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Financial Statements
Years Ended December 31, 2016 and 2015
(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, 2016 and 2015 and 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, 2016 and 2015, 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 27, 2017

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Valterra Resource Corporation

(An Exploration Stage Company)

Statements of Comprehensive Loss

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	Note	2016	2015
Operating Expenses			
Administration	8	\$ 25,000	\$ -
Consulting	8	28,024	12,000
Exploration and evaluation	6 & 8	348,483	(183)
Investor relations	8	92,613	4,433
Office and general	8 & 9	25,077	11,803
Professional fees	8	90,776	20,840
Regulatory fees and taxes		41,573	8,502
Shareholders' communications		2,745	-
Transfer agent		8,128	2,940
		662,419	60,335
Gain on settlement of debt	12	(5,200)	(19,497)
Mineral property impairment	6	-	388,175
Reversal of flow-through premium	13	(34,722)	-
		(39,922)	368,678
Net Loss and Comprehensive Loss for the Year		\$ 622,497	\$ 429,013
Loss per share - basic and diluted		\$ 0.02	\$ 0.01
Weighted average number of common shares outstanding		38,777,861	32,735,925

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 2016	December 31 2015
Assets			
Current			
Cash	11	\$ 534,194	\$ -
Receivables		20,118	10,174
Prepays		2,785	-
		557,097	10,174
Non-current			
Mineral property	6	194,197	-
Reclamation bond	7	12,000	-
		206,197	-
		\$ 763,294	\$ 10,174
Liabilities			
Current			
Accounts payable and accrued liabilities	13	\$ 460,902	\$ 460,081
Due to related parties	8	55,961	51,358
		516,863	511,439
Equity (Deficit)			
Share capital	9	13,371,398	12,212,977
Share-based payments reserve		225,874	237,867
Warrant reserve		201,290	-
Deficit		(13,552,131)	(12,952,109)
		246,431	(501,265)
		\$ 763,294	\$ 10,174

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, 2016 and 2015

(Expressed in Canadian Dollars)

	Share Capital		Share-based		Warrant Reserve	Deficit	Total Equity (Deficit)
	Number of Shares	Amount	Payments Reserve				
Balance as at December 31, 2014	32,735,925	\$ 12,212,977	\$ 240,708	\$ -	\$ (12,525,937)	\$ (72,252)	
Expiry of options and warrants	-	-	(2,841)	-	2,841	-	
Net loss	-	-	-	-	(429,013)	(429,013)	
Balance as at December 31, 2015	32,735,925	\$ 12,212,977	\$ 237,867	\$ -	\$ (12,952,109)	\$ (501,265)	
Issued							
Private placement - non flow-through	16,584,000	663,360	-	165,840	-	829,200	
Private placement - flow-through	12,720,215	600,561	-	35,450	-	636,011	
Value attributed to flow-through premium	-	(35,450)	-	-	-	(35,450)	
For guarantee extension	350,000	14,000	-	-	-	14,000	
Share issue costs	-	(84,050)	10,482	-	-	(73,568)	
Expiry of options and warrants	-	-	(22,475)	-	22,475	-	
Net loss	-	-	-	-	(622,497)	(622,497)	
Balance as at December 31, 2016	62,390,140	\$ 13,371,398	\$ 225,874	\$ 201,290	\$ (13,552,131)	\$ 246,431	

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, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
Operating Activities		
Net loss	\$ (622,497)	\$ (429,013)
Items not involving cash:		
Gain on settlement of debt	(5,200)	(19,497)
Guarantee extension	14,000	-
Mineral property impairment	-	388,175
Reversal of flow-through premium	(34,722)	-
	(648,419)	(60,335)
Changes in Non-Cash Working Capital		
Receivables	(9,944)	(7,236)
Prepays	(2,785)	2,681
Bank indebtedness	-	(198,567)
Accounts payable and accrued liabilities	(3,391)	232,241
Due to related parties	4,443	12,000
	(11,677)	41,119
Cash Used in Operating Activities	(660,096)	(19,216)
Investing Activities		
Acquisition of mineral property	(185,513)	-
Reclamation bond	(12,000)	10,000
Cash (Used in) Provided by Investing Activities	(197,513)	10,000
Financing Activities		
Shares issued for cash, net	1,397,263	-
Related party loans received	1,000	5,460
Related party loans repaid	(6,460)	-
Cash Provided by Financing Activities	1,391,803	5,460
Increase (Decrease) in Cash During the Year	534,194	(3,756)
Cash, Beginning of the Year	-	3,756
Cash, End of the Year	\$ 534,194	\$ -

Supplemental cash flow information (Note 11)

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, 2016 and 2015

(Expressed in Canadian Dollars)

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, 2016, the Company had working capital of \$40,234 (2015 - working capital deficit of \$501,265). The Company incurred a net loss of \$622,497 for the year ended December 31, 2016 (2015 - \$429,013) and had an accumulated deficit of \$13,552,131 as at December 31, 2016 (2015 - \$12,952,109).

As at December 31, 2016, the Company does not have sufficient capital to meet the requirements for its administrative overhead or maintaining its mineral interests. 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. 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. Such adjustment could be material.

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") on a historical cost basis, 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 27, 2017.

Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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.

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, 2016 and 2015

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies, continued

(a) Significant Accounting Estimates and Judgments, continued

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.

(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.

Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies, continued

(b) Mineral Properties, continued

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.

(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 units

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, plus any attached share purchase warrants, 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.

Valterra Resource Corporation

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Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies, continued

(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.

(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.

Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies, continued

(i) Loss per Share, continued

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.

(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.

Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies, continued

(j) Financial Instruments, continued

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.

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

(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 bond, 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
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost

Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. Financial Instruments, continued

(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. The reclamation bond is non-interest-bearing, has no maturity date and carrying value approximates fair value.

(c) Financial Risk Management

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

(i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure.

As at December 31, 2016, 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 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. 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 exposed to credit risk mainly in respect to managing its cash, which is held with a Canadian financial institution. The Company mitigates credit risk by risk management policies that require significant cash deposits be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration.

Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. Financial Instruments, continued

(c) Financial Risk Management, continued

(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 material other price risk.

5. Capital Management

The Company's capital includes components of equity (deficit). 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, 2016.

6. Mineral Property

Mineral property acquisition costs as at December 31, 2016, were as follows:

	Swift Katie	Total
	\$	\$
Balance as at December 31, 2014	388,175	388,175
Impairment	(388,175)	(388,175)
Balance as at December 31, 2015	-	-
Additions	194,197	194,197
Balance as at December 31, 2016	194,197	194,197

Valterra Resource Corporation

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Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

6. Mineral Properties, continued

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. AMR payments originally due on December 31, 2014 and December 31, 2015 were also paid during the year ended December 31, 2016 plus accrued interest.

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.

An impairment provision was recognized against all capitalized costs totalling \$388,175 during the year ended December 31, 2015 as the Company continued to assess planned courses of action with respect to the property and determined this to be an indicator of impairment using a Level 3 estimate of fair value according to the fair value hierarchy.

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

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6. Mineral Properties, continued

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.

Realization of Assets

Realization of the Company's investment in mineral properties is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements, the attainment of successful production from the properties, or from the proceeds of their disposal.

The attainment of commercial production is in turn dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interest, and upon future profitable production.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures incurred for the years ended December 31, 2016 and 2015, were as follows:

	Swift Katie		Total	
	\$	\$	\$	\$
	2016	2015	2016	2015
Assays and analysis	29,169	515	29,169	515
Camp and supplies	2,562	-	2,562	-
Drilling	156,028	-	156,028	-
Equipment rental and field supplies	15,236	-	15,236	-
Geological services	21,508	-	21,508	-
Project supervision	105,895	-	105,895	-
Travel	16,823	-	16,823	-
	347,221	515	347,221	515
General / BC METC recoveries			1,262	(698)
			348,483	(183)

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7. Reclamation Bond

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

As at December 31, 2016, the amount on deposit was \$12,000 (2015 - \$nil).

8. Related Party Balances and Transactions

Except as disclosed elsewhere in these financial statements, the Company entered into the following related party transactions:

(a) Fees were charged by a company controlled by a director and officer of the Company as follows:

- \$25,000 (2015 - \$nil) for office space and administration services;
- \$14,024 (2015 - \$nil) for consulting services;
- \$13,000 (2015 - \$nil) for professional services;
- \$8,835 (2015 - \$nil) for investor relations services;
- \$49,270 (2015 - \$nil) for geological consulting services; and
- \$999 (2015 - \$nil) for mark-up on out of pocket expenses.

Accounts payable as at December 31, 2016 were \$21,939 (2015 - \$11,025).

(b) Fees in the amount of \$75,580 (2015 - \$nil) were charged by or accrued to a law firm controlled by a director and officer of the Company and included in professional fees, mineral property expenditures and share issue costs where applicable. Amounts payable as at December 31, 2016 were \$16,862 (2015 - \$4,373).

(c) Fees in the amount of \$12,000 (2015 - \$12,000) were charged by an officer of the Company for consulting services. Amounts payable as at December 31, 2016 were \$1,000 (2015 - \$30,500).

(d) Fees in the amount of \$56,625 (2015 - \$nil) were charged by a company controlled by a director of the Company for geological consulting services. Amounts payable as at December 31, 2016 were \$16,160 (2015 - \$nil).

(e) Loans totaling \$1,000 (2015 - \$5,460) were advanced to the Company by certain directors. Amounts payable as at December 31, 2016 were \$nil (2015 - \$5,460).

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) above, is as follows:

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8. Related Party Balances and Transactions, continued

	2016	2015
Short-term benefits	\$ 12,000	\$ 12,000
Total	\$ 12,000	\$ 12,000

9. 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, 2016

On October 5, 2016, the Company closed a non-flow-through private placement and issued 16,584,000 units at a price of \$0.05 per unit for gross proceeds of \$829,200. Each unit consisted of one common share and one share purchase warrant exercisable to purchase one common share at an exercise price of \$0.10 for a period of five years.

On October 5, 2016, the Company closed a flow-through private placement and issued 7,090,000 flow-through units at a price of \$0.05 per unit for gross proceeds of \$354,500. Each unit consisted of one flow-through common share and one half share purchase warrant, with each whole warrant exercisable to purchase one common share at an exercise price of \$0.10 for a period of five years.

The Company also issued 120,000 finders' share purchase warrants exercisable to purchase one common share for a period of five years at an exercise price of \$0.10. The warrants were fair valued at \$0.05 per warrant using the Black-Scholes option-pricing model (Note 9(f)).

On December 29, 2016, the Company closed a flow-through private placement and issued 5,630,215 flow-through units at a price of \$0.05 per unit for gross proceeds of \$281,511. Each unit consisted of one flow-through common share and one half share purchase warrant, with each whole warrant exercisable to purchase one common share at an exercise price of \$0.10 for a period of five years.

The Company also issued 105,600 finders' share purchase warrants exercisable to purchase one common share for a period of five years at an exercise price of \$0.10. The warrants were fair valued at \$0.04 per warrant using the Black-Scholes option-pricing model (Note 9(f)).

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9. Share Capital, continued

(c) Non-Cash Issuances

On November 14, 2016, pursuant to a previous bank indebtedness guarantee extension agreement, the Company issued 350,000 units. Each unit consisted of one common share and one share purchase warrant exercisable to purchase one common share for a period of one year at an exercise price of \$0.05. The fair value recognized of \$14,000 was based on the closing quoted market price of \$0.04 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, 2016 and 2015 were as follows:

Exercise Price	Expiry Date	Balance December 31, 2015	Cancelled / Expired	Balance December 31, 2016
\$1.00	November 17, 2016	20,000	20,000	-
\$0.10	July 19, 2017	480,000	35,000	445,000
\$0.12	December 17, 2017	1,375,000	110,000	1,265,000
\$0.17	March 1, 2018	100,000	-	100,000
		1,975,000	165,000	1,810,000
Weighted average exercise price		\$0.13	\$0.22	\$0.12
Weighted average contractual life remaining (years)		1.86		0.87

Exercise Price	Expiry Date	Balance December 31, 2014	Balance 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
		1,975,000	1,975,000
Weighted average exercise price		\$0.13	\$0.13
Weighted average contractual life remaining (years)		2.86	1.86

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9. Share Capital, continued

(e) Share Purchase Warrants

Share purchase warrants outstanding as at December 31, 2016 and 2015 were as follows:

Exercise Price	Expiry Date	Balance			Balance December 31, 2016
		December 31, 2015	Issued	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
\$0.10	October 5, 2021	-	16,584,000	-	16,584,000
\$0.10	October 5, 2021	-	3,545,000	-	3,545,000
\$0.10	October 5, 2021	-	120,000	-	120,000
\$0.05	November 14, 2017	-	350,000	-	350,000
\$0.10	December 29, 2021	-	2,815,107	-	2,815,107
\$0.10	December 29, 2021	-	105,600	-	105,600
		4,995,650	23,519,707	5,000	28,510,357
Weighted average exercise price		\$0.05	\$0.10	\$1.00	\$0.09
Weighted average contractual life remaining (years)		1.21			3.94

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
		5,000,650	5,000	4,995,650
Weighted average exercise price		\$0.05	\$0.60	\$0.05
Weighted average contractual life remaining (years)		2.21		1.21

(f) Fair Value Determination

The weighted average fair value of finders warrants issued was \$0.05 (2015 - \$nil). Fair values were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

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9. Share Capital, continued

(f) Fair Value Determination, continued

	2016
Risk-free interest rate	0.90%
Expected share price volatility	203.67%
Expected life (years)	5.00
Expected dividend yield	0.00%

The expected volatility assumptions have been developed taking into consideration historical volatility of the Company's share price. The total calculated fair value of share-based payments recognized was as follows:

	2016
Statements of Changes in Equity	
Finders' warrants	10,482
Total	\$ 10,482

10. Segmented Information

The Company has one operating segment, the exploration of mineral properties in Canada. As at December 31, 2016, the Company's non-current assets are all located in Canada.

11. Supplemental Cash Flow Information

	2016	2015
Cash comprised of:		
Cash	\$ 245,405	\$ -
Cash reserved for flow-through expenditures	288,789	-
Total Cash	\$ 534,194	\$ -
Investing Activities		
Mineral property acquisition in accounts payable	\$ 8,684	\$ -
Financing Activities		
Share issue costs in due to related parties	\$ 5,620	\$ -
Cash Items		
Income tax paid	\$ -	\$ -
Interest paid	-	2,594
Interest received	-	-

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12. Gain on Settlement of Debt

During the course of negotiating settlements of its debts, the Company recognized a gain on settlement of debt of \$5,200 in the year ended December 31, 2016.

On June 30, 2015, a Notice of Claim (the "Notice") was filed in Small Claims Court regarding disputed amounts owed to a certain vendor that the Company believed totaled \$44,497. The Notice demanded payment of \$25,000 and stated that the vendor would abandon any claims to payment in excess of this amount plus costs. A gain on settlement of debt of \$19,497 was recognized in the year ended December 31, 2015.

13. Flow-through Expenditures

As at December 31, 2016, the Company is committed to incur qualifying Canadian Exploration Expenditures of \$354,500 with respect to a private placement of flow-through shares completed during October 2016. Of the total commitment, the Company had incurred \$347,222 as at December 31, 2016 and has a remaining commitment of \$7,278 to be incurred by December 31, 2017.

A flow-through share premium of \$35,450 was recognized relating to the above, of which \$34,722 was reversed upon completion of qualifying expenditure. Included within accounts payable and other liabilities is an amount of \$728 (2015 - \$nil) with respect to the remaining flow-through share premium recognized.

As at December 31, 2016, the Company is committed to incur qualifying Canadian Exploration Expenditures of \$281,511 with respect to a private placement of flow-through shares completed during December 2016. Of the total commitment, the Company had incurred \$nil as at December 31, 2016 and has a remaining commitment of \$281,511 to be incurred by December 31, 2017.

14. Income Tax

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

	2016	2015
Income tax benefit at statutory rate of 26.00% (2015 - 26.00%)	\$ 161,849	\$ 111,543
Non-taxable items	10,380	5,381
Temporary differences	(78,361)	(82,965)
Change in timing differences	5,817	(4,224)
Unused tax losses and tax offsets not recognized	(99,685)	(29,735)
	\$ -	\$ -

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

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14. Income Tax, continued

	2016	2015
Non-capital losses	\$ 4,837,079	\$ 4,500,250
Share issue costs	63,763	36,028
Tax value over book value of mineral properties	1,284,427	1,265,585
Tax value over book value of income tax credits	26,929	26,929
Tax value over book value of equipment	29,417	29,417
	\$ 6,241,615	\$ 5,858,209

The Company's unrecognized non-capital losses of approximately \$4,837,000 expire as follows:

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	112,000
2036	356,000
	\$ 4,837,000

15. Events after the Reporting Period

Other than events disclosed elsewhere in these financial statements, the following occurred subsequent to December 31, 2016:

- On January 16, 2017, the expiry dates of 3,105,000 share purchase warrants originally expiring on February 20, 2017 and the expiry dates of 1,000,000 share purchase warrants originally expiring on June 10, 2017, were extended by two years.
- On February 21, 2017, 785,650 share purchase warrants with an exercise price of \$0.05 per share, expired unexercised.
- On March 27, 2017, a total of 4,200,000 fully vested stock options, exercisable for a period of five years with an exercise price of \$0.05 per share, were granted to directors, officers and consultants.