



VALLEY HIGH VENTURES LTD.
Management Discussion & Analysis for the year ended October 31, 2008

January 14, 2009



For further information on the Company reference should be made to the Company's public filings which are available on SEDAR. Information is also available at the Company's website www.valleyhighventures.com. The following information is prepared in accordance with Canadian GAAP and denominated in Canadian dollars, unless otherwise noted. This Management Discussion & Analysis should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2008.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with Canadian generally accepted accounting principles. This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.

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1 PROFILE & STRATEGY

1.1 Profile & Strategy

Valley High Ventures Ltd. (the “Company” or “Valley High”) was incorporated on August 11, 1980 under the laws of the Province of British Columbia. The Company is pursuing opportunities related to the exploration of mineral resource properties principally in British Columbia, Canada and in Mexico and is considered to be in the exploration / development stage.

The Company is a reporting issuer in British Columbia and Alberta and its shares are listed on the TSX Venture Exchange under the symbol “VHV”.

The Company is in the process of acquiring and exploring mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

1.2 Cash and Going Concern

As of October 31, 2008 the Company had cash and cash equivalents of \$27,665 (2007: \$1,441), and working capital position of \$110,855 (2007: \$(870,793)). Included within the determination of working capital is value added taxes refundable from Mexico although the Company is confident that these amounts are refundable there can be no certainty as to the timing of these refunds.

As at December 31, 2008 the Company had cash and cash equivalents of approximately \$650,000.

The Global credit crisis is being felt in all economic sectors and the junior mining sector is being particular hard hit with plummeting shares prices and falling metal prices. Prior to the calendar year end, the Company was able to complete two separate financings; one flow-through financing that raised gross proceeds of \$500,000 and one other financing which raised gross proceeds of \$225,000 (refer section 3.3). The flow-through financing will enable the Company to continue to evaluate its Mount Polley properties and the second financing will enable the Company to continue to hold and evaluate its Cordero-Sanson property, as well as provide working capital.

To continue to develop its properties the Company will, within the next twelve months, have to raise additional equity or form strategic partnerships. As result of the current economic environment there cannot be any certainty that additional financings can be raised or strategic partnerships can be formed and therefore there is substantial doubt about the ability of the Company to continue as a going concern.

The consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2 MILESTONES & PROJECTS UPDATE

2.1 Milestones / Highlights

On September 26, 2008, the Company acquired all of the issued and outstanding shares of, Coro Minera de Mexico SA de CV (“CoroMex”) from Coro Mining Corp. (“Coro”). In consideration, Valley High issued 8,140,353 common shares with a fair value of \$0.25 per share. Concurrently, the Company completed a private placement to Coro of 1,000,000 common shares for cash proceeds of \$250,000 for working capital purposes was completed. The Company also agreed to settle an outstanding related party debt via the issuance of 2,333,333 common shares with a fair value of \$0.25 per share. Both the private placement and debt settlement were a condition to the acquisition of CoroMex.

CoroMex has options to acquire two properties in Mexico. The Cordero-Sanson property is located approximately 220 kilometers south of the city of Chihuahua, and approximately 40 kilometers northeast of the town of Hidalgo de Parral. Cordero



comprises a 332 hectares claim block that has been optioned by CoroMex, and which contains the Cordero polymetallic prospect, from which historic artisanal underground mining has taken place; and a surrounding, claim block wholly CoroMex owned, which contains the Sanson porphyry molybdenum prospect. The optioned property Cordero comprises the Herrera claims and the Jandrina claims that covers the Cordero property. The 100% owned Sanson mining claim was staked by CoroMex and covers 9,210 hectares, surrounding the Herrera and Jandrina claim groups.

Concurrent with the letter of intent to purchase CoroMex, the Board of Directors (“Board”) and Management team were enhanced by the involvement of certain Coro Directors and Officers in Valley High Ventures, and the appointment of James Mustard as a Director

Alan Stephens was appointed to the Board as a Director and Chairman. Mr. Stephens has over 31 years of international mining experience in Chile, Mexico and Brazil, including managing exploration teams in Latin America, Africa, Europe and Asia. Previously, he has worked for First Quantum Minerals (“FQM”), Cyprus Amax Mineral Company and is currently the President and Chief Executive Officer (“CEO”) of Coro. He is also a qualified person for the purposes of National Instrument 43-101.

James Mustard was appointed to the Board as a Director. Mr. Mustard has over 33 years of diverse experience covering a broad range of exploration activity, and engineering functions at both open pit and underground development projects and mines. Previously, he has worked for Haywood Securities Inc. and is currently the President and Director of Canada Zinc Metals Corp.

Damian Towns was added to the management team as the Chief Financial Officer (“CFO”). Mr. Towns has over 10 years experience in accounting and finance, including international mining and accounting experience in Canada, South America, Mexico, Africa and New Zealand. Previously, he has worked for PricewaterhouseCoopers, FQM and is currently the CFO of Coro. Michael Philpot was also added to the management team as Corporate Secretary. Mr. Philpot has over 28 years of experience in the mining industry. Previously, he has worked for FQM and is currently the Vice-President and Corporate Secretary of Coro.

Concurrent with the new appointments, Patrice Nazareno resigned as a Director of the Company.

In September 2008, the Board and management of the Company were further enhanced with the addition of Robert Cameron as President and Chief Executive Officer. Mr. Cameron has over 27 years in the mining industry. He has recently held the position of Mining Analyst for Research Capital Inc. and prior to that held the position of Vice President and Manager of Exploration for Phelps Dodge Corporation of Canada Limited (a subsidiary of Freeport McMoRan Copper and Gold Inc.).

Prior to the end of the calendar year, the Company completed two financings; one flow-through financing for gross proceeds of \$500,000 and a second non-flow through financing for \$225,000 (refer to section 3.3)

2.2 Mount Polley Properties, British Columbia, Canada

The Mount Polley properties in British Columbia are made up of a number of claims blocks, which include the Lloyd, Nordik/Buc, Calm, October/Dome and Morehead claim blocks. The properties comprise approximately 10,000 hectares and are located adjacent to the Imperial Metals Corp. producing open-pit copper-gold mine, which is 100 km northeast of Williams Lake, British Columbia.

Lloyd Claims - The Company acquired a 90% interest in a portion of Lloyd claims in consideration for the issuance of 1,020,000 common shares valued at \$234,600. The Company acquired a 100% interest in the remaining claims, subject to a 1.5% Net Smelter Return (“NSR”) by issuing 180,000 common shares (valued at \$41,400). The Lloyd claims include the boundary zone.

Nordik/Buc Claims - The Company acquired a 100% interest in the Nordik mineral claims in consideration for the issuance of 666,666 common shares valued at \$153,333. The vendors retained a 2% NSR on the claims, which can be purchased for \$500,000 for each one-half percent. The Company acquired a 100% interest subject to a 2% NSR, in the Buc claims for the



issuance of 25,000 shares (valued at \$13,250) and a cash payment of \$10,000. The Nordik/Buc claims border the Mount Polley Mine property on the east side and extended to the opposite side of Polley Lake.

Calm Claims - The Company acquired a 100% interest in the Calm mineral claims in consideration for the issuance of 333,333 common shares (valued at \$76,667) and a cash payment of \$25,000. The vendors retained a 2% NSR on the claims, which can be purchased for \$500,000 for each one-half percent. The Calm claims are located several kilometers west of the Mount Polley Mine and south of Morehead Lake.

October/Dome Claims - The Company acquired a 100% interest in certain mineral claims (collectively the “October/Dome Claims”) in consideration for the issuance of 733,334 common shares valued at \$168,666. The vendors retained a 2% NSR on the claims, which can be purchased for \$500,000 for each one-half percent. These claims are located north of the Lloyd claims. On March 10, 2006, the Company acquired the right to earn a 100% interest, subject to a 1.5% NSR, in an additional claim block (the “Dome” Claims) adjacent to the existing claims for a cash payment of \$10,000 (paid) and the issuance of 270,000 shares over a four year period (130,000 issued valued at \$60,400).

On June 13, 2008, the Company acquired the Morehead claim block for a cash payment of \$8,000.

3 FINANCIAL POSITION REVIEW

3.1 Cash and Working Capital

Table 1: Cash and Working Capital	Oct-07	Oct-08
Cash and cash equivalents	\$1,441	\$27,665
Accounts receivable and prepaid expenses	35,935	203,588
Accounts payable and accrued liabilities	(60,175)	(105,065)
Due to related parties	(847,994)	(15,333)
Net working capital (deficit)	\$(870,793)	\$110,855

Reference should be made to section 1.2 and 3.3 to understand the cash and working capital position of the Company and the equity financings completed subsequent to fiscal year end. The significant increase in accounts receivable relates to value added taxes (“VAT”) receivable in Mexico of approximately \$167,000. The Company is currently working actively with its tax advisor in Mexico to gain access to these funds and although management is confident that these amounts are refundable and represent valid claims, the timing of the payment from the Mexican authorities remains uncertain.

During the year the Company also filed for a refund under the British Columbia Mining Exploration Tax Credit program and anticipates receiving a refund in early 2009. As of October 31, 2008 the Company has not recorded any amount in its financial statements for this receivable due to the uncertainty of both its timing and value.

3.2 Other Assets

Table 2: Other Assets	Oct-07	Oct-08
Mineral property interests	\$2,248,161	2,308,436

During the fiscal year, only minimal activity occurred at the Mount Polley properties as the Company was focused on the acquisition of the Mexican properties from Coro and the integration of the new management team. With the completion of the financing subsequent to fiscal year end, management will assess and determine the best way forward with the existing claims. During the year the Company incurred consulting costs of \$34,064 in assessing the current geological data available on the claims and \$8,000 extending its mining titles in the area. In addition, the Company issued 50,000 common shares (with a fair value of \$18,000) in connection with its obligations on the Dome claims. Section 4 contains a comprehensive analysis of exploration expenses.



As at October 31, 2008, the Company had total assets of \$2,562,248 (2007: \$2,293,537) the majority of which comprises deferred costs associated with the Mount Polley properties in British Columbia. Due to the location of these properties, next to established infrastructure and the Imperial Metals' Mount Polley Mine, management believes that it will be able to recover these costs and therefore as at October 31, 2008 has not recorded any impairment on these deferred costs.

3.3 Equity and Financing

Table 3: Shareholders' Equity	Oct-07	Oct-08
Common shares	\$4,992,301	\$7,867,439
Contributed surplus	275,640	398,107
Deficit	(3,882,573)	(5,823,696)
Total shareholders equity	\$1,385,368	2,441,850

Outstanding Shares and Options

As at October 31, 2008, the Company had the following securities issued and outstanding:

Table 4: Outstanding number of shares and options	Oct-07	Oct-08
Common shares	14,175,868	25,699,554
Options	-	2,499,000
Fully diluted	14,175,868	28,198,554

Total shares issuances for the year were 11,523,686 common shares comprised of 8,140,353 common shares for the Mexican acquisition, 2,333,333 common shares for settlement of a related party debt, 1,000,000 common shares through a private placement with Coro and 50,000 common shares for property option payments at Mount Polley.

On September 26, 2008, the Company acquired all of the issued and outstanding shares of Coro's subsidiary, CoroMex, for \$2,035,088, which was settled through the issuance to Coro of 8,140,353 common shares at a fair value of \$0.25 per share. Concurrently, the Company settled \$700,000 of existing debt by the issuance of 2,333,333 common shares at a fair value of \$0.25 per share. In addition, the Company completed a \$250,000 private placement with Coro at a fair value of \$0.25 per share for a total of 1,000,000 shares.

With the completion of the definitive agreement related to the Mexican acquisition, Valley High granted stock options in June 2008 to certain directors, officers and key employees, totaling 2,254,000 at an exercise price of \$0.30 per share. In addition, the Company granted a further 625,000 options and cancelled 380,000 during the year.

At December 31, 2008, the Company had 30,010,554 of common shares outstanding, 2,487,000 options and 2,311,000 warrants.

In November 2008, the Company raised gross proceeds of \$500,000 through the issuance of 2,000,000 flow-through common shares. In connection with the offering the Company paid \$25,000 in cash and issued 40,000 non-flow-through units, with each unit comprising one common share and one transferable warrant exercisable at \$0.35 per share for a period of two years.

In December 2008, the Company raised \$225,000 through the issuances of 2,250,000 units. Each unit consists of one non-flow-through common share and one transferable warrant. Each warrant is exercisable at \$0.25 per share for a period of two years.



4 EXPENDITURE REVIEW

Table 5: Expenditures	Quarterly							Full year		
	Q107	Q207	Q307	Q407	Q108	Q208	Q308	2007	2008	
	Q408									
Expensed exploration										
Administration	\$2,260	\$5,735	\$1,715	\$(2,908)	\$531	\$-	\$-	\$8,846	\$6,802	\$9,377
Cons./ lab/ prof. fees ¹	57,686	20,496	-	(64,389)	2,675	336	23,175	42,054	13,793	68,240
Drilling and trenching	350,700	-	-	-	-	-	-	-	350,700	-
Prop. investigations	105,039	18,913	-	11,684	1,050	-	-	592	135,636	1,642
Prop. acquisition cost	6,958	-	21,200	(6,958)	-	-	8,000	18,210	21,200	26,210
Travel/ accommodation	3,256	1,367	-	-	-	-	-	-	4,623	-
Costs capitalized	(525,899)	(46,511)	(22,915)	62,571	(4,256)	(336)	(31,175)	(24,508)	(532,754)	(60,275)
Net exploration exp.	-	-	-	-	-	-	-	45,194	-	45,194
Property write-downs	-	-	-	212,238	1,623	-	-	1,933,874	212,238	1,935,497
Expensed exploration costs	-	-	-	212,238	1,623	-	-	1,979,068	212,238	1,980,691
Other expenses										
Cons./lab./prof. fees ¹	59,693	40,534	42,800	56,349	27,000	-	6,000	61,401	199,376	94,401
Depreciation	-	-	-	-	-	-	-	1,126	-	1,126
Interest exp. (income)	4,421	12,330	18,998	22,327	22,186	(2,335)	(29)	(253)	58,076	19,569
Gain on settlement	-	-	-	-	-	-	-	(329,425)	-	(329,425)
Other corporate	9,073	9,187	11,039	13,824	(10,023)	1,221	604	16,889	43,123	8,691
Reg. & compliance	1,015	9,039	1,000	800	747	8,445	2,905	8,135	11,854	20,232
Stock-based comp.	-	-	-	-	-	-	40,782	81,685	-	122,467
Travel and promotion	63,687	18,453	5,000	159	3,237	-	17,134	3,000	87,299	23,371
Total other expenses	137,889	89,543	78,837	93,459	43,147	7,331	67,396	(157,442)	399,728	(39,568)
Net Loss	\$137,889	\$89,543	\$78,837	\$305,697	\$44,770	\$7,331	\$67,396	1,821,626	\$611,966	\$1,941,123

¹ Abbreviated from Consulting, Labour and Professional fees

Certain comparative figures have been re-classified to conform to current period's presentation.

Exploration expenditures

On September 26, 2008, the Company acquired CoroMex, prior to this the Company had been deferring all exploration expenditures as they all related to the Mount Polley properties. As a result of the addition of the Mexican subsidiary and its properties the expensed exploration costs rose during the fourth quarter.

Costs capitalized only relate to the Company's Mount Polley properties as the Company believes that due to their location, next to established infrastructure and the operating Mount Polley mine the Company will be able to recover its exploration costs on these properties.

Property acquisitions costs include \$8,000 in the third quarter for the Morehead claim block, the acquisition of which makes all of the Company's mineral properties in the Mount Polley are contiguous. There is also \$18,000 of the fourth quarter property acquisition costs relates to the fair value assigned to 50,000 common shares issued for the Dome claims per the purchase agreement.

Consulting, labour and professional fees in the third quarter included geotechnical consulting fees for the Company's Mount Polley properties. The increase in the fourth quarter is principally due to the acquisition of CoroMex and includes costs associated with the Company's geological and management team located in Mexico.



The property write-down in the fourth quarter relates to the Company's Mexican properties. The Company reviewed these properties at fiscal year end and due to the current economic environment, coupled with declining commodity prices and the lack of a formal recovery plan for the acquisition costs of the property, the Company wrote-off the book value of Mexican properties.

The Company still firmly believes in the potential of the Cordero-Sanson property but due to the lack of dedicated financing at this time and a formal cost recovery plan it has elected to write-down its acquisition cost.

Other Expenditures

Prior to the change in the management team at Valley High (March 2008), management and administration fees of approximately \$30,000 were being charged per quarter. These fees terminated upon establishment of the new management team in the second quarter of 2008. In September 2008, the Company appointed Rob Cameron as the President and CEO of the Company which has resulted in an increase in the consulting, labour and professional fees. Prior to year end, Coro charged accounting and administration charges for support relating to services provided of \$12,250 dating back to April 1, 2008.

The acquisition of the Company's Mexican subsidiary has resulted in the recognition of depreciation for the quarter where no depreciation had previously been recognized.

The gain on settlement of the debt arose from the acquisition of the Company's Mexican subsidiary. As part of the agreement, a related party debt was settled through the issuance of 2,333,333 common shares of the Company, this share issuance was fair valued at \$583,333 which resulted in a \$329,425 gain being recognized.

Other corporate costs include foreign exchange losses (gain) with the addition of the Company's Mexican subsidiary and rent paid to Coro of \$2,250 as a result of the appointment of Rob Cameron. The Company shares an office with Coro.

Stock-based compensation increased from quarter three as the majority of options granted were in June 2008, which was midway through the third quarter. The Company recognizes the fair value of the options over the life of the vesting period.

4.1 Related Parties Transactions

For the year ended October 31, 2008, the Company entered into the following transactions with related parties:

a) Management fees of \$22,500 (2007 - \$90,000), interest expense of \$20,039 (2007 - \$55,882); and rent and office expense of \$7,500 (2007 - \$37,000) were charged by a company controlled by a Director.

b) Cash advances of \$22,745 (2007 - \$753,226) and expenses of \$2,100 were paid on behalf of the Company by a company controlled by a Director.

As at January 31, 2008, as a result of the agreement with Coro, the management group of the Company changed. The outstanding related party loans were consequently renegotiated and management fees and rent and other expenses revised.

c) Administrative and support fees of \$12,250 (2007: Nil) and rent of \$2,250 (2007: Nil) were charged by Coro Mining for the year ended October 31, 2008

5. CASH FLOW REVIEW

For the year ended October 31, 2008, cash outflow from operations, after non-cash working capital movements, was \$154,890 (2007: \$286,474). The main cash expenses were consulting, labour & professional fees and regulatory and compliance costs. Cash inflow from financing was \$263,563 (2007: \$751,673) principally due from the 1,000,000 common share private placement from Coro and \$24,845 from related party funding. Cash outflow from investing activities was \$82,449 (2007: \$571,217) which was comprised of payments related to deferred expenditures on the Mount Polley properties and some acquisition costs in respect of Cordero-Sanson.



As of October 31, 2008, the Company had \$27,665 (2007: \$1,441) in cash and cash equivalents.

6 OUTLOOK

Subsequent to fiscal year end the Company cut and established a grid covering over 11 kilometers, conducted a ground magnetic survey and re-logged some existing drill holes at Mount Polley which focused on the boundary zone. This exploration program was as a pre-cursor to a drill program that is expected to be undertaken during the summer of 2009. The flow-through financing that was completed in November 2008 should finance a majority of this program but the extent of the drill program will not be established until 2009.

At the Company's Cordero-Sanson project in Mexico the Company is currently trying to re-negotiate the schedule of option payments in light of the current economic environment. Part of the financing that was completed prior to calendar year end will ensure that the Company's has the resources available to maintain this property while attempting to perhaps find a joint venture partner for the prospective Cordero-Sanson property.

7 RISKS, CRITICAL ACCOUNTING ESTIMATES & POLICIES

For a full version of the critical accounting estimates and policies, reference should be made to the Company's audited financial statements for the year ended October 31, 2008, which are available on the Company's website at www.valleyhighventures.com.

7.1 Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that for fiscal years beginning on or after January 1, 2011, publicly-listed companies must report under IFRS which effectively replaces Canada's own GAAP.

The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, it has not formally adopted a transition plan and therefore, at this time, is unable to accurately estimate the impact of IFRS.

7.2 Disclosure Controls and Internal Control Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure. Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in the rules of the Canadian Securities Administration, as at July 31, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.



Management in its opinion has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The Canadian Securities Administrators do not require any certification on the effectiveness of these controls at this time.

There have been no changes in the Company's internal control over financial reporting during the period ended July 31, 2008, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

7.3 Forward Looking Statements

Certain statements included in this "MD&A" constitute forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend", "may", "should" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts but reflect current expectations regarding future results or events. This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors.

Information concerning the interpretation of drill results also may be considered forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. The estimates, risks and uncertainties described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in this MD&A include: (a) execution of the Company's existing plans or exploration programs for each of its properties, either of which may change due to changes in the views of the Company, or if new information arises which makes it prudent to change such plans or programs; and (b) the accuracy of current interpretation of drill and other exploration results, since new information or new interpretation of existing information may result in changes in the Company's expectations. Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

7.4 Foreign Political Risk

Valley High's properties are currently located in Mexico and Canada and, as such, are exposed to various degrees of political, economic and other risks and uncertainties. The Company's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of government orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on mineral exports, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation.

7.5 Government Laws, Regulation & Permitting

Mining and exploration activities of the Company are subject to both domestic and foreign laws and regulations governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances, the environment and other matters. Although the Company believes that all exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.



The operations of the Company will require licenses and permits from various governmental authorities to carry out exploration and development at its projects. There can be no assurance that the Company will be able to obtain the necessary licences and permits on acceptable terms, in a timely manner or at all. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

7.6 Additional Financings

If the Company's exploration programs are successful, additional funds will be required in order to complete the development of its properties. There is no assurance that the Company will be successful in raising sufficient funds to meet its obligations or to complete all of the currently proposed exploration programs. If the Company does not raise the necessary capital to meet its obligations under current contractual obligations, the Company may have to forfeit its interest in properties or prospects earned or assumed under such contracts.

7.7 Key Management and Competition

The success of the Company will be largely dependent upon the performance of its key officers, consultants and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The success of the Company is largely dependent on the performance of its key individuals. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success.

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself with respect to the discovery and acquisition of interests in mineral properties, the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration in the future.

7.8 Title to Properties

Acquisition of rights to the mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated the title to all of the properties for which it holds concessions or other mineral leases or licenses or in respect of which it has a right to earn an interest, the Company cannot give any assurance that title to such properties will not be challenged or impugned.

7.9 Commodity Prices

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of copper or gold.



8 SUMMARY OF FINANCIAL POSITION AND PERFORMANCE

The following table sets out a summary of the Company's results.

Table 6: Summary of Financial Position and Performance

Statement of Loss and Deficit	Q107	Q207	Q307	Q407	Q108	Q208	Q308	Q408
Exploration Expenditures								
Administration	\$2,260	\$5,735	\$1,715	\$(2,908)	\$531	\$-	\$-	\$8,846
Consulting, labour & professional fees	57,686	20,496	-	(64,389)	2,675	336	23,175	42,054
Drilling and trenching	350,700	-	-	-	-	-	-	-
Property investigations	105,039	18,913	-	11,684	1,050	-	-	592
Property acquisition costs	6,958	-	21,200	(6,958)	-	-	8,000	18,210
Travel and accommodation	3,256	1,367	-	-	-	-	-	-
Costs capitalized	(525,899)	(46,511)	(22,915)	62,571	(4,256)	(336)	(31,175)	(24,508)
Net exploration exp.	-	-	-	-	-	-	-	45,194
Property write-downs	-	-	-	212,238	1,623	-	-	1,933,874
Expensed exploration costs	-	-	-	212,238	1,623	-	-	\$1,979,068
Other Expenses								
Consulting, labour & professional fees	\$59,693	\$40,534	\$42,800	\$56,349	\$27,000	\$-	\$6,000	\$61,401
Depreciation and amortization	-	-	-	-	-	-	\$-	\$1,126
Interest expense (income), net	4,421	12,330	18,998	22,327	22,186	(2,335)	(29)	(253)
Gain on settlement of debt	-	-	-	-	-	-	-	(329,425)
Other corporate	9,073	9,187	11,039	13,824	(10,023)	1,221	604	16,889
Regulatory and compliance costs	1,015	9,039	1,000	800	747	8,445	2,905	8,135
Stock-based compensation	-	-	-	-	-	-	40,782	81,685
Travel and promotion	\$63,687	\$18,453	\$5,000	\$159	\$3,237	\$-	\$17,134	\$3,000
	\$137,889	\$89,543	\$78,837	\$93,459	\$43,147	\$7,331	\$67,396	\$(157,442)
Loss for the period	\$137,889	\$89,543	\$78,837	\$305,697	\$44,770	\$7,331	\$67,396	\$1,821,626
Financial Position								
Assets								
Cash and cash equivalents	\$15,737	\$19,949	\$10,050	\$1,441	\$4	\$9,721	\$2,766	\$27,665
AR and prepaid expenses	102,762	34,059	34,241	35,935	35,434	1,223	9,020	203,588
Total current Assets	118,499	54,008	44,291	45,376	43,438	18,944	19,786	231,253
Bonds and reclamation	-	-	-	8,000	8,000	8,000	8,000	8,000
Property, plant and equipment	18,833	17,502	16,170	-	-	-	-	14,559
Mineral property interests	2,389,315	2,435,826	2,458,741	2,248,161	2,252,417	2,253,007	2,284,182	2,308,436
Total Assets	2,526,647	2,507,336	2,519,202	2,293,537	2,295,855	2,271,951	2,303,968	2,562,248
Liabilities								
Accounts payable and accruals	289,701	124,246	88,831	60,175	59,693	44,181	102,813	105,065
Due to related parties	397,148	634,388	739,306	847,994	895,264	912,758	912,758	15,333
Total current liabilities	686,849	758,634	828,137	908,169	955,257	956,939	1,015,571	120,398
Total Liabilities	\$686,849	\$758,634	\$828,137	\$908,169	\$955,257	\$956,939	\$1,015,571	\$120,398



Table 6: Summary of Financial Position and Performance (continued)

	Q107	Q207	Q307	Q407	Q108	Q208	Q308	Q408
Shareholders' Equity								
Common shares	\$4,972,654	\$4,971,101	\$4,992,301	\$4,992,301	\$4,992,301	\$4,992,301	\$4,992,301	\$7,867,439
Contributed surplus	275,640	275,640	275,640	275,640	275,640	275,640	316,422	398,107
Deficit	(3,408,496)	(3,498,039)	(3,576,876)	(3,882,573)	(3,927,343)	(3,952,929)	(4,020,326)	(5,823,696)
Total Shareholders' Equity	1,839,798	1,748,702	1,691,065	1,385,368	1,340,598	1,315,012	1,288,397	2,441,850
Total Liabilities and Equity	\$2,526,647	\$2,507,336	\$2,519,202	\$2,293,537	\$2,295,855	\$2,271,951	\$2,303,968	\$2,562,248
Weighted average of shares	13,674,390	13,674,390	13,674,390	14,161,731	14,175,868	14,175,868	14,175,868	18,563,683
Working capital	\$(568,350)	\$(704,626)	\$(783,846)	\$(862,793)	\$(911,819)	\$(937,995)	\$(940,085)	\$110,855
Cash flows from:								
Operating activities	\$63,912	\$(112,019)	\$(69,540)	\$(168,827)	\$(22,545)	\$11,917	\$3,944	\$(154,890)
Financing activities	360,933	161,411	81,224	(1,174,785)	25,364	19,360	-	263,563
Investing activities	(524,567)	(45,180)	(21,583)	1,343,003	(4,256)	(21,560)	(10,899)	(82,449)
Net increase (decrease) in cash	\$(99,722)	\$4,212	\$(9,899)	\$(609)	\$(1,437)	\$9,717	\$(6,955)	\$26,224

