer of the Company. Amounts payable as at December 31, 2015 were \$30,500 (2014 - \$18,500).

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### I. Related Party Transactions, continued

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

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

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

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits.

A summary of compensation awarded to key management, included in (c) and (d) above, is as follows:

	2015	2014
Short-term benefits	\$ 12,000	\$ 14,813
Total	\$ 12,000	\$ 14,813

### J. Financial Condition, Liquidity and Capital Resources

As at December 31, 2015, the Company had a working capital deficit of \$501,265 (2014 - \$470,427).

Where possible, the Company has been negotiating extended payment terms of its trade payables and reviewing its capital expenditure plan and future commitments to identify opportunities to reduce or delay spending and payments. However, the Company does not generate any revenue from operations and, without further financing, the Company does not have sufficient capital to meet the requirements for its administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months.

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

Although the Company has been successful in obtaining financing through the issuance of its securities, there can be no assurance that the Company will be able to obtain adequate financing in the future in light of factors such as the market demand for its securities, the general state of financial markets and other relevant factors.

Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with a possible loss of some properties and reduction or termination of operations.

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### J. Financial Condition, Liquidity and Capital Resources, continued

#### Bank indebtedness

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

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

#### Claims

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

The Company was unable to pay and could not offer a reasonable settlement. On August 21, 2015, a Notice of Seizure was filed against the remaining balances in the Company's bank accounts that totaled approximately \$2,500.

### K. Outstanding Equity and Convertible Securities

#### i) Issued and outstanding

As at December 31, 2015 and April 26, 2016, the Company had 32,735,925 common shares issued and outstanding.

#### ii) Stock Options

As at December 31, 2015 and April 26, 2016, stock options outstanding and exercisable were as follows:

Exercise Price	Expiry Date	Balance December 31, 2015	Balance April 26, 2016
\$1.00	November 17, 2016	20,000	20,000
\$0.10	July 19, 2017	480,000	480,000
\$0.12	December 17, 2017	1,375,000	1,375,000
\$0.17	March 1, 2018	100,000	100,000
		<b>1,975,000</b>	<b>1,975,000</b>
Weighted average exercise price		\$0.13	\$0.13
Weighted average contractual life remaining (years)		1.86	1.54

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**K. Outstanding Equity and Convertible Securities, continued**

**iii) Share Purchase Warrants**

As at December 31, 2015 and April 26, 2016, share purchase warrants outstanding were as follows:

Exercise Price	Expiry Date	Balance		Balance April 26, 2016
		December 31, 2015	Expired	
\$1.00	January 31, 2016	5,000	5,000	-
\$0.05	February 20, 2017	3,105,000	-	3,105,000
\$0.05	February 21, 2017	785,650	-	785,650
\$0.05	June 10, 2017	1,000,000	-	1,000,000
\$0.05	August 12, 2017	100,000	-	100,000
		<b>4,995,650</b>	<b>5,000</b>	<b>4,990,650</b>
Weighted average exercise price		\$0.05	\$1.00	\$0.05
Weighted average contractual life remaining (years)		1.21		0.89

**L. Financial Instruments**

The Company's financial instruments include cash, reclamation bond, bank indebtedness, accounts payable and accrued liabilities and due to related parties. The Company has classified its financial instruments into the following categories:

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

The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity. During the year ended December 31, 2015, the reclamation bond was refunded and bank indebtedness was repaid.

These financial instruments have no material risk exposure.

**M. Events After the Reporting Period and Outlook**

There are no other material events subsequent to the date of this document. The Company is confident that its property has potential warranting continued exploration. Activities over the ensuing year will focus on this. The Company expects to continue its strategy of collaborating with experienced mining companies to develop properties and to advance them to production.

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### **N. Off-Balance Sheet Arrangements**

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

### **O. 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.

### **P. 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.

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### **P. Risks and Uncertainties, continued**

#### *Exploration Stage Company, continued*

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 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 and such reliance on the issuance of securities for future financing 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*

For some time, 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.

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### **P. Risks and Uncertainties, continued**

#### *Title to Property*

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned.

The Company's mineral property interest may be subject to prior unregistered agreements or transfers, aboriginal land claims, government expropriation and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties.

#### *Licenses and Permits*

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits.

However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

#### *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 effect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

#### *Government Regulations and Environmental Risks and Hazards*

The Company conducts exploration activities in Canada, and is subject to various federal and provincial 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, hazards that are unknown to the Company at present, which 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.

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### **Q. Changes in Accounting Policies Including Initial Adoption**

#### *Future Accounting Standards Changes*

IFRS 9: *Financial Instruments* will eventually form a complete replacement for IAS 39: *Financial Instruments: Recognition and Measurement*. All financial assets are classified as measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified at fair value through profit and loss, financial guarantees and certain other exceptions.

In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date from January 1, 2013 to annual periods beginning on or after January 1, 2018. The amendments also provided relief from the requirement to restate comparative consolidated financial statements for the effects of applying IFRS 9. The Company is currently assessing these effects.

### **R. Proposed Transactions**

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

### **S. 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.