METALLUM RESOURCES INC.

(A Development Stage Entity)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Metallum Resources Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

MSCM LLP
Chartered Accountants • Business Advisors

701 Evans Avenue
8th Floor
Toronto, Ontario Canada
M9C 1A3

telephone: (416) 626-6000
facsimile: (416) 626-8650
email: info@mscm.ca
website: www.mscm.ca

Auditors' Report

To the Shareholders of
Metallum Resources Inc.
(A Development Stage Entity)

We have audited the consolidated balance sheets of Metallum Resources Inc. as at December 31, 2009 and 2008, and the consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

MSCM LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 30, 2010

Metallum Resources Inc.
(A Development Stage Entity)

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN CANADIAN DOLLARS)

As at December 31,		**2009**		2008
ASSETS				
Current				
Cash and cash equivalents	**$**	**469,297**	$	1,500,179
Sundry receivables		**10,334**		3,412
Prepaid expenses		**4,569**		11,123
Convertible debenture receivable (Note 2)		**500,000**		-
Investment in Trelawney Resources Inc. (Notes 7 and 13)		**2,900,000**		-
		3,884,200		1,514,714
Equipment (Note 6)		**5,588**		6,589
Other Assets				
Deferred mineral property expenditures (Note 7)		**90,656**		2,652,980
Mineral property acquisitions (Note 7)		**11,755**		603,902
Amount received for earn-in percentage		**-**		(125,000)
		102,411		3,131,882
	$	**3,992,199**	$	4,653,185
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**129,486**	$	50,882
SHAREHOLDERS' EQUITY				
Capital stock (Note 8)		**5,950,804**		5,950,804
Warrants (Note 9)		**-**		828,000
Stock options (Note 10)		**152,036**		231,242
Contributed surplus		**1,211,413**		279,125
Accumulated Other Comprehensive Income		**50,000**		-
Deficit		**(3,501,540)**		(2,686,868)
		3,862,713		4,602,303
	$	**3,992,199**	$	4,653,185

Basis of Presentation and Going Concern (Note 1)
Proposed Transaction (Note 2)
Subsequent Events (Note 13)

Approved on Behalf of the Board:

"Greg Lipton"
Director

"Kevin Bullock"
Director

The accompanying notes are an integral part of these consolidated financial statements.

Metallum Resources Inc.

(A Development Stage Entity)

CONSOLIDATED STATEMENTS OF OPERATIONS

(EXPRESSED IN CANADIAN DOLLARS)

For the Years Ended December 31,	**2009**	2008
EXPENSES		
Professional fees (Note 2)	**$ 377,844**	$ 71,287
Consulting fees	**132,143**	111,000
Stock maintenance and exchange fees	**44,857**	26,500
Stock-based compensation	**25,082**	92,631
Insurance	**23,806**	17,061
Rent	**13,200**	9,950
Office and administration	**8,237**	7,640
Travel	**5,872**	1,754
Advertising and promotion	**4,694**	24,475
Conference	**2,918**	9,291
Amortization	**1,446**	1,066
Write-down of the McMillan Property (Note 7)	**-**	1,091,378
Loss on sale of Chester Property (Note 7)	**183,666**	-
	823,765	1,464,033
Less: interest income	**(9,093)**	(36,158)
Loss before income taxes	**(814,672)**	(1,427,875)
Recovery of income taxes - future (Note 12)	**-**	(244,700)
NET LOSS	**$ (814,672)**	$(1,183,175)
Basic and diluted loss per share (Note 11)	**$ (0.02)**	$ (0.02)
Weighted average number of shares outstanding	**53,803,828**	53,803,828

The accompanying notes are an integral part of these consolidated financial statements.

Metallum Resources Inc.

(A Development Stage Entity)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

For the Years Ended December 31	**2009**	2008
NET LOSS	**$ (814,672)**	$(1,183,175)
Other comprehensive income		
Unrealized gain on available-for-sale investments	**50,000**	-
COMPREHENSIVE LOSS	**$ (764,672)**	$(1,183,175)

The accompanying notes are an integral part of these consolidated financial statements.

Metallum Resources Inc.
(A Development Stage Entity)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares	Share Capital	Warrants	Stock Options	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2007	53,803,828	$5,950,804	$1,011,975	$ 138,611	$ 95,150	$ -	$(1,503,693)	$5,692,847
Expiry of warrants	-	-	(183,975)	-	183,975	-	-	-
Stock-based compensation	-	-	-	92,631	-	-	-	92,631
Net loss for the year	-	-	-	-	-	-	(1,183,175)	(1,183,175)
Balance, December 31, 2008	53,803,828	5,950,804	828,000	231,242	279,125	-	(2,686,868)	4,602,303
Expiry of warrants	-	-	(828,000)	-	828,000	-	-	-
Stock-based compensation	-	-	-	25,082	-	-	-	25,082
Re-classification of expired stock options	-	-	-	(104,288)	104,288	-	-	-
Other comprehensive income	-	-	-	-	-	50,000	-	50,000
Net loss for the year	-	-	-	-	-	-	(814,672)	(814,672)
Balance, December 31, 2009	**53,803,828**	**$5,950,804**	**$ -**	**$ 152,036**	**$1,211,413**	**$ 50,000**	**$(3,501,540)**	**$3,862,713**

The accompanying notes are an integral part of these consolidated financial statements.

Metallum Resources Inc.

(A Development Stage Entity)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(EXPRESSED IN CANADIAN DOLLARS)

For the years ended December 31	2009	2008
CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the year	$ (814,672)	$ (1,183,175)
Amortization	1,446	1,066
Write-down of McMillan Property	-	1,091,378
Loss on sale of Chester Property	183,666	-
Stock-based compensation	25,082	92,631
Recovery of income taxes - future	-	(244,700)
Net change in non-cash working capital:		
Sundry receivables	(6,922)	451
Prepaid expenses	6,554	8,763
Accounts payable and accrued liabilities	78,604	(9,284)
	(526,242)	(242,870)
INVESTING ACTIVITIES		
Deferred mineral property expenditures	(4,195)	(414,869)
Acquisition of equipment	(445)	(5,850)
	(4,640)	(420,719)
FINANCING ACTIVITIES		
Cash paid on issuance of convertible debenture	(500,000)	-
DECREASE IN CASH AND CASH EQUIVALENTS	(1,030,882)	(663,589)
CASH AND CASH EQUIVALENTS,BEGINNING OF YEAR	1,500,179	2,163,768
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 469,297	$ 1,500,179
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	$ 14,442	$ 258,111
Guaranteed investment certificate	454,855	1,242,068
	$ 469,297	$ 1,500,179
SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest received	$ 4,239	$ 36,090
Shares received on sale of Chester Property	$ 2,850,000	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. BASIS OF PRESENTATION AND GOING CONCERN

Metallum Resources Inc. (the "Company" or "Metallum") carries on business involving the acquisition, exploration and development of properties for the mining of precious and base metals. The Company holds an option to earn a 70% interest in a gold and silver property in the province of Chubut, Argentina.

On July 3, 2008, the Company changed its name from "Young-Shannon Gold Mines, Limited" to "Metallum Resources Inc.". Effective July 11, 2008, the Company's shares commenced trading on the TSX Venture Exchange as a Tier 2 Mining Issuer under the symbol "MRV".

During the year ended December 31, 2008, the Company incorporated a wholly owned subsidiary, Metallum S.A., an entity registered in Mendoza, Argentina to administer activity and hold its interest in the Company’s M-18 property option.

The accompanying consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("GAAP"). The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned significant revenue, has an accumulated deficit of $3,501,540 and is considered to be in the development stage. The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. PROPOSED TRANSACTION

On February 27, 2009, the Company signed a Letter of Intent (“LOI”) , as amended by agreement dated as of March 18, 2009 with Solfotara Mining Corporation (“Solfotara”), a private corporation incorporated under the laws of British Columbia, Canada with offices in Manila, Philippines and Vancouver, Canada for a reverse takeover (“RTO”) of Metallum (herein the “Proposed Transaction”). The parties to the Proposed Transaction act at arm’s length. On November 6, 2009, Metallum and Solfotara signed a definitive agreement (the “Definitive Agreement”) in relation to the Proposed Transaction described below. If the Proposed Transaction is completed, Metallum will acquire an interest in five mineral properties in the Philippines.

If the Proposed Transaction is completed, the shareholders of Solfotara will own approximately 80% of the fully diluted shares (pre-financing) of the Resulting Issuer (the entity formed out of the three-way amalgamation of Metallum, Solfotara and a wholly-owned subsidiary of Metallum formed to complete the Proposed Transaction) while the existing shareholders of Metallum will own approximately 20% of the fully-diluted shares (pre-financing) of the Resulting Issuer. It is a condition precedent to the closing of the Proposed Transaction that a minimum $3,500,000 private placement of units (“Units”) of the Resulting Issuer at $0.35 per Unit be completed. In January 2010, Sofotara closed its private placement of 7,505,856 units, raising gross proceeds of $3,752,928. Each Unit consisted of one common share and one half common share purchase warrant of the Resulting Issuer exercisable for two years at $0.75 per share. It is also a condition of the Proposed Transaction that Metallum obtains shareholder approval, and implements a consolidation of its shares on an approximate basis of one new share for every 6.4 old shares. Furthermore, the Proposed Transaction is subject to the parties entering into a definitive agreement (completed) and obtaining all regulatory approvals (including that of the TSX Venture Exchange (“the Exchange”)).

2. PROPOSED TRANSACTION (Continued)

To facilitate certain aspects of the Proposed Transaction, Metallum advanced to Solfotara, with Exchange approval, $250,000 to fund a property option payment due by Solfotara in respect to its Basay Property in the form of a secured convertible debenture (“Debenture”). If the Proposed Transaction is completed, the principal amount of the Debenture plus accrued interest will be convertible into common shares of Solfotara at an agreed price. If the Proposed Transaction is not completed, Solfotara will be required, unless the reason for the default lies with Metallum, to repay the Debenture advances with interest. Under the terms of the LOI, Metallum has made additional Debenture advances, as approved by the Exchange, of $250,000 (for a total of $500,000).

In light of the pending completion by Solfotara of a transaction which will see Solfotara spin-out (herein, the “Spin Out Transaction”) Solfotara’s recently acquired interest in Hinoba Holdings (Philippines), Inc., which Philippines company owns (indirectly) a 92.5% economic interest in the Hinoba-an copper property (the “Hinoba-an Property”) located on the island of Negros in the Philippines, Metallum’s shareholders, as well as the shareholders of Solfotara will, assuming the completion of the Spin Out Transaction and completion of the Proposed Transaction, receive shares (and in the case of Solfotara shareholders' shares and warrants) of an entity known as “Copper Development Corporation” (“CDC”). CDC is the company which is set to become the new owner of the Hinoba-an Property. Specifically, the shareholders of Metallum would receive, subject to certain conditions precedent, a total of 7,029,334 shares of CDC (the “Metallum CDC Shares”) while the shareholders of Solfotara would receive 35,832,459 shares and 11,250,000 warrants of CDC representing, in aggregate, approximately 61.5% of the issued shares of CDC, as a distribution by both Solfotara and Metallum to their respective shareholders by way of a reduction of paid-up capital (“PUC”). It is anticipated that it will be shareholders of Metallum at the effective date of the closing of the Proposed Transaction (“Effective Date”) that will be entitled to receive the Metallum CDC Shares. It is anticipated that each Metallum shareholder will be entitled at the Effective Date to receive approximately 0.836 of a CDC share for every one common share held of the resultant company.

Among other things, the Proposed Transaction and Spin Out Transaction was subject to (i) the approval of the shareholders of Solfotara at a meeting to be held in Vancouver on November 23, 2009 (approval received), to both the Spin Out Transaction and to a proposed reduction of Solfotara’s PUC, and (ii) in the case of Metallum, shareholder approval to a reduction of Metallum’s PUC (approval granted January 26, 2010).

The completion of the Proposed Transaction is subject to a number of conditions precedent including, but not limited to, satisfactory due diligence reviews, negotiation and execution of definitive transaction documentation, approval by both boards of directors, approval by both shareholders, availability of prospectus and registration exemptions or obtaining exemptive relief, obtaining necessary governmental and third party approvals and Exchange acceptance. There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

On January 26, 2010, Shareholders of the Company approved the Proposed Transaction as put forth at a special meeting of shareholders. Conditional verbal approval from the Exchange was received subsequent to year end. (Note 13)

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation Principles

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Metallum S.A. These consolidated financial statements have been prepared in accordance with Canadian GAAP. All references to the Company should be treated as references to Metallum and its subsidiary.

Cash and Cash Equivalents

Cash consists of cash at banks and on hand; cash equivalents consist of highly liquid short-term investments, which may be settled on demand without penalty or within a maximum 90-day period from the date of purchase.

Financial Instruments and Comprehensive Income (Loss)

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the consolidated balance sheets at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in the statement of operations in the period in which they arise; available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is de-recognized or impaired at which time the amounts would be recorded in net income.

The Company has made the following classifications:

Cash and cash equivalents	Held-for-trading
Investment in Trelawney Resources Inc.	Available-for-sale Financial Assets
Sundry receivables	Loans and Receivables
Convertible debenture receivable	Loans and Receivables
Accounts payable and accrued liabilities	Other Financial Liabilities

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are expensed on initial recognition. The Company accounts for regular purchases and sales of financial assets using trade date accounting.

Equipment

Equipment is recorded at cost and amortized over their estimated useful lives utilizing the following rates and methods:

Computer	30%	Declining balance
Furniture and fixtures	20%	Declining balance

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Assets

The Company considers its exploration costs to have the characteristics of property and equipment. As such, the Company defers all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to the specific properties until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis based on proven and probable reserves or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made.

The recoverability of the amounts shown for deferred mineral property expenditures and mineral property acquisitions is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet its obligations under various agreements and the success of future operations or dispositions.

Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets, which consists primarily of mineral properties, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the asset to its net recoverable amount (which is normally determined using discounted value of future cash flows) or its fair value where there are no cash flows identified with the property. Where estimates of future net cash flows are not available, and where other conditions suggest impairment, management assesses fair value, primarily by reference to comparable transactions. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value. The amount of the impairment is charged to income in the period when the impairment is determined.

Asset Retirement Obligations

The Company recognizes its liabilities for obligations relating to the retirement of long lived assets and obligations arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs are recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which the liability is incurred. A corresponding increase in the carrying amount of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. The estimates are based principally on legal and regulatory requirements. It is possible that the Company’s estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, changes in the extent of environmental remediation required, changes in the means of reclamation or changes in the cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised. No liability has been recorded in these consolidated financial statements.

Future Income Taxes

Income taxes are calculated using the asset and liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheets are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using enacted or substantively enacted tax rates anticipated to apply in the periods that temporary differences are expected to reverse. The effect of a change in a tax rate is recognized in income in the period that includes the date of enactment or substantive enactment. The recognition of future benefits is limited to the extent that the realization of such benefits is more likely than not.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Flow Through Shares

Resource expenditure deductions for Canadian income tax purposes related to Canadian exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The Company follows the accounting prescribed by the Canadian Institute of Chartered Accountants ("CICA") Emerging Issues Committee ("EIC") in EIC-146 "Flow-through Shares". On the date the expenditures are renounced, the Company records a liability for the forgone tax deduction of the renounced expendtures at the rate the anticipated liability is expected to be realized. If the Company has non-capital losses for which it is more likely than not that can be utilized to offset this liability, this future benefit is recorded as a recovery of income taxes in the consolidated statement of operations and comprehensive loss (with a corresponding reduction in the share capital amounts recorded from the sale of the flow-through shares proceeds).

Stock-Based Compensation

The Company has a stock option plan which is described in Note 10. Stock options granted during the year are accounted for in accordance with the fair value method of accounting for stock-based compensation. Under this method compensation expense is measured at fair value at the date of grant using the Black-Scholes option pricing model and recognized on a straight-line basis over the vesting period with a corresponding credit to stock options. Balances in stock options are transferred to share capital when the options are exercised.

Loss per Share

Basic loss per share is computed by dividing earnings by the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Diluted loss per share are computed similar to basic loss per share except that the weighted average shares outstanding is increased to include additional shares from the assumed exercise of stock options. If dilutive, the number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclose contingent assets and liabilities, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. During the fiscal years presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of deferred mineral property expenditures, the fair value of stock based compensation and the fair value of financial assets and liabilities. These estimates and valuation assumptions are based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions. Should the underlying valuation assumption and estimates change, the recorded amounts could change by a material amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA Section 3064, “Goodwill and Intangible Assets” which replaces CICA Sections 3062, “Goodwill and Other Intangible Assets” and 3450 “Research and Development Costs”, as well as EIC-27, "Revenues and Expenditures During the Pre-operating Period", and part of Accounting Guideline 11, "Enterprises in the development stage". Under previous Canadian standards, a greater number of items were recognized as assets than are recognized under International Financial Reporting Standards ("IFRS"). The provisions relating to the definition and initial recognition of intangible assets reduce the differences with IFRS in the accounting for intangible assets. The objectives of CICA 3064 are: 1) to reinforce the principle-based approach to the recognition of assets; 2) to establish the criteria for asset recognition; and 3) to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing assets items that do not meet the recognition criteria is eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The portions in the standard relating to goodwill remain unchanged.

The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at or for the year ended December 31, 2009.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued an abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which provides guidance that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This abstract applies to interim and annual financial statements for fiscal periods ending on or after January 20, 2009. The adoption of this standard had no impact on the Company’s consolidated financial statements as at, or for the year ended December 31, 2009.

Mining Exploration Costs

On March 27, 2009, the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at or for the year ended December 31, 2009.

(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ending December 31, 2009. This adoption resulted in additional disclosure as provided below.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash and cash equivalents, and sundry receivables. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

	Level One	Level Two	Level Three
Cash and cash equivalents	$ 469,297	$ -	$ -
Investment in Trelawney Resources Inc.	$ 2,900,000	$ -	$ -

Financial Instruments - Recognition and Measurement

During 2009, the Company adopted the amendments made by the CICA to Handbook Section 3855 - "Financial Instruments - Recognition and Measurement". Section 3855 was amended to provide additional guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category, amend the definition of loans and receivables, amend the categories of financial assets into which debt instruments are required or permitted to be classified, amend the impairment guidance for held-to-maturity debt instruments and require reversal of impairment losses on available-for-sale debt instruments when conditions have changed. The additional guidance on assessment of embedded derivatives is applicable for reclassifications made on or after July 1, 2009. All other amendments are applicable as of January 1, 2009. The adoption of these amendments did not result in a material impact on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian generally accepted accounting principles with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. While the Company has begun assessing the impact of the adoption of IFRS on its consolidated financial statements, the financial reporting impact of the transition to IFRS can not be reasonably estimated at this time.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 - "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include capital stock, warrant, and option components of its shareholders' equity.

The property in which the Company currently has an interest is in the exploration stage, and as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it determines there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

4. CAPITAL MANAGEMENT (Continued)

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

i) minimizing discretionary disbursements;
ii) reducing or eliminating exploration expenditures which are of limited strategic value;
iii) exploring alternate sources of liquidity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

5. PROPERTY AND FINANCIAL RISK FACTORS

(a) Property Risks

The Company’s primary mineral property is the M-18 Property option. Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon this property. If no additional mineral properties are acquired by the Company, any adverse development affecting this property would have a material adverse effect on the Company’s financial condition and results of operations.

(b) Financial Risks

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate, and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, sundry receivables, and convertible debenture receivable. Cash and cash equivalents are held with reputable Canadian chartered banks which are closely monitored by management. Debenture receivable pertains to funds advanced under the terms of the Proposed Transaction. Management believes that the credit risk with respect to financial instruments included in cash and cash equivalents, sundry receivables, and debenture receivable is remote. As at December 31, 2009, no receivables were past due or considered impaired.

5. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(b) Financial Risks (Continued)

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2009, the Company had a cash and cash equivalents balance of $469,297 (December 31, 2008 - $1,500,179) to settle current liabilities of $129,486 (December 31, 2008 - $50,882). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks. As a result, the Company's exposure to interest rate risk is remote.

ii) Foreign Currency Risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity’s functional currency. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Argentina on a cash call basis from the operator of the Argentina project using Canadian currency. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. As a result, the Company's exposure to foreign currency risk is remote.

iii) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company is exposed to fair value fluctuations with respect to its investment in Trelawney Resources Inc. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(EXPRESSED IN CANADIAN DOLLARS)

5. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(b) Financial Risks (Continued)

iii) Price Risk (Continued)

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

(i) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious and base metals. Precious and base metal prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of precious and base metals may be produced in the future, a profitable market will exist for them.

As of December 31, 2009, the Company was not a precious or base metal producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(ii) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their December 31, 2009 fair market value positions, comprehensive loss would have varied by $290,000.

6. EQUIPMENT

December 31, 2009	**Cost**	**Accumulated Amortization**	**Net Book Value**
Computer	$ 6,389	$ 5,801	**$ 588**
Furniture and fixtures	7,867	2,867	**5,000**
	$ 14,256	$ 8,668	**$ 5,588**

December 31, 2008	**Cost**	**Accumulated Amortization**	**Net Book Value**
Computer	$ 6,389	$ 5,550	$ 839
Furniture and fixtures	7,423	1,673	5,750
	$ 13,812	$ 7,223	$ 6,589

(EXPRESSED IN CANADIAN DOLLARS)

7. DEFERRED MINERAL PROPERTY EXPENDITURES AND MINERAL PROPERTY ACQUISITIONS

Deferred mineral property expenditures consist of:

		December 31, 2009		December 31, 2008
Drilling	**$**	**-**	$	1,541,859
Drilling - Phase 1		**-**		126,896
Drilling - Phase 2		**-**		172,176
Engineering and consulting		**90,656**		416,115
Laboratory		**-**		198,247
Surveying and sampling		**-**		49,411
Site preparation		**-**		33,363
Dewatering		**-**		29,482
Supplies		**-**		26,779
Travel		**-**		49,738
Maintenance		**-**		8,914
	$	**90,656**	$	2,652,980

For the years ended December 31		**2009**		2008
Chester Township, Ontario				
Balance, beginning of year	**$**	**2,563,824**	$	2,557,344
Engineering and consulting		**1,500**		5,500
Other		**1,195**		980
Sale of Chester Township property		**(2,566,519)**		-
		(2,563,824)		6,480
Balance, end of year	**$**	**-**	$	2,563,824
M-18 Property Option, Argentina				
Balance, beginning of year	**$**	**89,156**	$	12,805
Professional and consulting		**1,500**		76,351
Balance, end of year	**$**	**90,656**	$	89,156

(EXPRESSED IN CANADIAN DOLLARS)

7. DEFERRED MINERAL PROPERTY EXPENDITURES AND MINERAL PROPERTY ACQUISITIONS (Continued)

For the years ended December 31	2009	2008
McMillan Property Option, Ontario		
Balance, beginning of year	$ -	$ 663,340
Drilling	-	257,704
Engineering and consulting	-	63,841
Laboratory	-	4,410
Other	-	6,083
Write-down of expenditures	-	(995,378)
	-	(663,340)
Balance, end of year	$ -	$ -
TOTAL DEFERRED MINERAL PROPERTY EXPENDITURES	$ 90,656	$ 2,652,980

Mineral property acquisitions consist of:

	2009	2008
Chester Township, Ontario 92.5% of eleven patented gold mining claims	$ -	$ 399,790
Chester Township, Ontario 92.5% of eighteen unpatented mining claims	-	192,357
M-18 Property Option, Argentina	11,755	11,755
	$ 11,755	$ 603,902

Chester Township, Ontario

The Chester gold property in Chester Township, Ontario, is situated approximately 121 kilometres south-southwest of Timmins, and 162 kilometres north-northwest of Sudbury. The Chester project is composed of 92.5% of eleven patented, contiguous mining claims, and eighteen unpatented mining claims.

On November 27, 2009 the Company closed a definitive agreement with Trelawney Resources Inc. ("Trelawney") to sell its 92.5% undivided legal and beneficial interest in its Chester Property. Consideration for the purchase consisted of (i) the issuance to the Company by Trelawney of 5,000,000 common shares in the capital of Trelawney on the closing date (received and valued at $2,850,000); and (ii) a 1% (one percent) net smelter return (NSR) royalty from production to be granted to the Company at such time as the price of gold exceeds USD $1,000 per troy ounce. At the time of closing, the Chester Property had total deferred expenditures, deferred acquisition costs net of prior amounts received from earn-in agreements amounting to $3,033,666 which were disposed of for the 5,000,000 shares of Trelawney. The resulting loss on disposition of $183,666 has been recorded in the consolidated statement of operations.

(EXPRESSED IN CANADIAN DOLLARS)

7. DEFERRED MINERAL PROPERTY EXPENDITURES AND MINERAL PROPERTY ACQUISITIONS (Continued)

M-18 Property Option, Argentina

On June 4, 2007, the Company signed an Option and Joint Venture Agreement dated March 1, 2007 ("M-18") to earn a 70% interest in the M-18 gold and silver property in the province of Chubut in Argentina from Silver Standard Resources Inc. ("Silver Standard"). The M-18 Property comprises 6,300 hectares measuring nine kilometres east-west by seven kilometres north-south.

The Company is required to spend $US 1,000,000 over four years on exploration on M-18 to earn its 70% interest. Cumulative exploration expenditures on each anniversary date of June 4th will be $US 250,000 by the first anniversary, $US 500,000 by the second anniversary, $US 750,000 by the third anniversary, and $US 1,000,000 by the fourth anniversary. Likewise, cumulative option payments for the property will occur as follows: $US 15,000 on the first anniversary date, $US 25,000 on the second anniversary date, $US 35,000 on the third anniversary date, and $US 50,000 on the fourth anniversary date. In the first quarter of fiscal 2009 the Company negotiated an amendment to the underlying agreement dated March 1, 2007, in favour of a new "Effective Date" of April 14, 2010.

If a NI 43-101 compliant resource estimate shows that the property is silver dominant, that is, greater than 50% of the value of the resource estimate, Silver Standard will have the option to back-in for a 51% interest in the property by incurring $US 1,000,000 in exploration costs. All proposed exploration on the property will be through a management committee comprised of equal representation of the Company and Silver Standard until the Company exercises its option. However, the Company will determine how exploration funds will be spent on the property. If the Company does exercise its option it will then have the majority voting regarding operations on the property unless Silver Standard exercises its back-in right, in which event Silver Standard shall be entitled to majority voting.

McMillan Property Option, Ontario

Effective October 7, 2004, the Company optioned 26 mining claims including the former McMillan gold mine located southwest of Sudbury, Ontario. The terms of the option to earn a 50% interest were as follows:

	Cash	Common Shares	Work Commitment
Upon signing (paid)	$ 10,000	150,000	$ -
First anniversary (paid)	15,000	150,000	200,000
Second anniversary (paid)	20,000	150,000	300,000
Third anniversary (unpaid)	30,000	200,000	400,000
	$ 75,000	650,000	$ 900,000

In 2008, management has determined that no further work was warranted on the McMillan project. On October 10, 2008, the Company elected not to exercise its option agreement with Garson. Accordingly, $96,000 of deferred acquisition costs and $995,378 of deferred mineral property expenditures associated with this project were written-off in 2008 and charged to the consolidated statement of operations.

(EXPRESSED IN CANADIAN DOLLARS)

8. CAPITAL STOCK

(a) AUTHORIZED

Unlimited number of common shares

(b) ISSUED

	SHARES	AMOUNT
Balance - December 31, 2008 and 2009	**53,803,828**	**$ 5,950,804**

9. WARRANTS

The following table reflects the continuity of warrants for the year:

	NUMBER OF WARRANTS	AMOUNT
Balance - December 31, 2007	13,687,500	1,011,975
Expired (i)	(2,787,500)	(183,975)
Balance - December 31, 2008	10,900,000	828,000
Expired (ii)	(10,900,000)	(828,000)
Balance - December 31, 2009	**-**	**$ -**

(i) On April 12, 2008, a total of 2,787,500 warrants with an exercise price of $0.15 expired.

(ii) On December 10, 2009, a total of 10,900,000 warrants with an exercise price of $0.15 expired.

10. STOCK OPTIONS

The Company maintains a Stock Option Plan under which the Company may grant options to directors, officers, employees and consultants of the Company. The maximum number of Company shares that can be reserved under this plan is 5,000,000 (2008 - 5,000,000). Unless otherwise noted, the options granted vest according to an eighteen month schedule from the date of the grant at a rate of 16.67% every three months.

The following table reflects the continuity of stock options for the years ended December 31, 2009 and 2008:

	NUMBER OF STOCK OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
Balance - December 31, 2007	1,730,000	$0.12
Granted (i)(ii)	1,750,000	0.10
Exercised	(735,000)	0.13
Balance - December 31, 2008	2,745,000	0.10
Expired/Cancelled	(675,000)	0.10
Balance - December 31, 2009	**2,070,000**	**$0.10**

(EXPRESSED IN CANADIAN DOLLARS)

10. STOCK OPTIONS (Continued)

The following table reflects the stock options outstanding as at December 31, 2009:

Expiry Date	Exercise Price ($)	Weighted Average Life Remaining	Options Outstanding	Black-Scholes Value
February 24, 2010	0.105	0.15 years	175,000	$ 9,886
March 16, 2010	0.105	0.21 years	25,000	1,225
April 1, 2010	0.10	0.25 years	295,000	21,240
February 20, 2012	0.135	2.14 years	100,000	13,000
May 1, 2013	0.10	3.33 years	1,325,000	103,083
November 7, 2013	0.10	3.85 years	150,000	3,602
		2.57 years	2,070,000	$ 152,036

As at December 31, 2009, 2,020,000 of the 2,070,000 issued and outstanding stock options were fully vested and exercisable. These fully vested stock options have a weighted average exercise price of $0.10 and a weighted average life remaining of 2.54 years.

(i) On May 1, 2008, the Company granted 1,600,000 stock options to directors and officers of the Company at an exercise price of $0.10. These options expire on May 1, 2013 and are subject to vesting equally over a period of 18 months from the date of grant. A fair value of $0.078, or $124,800 in aggregate assigned to these options was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 157.9%, risk-free rate of return 3.04% and expected maturity of 5 years.

(ii) On November 7, 2008, the Company granted 150,000 stock options to a director of the Company at an exercise price of $0.10. These options expire on November 7, 2013 and are subject to vesting equally over a period of 18 months from the date of grant. A fair value of $0.026, or $3,900 in aggregate assigned to these options was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 154.8%, risk-free rate of return 2.76% and expected maturity of 5 years.

11. BASIC AND DILUTED LOSS PER SHARE

Years Ended December 31	**2009**	2008
Numerator:		
Net loss for the year	**$ (814,672)**	$ (1,183,175)
Denominator:		
Weighted average number of common shares outstanding	**53,803,828**	53,803,828
Basic and diluted loss per share	**$ (0.02)**	$ (0.02)

The determination of the weighted average number of shares outstanding for the calculation of diluted loss per share does not include the effect of outstanding warrants and options since they are anti-dilutive.

(EXPRESSED IN CANADIAN DOLLARS)

12. INCOME TAXES

The recovery of income taxes varies from the amounts that would be computed by applying the Canadian federal and provincial statutory rates to loss before income taxes as follows:

Year ended December 31,	**2009**	2008
Income taxes based on combined federal and provincial statutory rate of 31% (2008 - 33.5%)	**$ (252,500)**	$ (478,338)
Increase (decrease) in income tax resulting from:		
Permanent differences	**7,800**	31,031
Unrealized gain on sale of investment	**7,700**	-
Tax rate changes and other adjustments	**(66,800)**	231,545
Increase (decrease) in valuation allowance	**303,800**	(28,938)
Effective income tax provision (recovery)	**$ -**	$ (244,700)

The Company's income tax expense for each of the years ended is as follows:

Year ended December 31,	**2009**	2008
Future (recovery)	**$ -**	$ (244,700)

A summary of the principal components of future taxes as at December 31, 2009 and 2008 is as follows:

Year ended December 31,	**2009**	2008
Non-capital losses	**$ -**	$ 192,444
Investments	**(6,300)**	-
Equipment	**1,000**	1,709
Mineral properties	**418,800**	(68,602)
Share issue costs	**33,300**	17,528
Valuation allowance	**(446,800)**	(143,079)
Net future income tax liability	**$ -**	$ -

As at December 31, 2009, the Company had net operating losses of $NIL (2008 - $574,600).

13. SUBSEQUENT EVENTS

a) On January 26, 2010, pursuant to a special meeting, the shareholders of the Company approved of the acquisition of all of the issued and outstanding shares of Solfotara Mining Corp. by way of a reverse takeover.

b) On April 8, 2010, the Company received conditional verbal approval from the TSX Venture Exchange with respect to the above noted RTO transaction with Solfotara Mining Corp.

c) Subsequent to December 31, 2009, the Company sold its 5,000,000 common shares held in Trelawney Resources Inc., for net cash proceeds of $5,450,712, representing a net realized gain on disposition of $2,600,712.

d) Subsequent to December 31, 2009, 495,000 stock options expired without exercise.