

The information set forth in this document should be read in conjunction with the audited consolidated financial statements Metallum Resources Inc. ("Metallum" or the "Company") for the years ended December 31, 2009 and 2008, in accordance with Canadian generally accepted accounting principles and the related notes thereto.

Forward Looking Statements

Except for the historical statements contained herein, this management's discussion and analysis presents "forward-looking statements" within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and other minerals and metals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "proposed" "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Metallum to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the successful completion of the Proposed Transaction with Solfotara Mining Corporation (see "Proposed Transaction" section on page 6) on risks related to international operations, risks related to the integration of acquisitions; risks related to joint venture operations; actual results of current exploration activities; actual results of current or future reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and other minerals and metals; possible variations in ore reserves, resources, grade or recovery rates; failure of equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; and delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the management and officers of Metallum believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Metallum does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

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 (approved), approval by both company's shareholders (approved), availability of prospectus and registration exemptions or obtaining exemptive relief, obtaining necessary governmental and third party approvals and Exchange acceptance (conditionally received). There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

Description of Business

The Company is engaged in the exploration and development of an option to earn a 70% interest in a gold and silver property in the province of Chubut, Argentina. During fiscal 2008, the Company incorporated a wholly owned subsidiary, Metallum S.A., an entity registered in Mendoza, Argentina to hold its interest in, and to administer future activity in the Company's Argentina property. The Company is currently in the process of completing its due diligence on a Proposed Transaction, as described on page 6, which remains subject to final Exchange approval.

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".

Financial Highlights

Year Ended December 31, 2009

On a comparative basis, the Company's operating expenditures have increased over the year ended December 31, 2008, after factoring out the \$1,091,378 write-down of the McMillan property. Legal costs required to facilitate the business combination described in the Proposed Transaction continue to be incurred, contributing to gross expenses of \$823,765 during the current year as compared to \$372,655 for the year ended December 31, 2008, with the McMillan write-down factored out. Consulting fees are marginally higher, primarily due to an increase in remuneration paid to the President and Chief Executive Officer towards the end of fiscal 2008, continuing through 2009. On a comparative basis, we again see the decline in interest income earned, as declining interest rates coupled with a smaller treasury serve to diminish realized returns in this area. Favourable variances have also been seen in both conference and advertising expenditures, with the first quarter of fiscal 2009 seeing a corporate presence at one major conference, where the comparative period ended saw attendance at two. This served to reduce the costs of promotional material and other related ancillary costs. Lastly, a stock option grant early in the second quarter of 2008 has served to bouy the reported comparative stock-based compensation expense. With the most recent grant constituting 150,000 stock options, occurring almost fourteen months prior to December 31, 2009, the Company is seeing a general decline of stock based compensation expenses as the options fully vest. Lastly, the Company's sale of its interest in the Chester Property in November 2009 resulted in a reported loss on disposition of \$183,666.

The following tables set out financial performance highlights for the last eight quarters.

	Fourth Quarter Dec. 31, 2009	Third Quarter Sept. 30, 2009	Second Quarter June 30, 2009	First Quarter March. 31, 2009
Revenue	\$0	\$0	\$0	\$0
Expenses	\$442,808	\$109,902	\$139,849	\$131,206
Interest income	\$4,674	\$260	\$574	\$3,585
Future income tax recovery	\$0	\$0	\$0	\$0
Net income (loss)	(\$438,134)	(\$109,642)	(\$139,275)	(\$127,621)
Net income (loss) per share - basic and diluted	(\$0.02)	\$0.00	\$0.00	\$0.00
Cash flows used in operating activities	(\$162,482)	(\$93,563)	\$(177,997)	\$(92,200)
Cash, end of period	\$469,297	\$632,418	\$726,014	\$1,154,011
Assets	\$3,992,199	\$4,288,180	\$4,386,590	\$4,565,232
Long-term (future tax) liabilities	\$0	\$0	\$0	\$0

	Fourth Quarter Dec. 31, 2008	Third Quarter Sept. 30, 2008	Second Quarter June 30, 2008	First Quarter March 31, 2008
Revenue	\$0	\$0	\$0	\$0
Expenses	\$129,233	\$1,179,404	\$89,453	\$65,943
Interest income	\$9,049	\$10,175	\$13,285	\$3,649
Future income tax recovery	(\$244,700)	\$0	\$0	\$0
Net income (loss)	\$124,516	(\$1,169,229)	(\$76,168)	(\$62,294)
Net income (loss) per share - basic and diluted	\$0.00	(\$0.02)	\$0.00	\$0.00
Cash flows used in operating activities	\$(39,162)	\$(63,884)	\$(63,996)	\$(75,828)
Cash, end of period	\$1,500,179	\$1,561,752	\$1,691,469	\$2,040,793
Assets	\$4,653,185	\$4,723,057	\$5,963,999	\$5,921,781
Long-term (future tax) liabilities	\$0	\$244,700	\$244,700	\$244,700

The following chart reflects the breakdown of office and administration expense for the twelve months ended December 31, 2009 and 2008:

Administrative Expenses	Year Ended	
	December 31, 2009	December 31, 2008
	Bank charges and interest	\$ 578
Delivery	462	894
Investor costs	-	656
Membership fees	350	350
Telephone and fax	3,409	2,675
Printing	2,366	146
Website maintenance	285	1,195
Miscellaneous	787	1,309
Totals	\$ 8,237	\$ 7,640

On a comparative basis, administrative expenses have risen marginally over the comparative year ended December 31, 2008. The Company saw increases in printing costs as a result of large scale mailings in December 2009 with respect to the January 26, 2010 special meeting of shareholders. An increase in telephone and fax expense is a function of the costs to administer the facilitation of the Proposed Transaction described further on in this document. Delivery charges saw a decline over the comparative period due to a reduction of conference attendance. Lastly, costs associated with website maintenance saw a decline in keeping with the prior year re-tooling of the site and associated re-branding of the Company.

Liquidity and Capital Resources

The Company reported working capital as at December 31, 2009 of \$3,754,714 (December 31, 2008 – \$1,463,832) and cash and cash equivalent balances of \$469,297 (December 31, 2008 – \$1,500,179). Of the \$469,297 of cash and cash equivalents, on December 31, 2009, \$14,442 (December 31, 2008 - \$258,111) was held in cash and the residual \$454,855 (December 31, 2008 - \$1,242,068) was held in a guaranteed investment certificate yielding an average annualized return of 1.1%. The Company does not hold investments with exposure to the sub-prime lending market, asset backed commercial paper, nor any derivative thereof.

The Company continues to fund its exploration activities through equity financing, with the last injection of funds occurring on December 10, 2007 by means of a non-brokered private placement consisting of 21,800,000 units at a price of \$0.10 per unit, yielding net cash proceeds of \$2,070,875. On December 10, 2009, the 10,900,000 \$0.15 warrants accompanying this private placement expired without exercise.

During the fourth quarter of 2009, the Company sold its interest in the Chester Property for 5,000,000 common shares of Trelawney Resources Inc., with a fair value of \$2,850,000. As at December 31, 2009, the Company saw the market value of these shares increase by \$50,000 to \$2,900,000. In the first quarter of fiscal 2010, the market value rose sharply, at which time management elected to sell its position for net proceeds of \$5,450,712.

Although the Company has sufficient capital resources to meet its immediate obligations, the Company will seek to raise additional funding to finance future exploration programs. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to finance resource based junior companies, in addition to the results of the Company's exploration programs and the acquisition of additional projects.

The Company has no credit facilities with financial institutions; accordingly its financial instruments consist of cash, sundry receivables, convertible debenture receivable, investment in Trelawney Resources and accounts payable and accrued liabilities. Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of cash and cash equivalents, sundry receivable, accounts payable and accrued liabilities approximate their carrying values because of their short term nature.

At this time, the Company is not anticipating an ongoing profit from operations, therefore it will rely on its ability to obtain equity or debt financing for growth. The Company may need additional capital, and may raise additional funds should its Board deem it advisable.

Industry and Economic Factors Affecting Metallum Resources Inc.

The Company's future performance is largely tied to the outcome of its exploration programs, the price of precious and base metals, and the overall health and stability of junior capital markets, inclusive of the TSX Venture Exchange. The financial markets upon which the Company is reliant are widely expected to experience continued volatility potentially through 2010, reflective of uncertainty with regard to the strength and longevity of the economic recovery, global growth prospects, and their associated impact upon liquidity, security and return. This uncertainty has led to continued volatility in commodity markets. Furthermore, uncertainty in the credit markets continues to be reflected in increased difficulties in accessing capital.

Junior exploration companies worldwide have been hit particularly hard by these trends. Accordingly, the Company may have difficulty raising additional equity financing for the purposes of gold and other precious mineral exploration without significantly diluting the position of its current shareholders. With continued market volatility and slower worldwide economic growth anticipated, the Company's strategy is to manage its treasury in a planned, deliberate and prudent manner while attempting to limit any future offering to a point in time where the associated capital markets have favourably stabilized. The Company believes this focused strategy will enable it to meet the near-term challenges presented by the capital markets while maintaining the momentum on key initiatives. The Company has a strong belief in the exploration potential of its property and aims to emerge from the current economic situation in a solid financial position.

Off-Balance Sheet Arrangements

Metallum does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

Proposed Transactions

There is no imminent decision by the Board of Directors of the Company with respect to any transaction beyond what is contemplated below:

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, Solfotara 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")).

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 Proposes 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.

Critical Accounting Estimates

The preparation of the Company's financial statements requires management to make certain estimates that affect the amounts reported in the financial statements. The accounting estimates considered to be significant include estimates of the recoverability of mineral interests and stock-based compensation.

The recoverability of the amounts shown for mining interests 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.

The Company uses a Black-Scholes model to determine the fair value of options and warrants. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data and comparables in the estimate of future volatilities.

Accounting Changes

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 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 Company has evaluated the section and determined that adoption of these requirements had no impact on the Company's consolidated financial statements.

Mining Exploration Costs

In March 2009, the Emerging Issues Committee issued EIC-174, "Mining Exploration Costs", which provides guidance on the capitalization of exploration costs related to mining properties and the impairment review of such capitalized exploration costs. This EIC is effective for the Company on January 1, 2009. The application of this EIC did not have an effect on the Company's consolidated financial statements.

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 Corporation adopted the amendments made by the CICA to Handbook Section 3855 - "Financial Instruments - Recognition and Measurement" ("Section 3855"). 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.

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 GAAP with IFRS for Canadian enterprises with public accountability ["PAEs"]. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010.

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 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 IFRS 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.

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; 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.

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.

Financial and Other Instruments

The Company is not involved in any hedging program, nor is it a party to any financial instruments that may have an impact on its financial position.

Property Risks

The Company's mineral property is the M-18 Property. Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon this property. If no additional major 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.

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.

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.

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.

Results of Operations: Chester Property, 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.

Results of Operations: M-18 Property Option, Argentina

On June 4, 2007, the Company signed an Option and Joint Venture Agreement (the "Agreement") (dated March 1, 2007) 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 kilometers east-west by seven kilometers north-south.

The Company has negotiated an amendment to the underlying agreement dated March 1, 2007, in favour of a new "Effective Date" of April 14, 2010.

The Company is required to spend \$US 1,000,000 over four years on exploration on M-18 to earn its 70% interest. Exploration expenditures on each anniversary date of the effective date of the agreement 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 of \$US 125,000 for the property will occur as follows: \$US 15,000 on the first anniversary date, \$US 25,000 on the second anniversary date, \$35,000 on the third anniversary date, and \$50,000 on the fourth anniversary date.

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 vote regarding operations on the property unless Silver Standard exercises its back-in right, in which event Silver Standard shall be entitled to majority voting.

The qualified person, as required under National Instrument 43-101, for the Chester and M-18 projects is Greg Lipton, P.Geol., the Company's President and CEO. He is a practising member of the Association of Professional Geoscientists of Ontario (APGO).

Subsequent Events

- i) 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.
- ii) 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.
- iii) 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.
- iv) Subsequent to December 31, 2009, 495,000 incentive stock options expired without exercise.

Risks and Uncertainties

The Company's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative in nature.

The business of exploration for minerals and mining involves a high degree of risk. A relatively small proportion of properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on any of the mineral properties in which the Company holds interest or intends to acquire an interest and the proposed exploration program is an exploratory

search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company has limited experience in the development and operation of mines and has relied on and may continue to rely upon consultants and others for exploration and operating expertise. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined, and fluctuations in the price of any minerals produced.

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, or mining operations, at its projects.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. The prices of mineral products have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

The mining industry is intensely competitive. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees, contractors and consultants.

The Company's operations are subject to environmental regulations promulgated by local, provincial and federal government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. Further, the Company's properties are in the exploration stage and are not commercially viable at this time. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Dependence on Key Employees

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

IFRS Implementation Plan

The Company has established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan.

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Completed
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First Time Adoption of International Financial Reporting Systems.	Completed
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	In progress, completion expected during Q2 2010
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress, completion expected during Q2 2010
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout 2010

Impact of Adopting IFRS on the Company's Business

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified and contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of the financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company who will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan and made aware of the evaluation of the key aspects of IFRS affecting the Company.

First-time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ending March 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time, however, the Company is not aware of any significant expected prior to its adoption of IFRS that would affect the summary provided below.

1) Exploration and Evaluation Expenditures

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment costs related to the exploration for and evaluation of mineral properties.

The Company does not expect any changes to its accounting policies related to exploration and evaluation expenditures that would result in a significant change to line items within its financial statements.

2) Impairment of (Non-financial) Assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of the group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets will be changed to reflect these differences. However, the Company does not expect that this change will have an immediate impact on the carrying value of its assets. The Company will perform impairment assessments in accordance with IFRS at the Transition Date.

3) Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change in line items within its financial statements.

4) Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Corporation's accounting policies related to decommissioning liabilities will be changed to reflect these differences. However, the Corporation does not expect this change will have an immediate impact on the carrying value of its assets.

5) Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

6) Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to future (deferred) income taxes that would result in a significant change to line items within its financial statements.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- The Company's MD&A for the 2010 interim periods and the year ended December 31, 2010, will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on the key items in the financial statements.

- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011, will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position at January 1, 2010.

Additional Disclosure for Venture Issuers without Significant Revenue

The balance of Mineral Property Acquisitions and Deferred Mineral Property Expenditures declined by \$3,029,471 to \$102,411 as at December 31, 2009 (December 31, 2008 - \$3,131,882), primarily due to the sale of the Company's Chester Property.

Management's Responsibility for Financial Information

The Company's consolidated financial statements are the responsibility of the Company's management, and have been approved by the board of directors. The consolidated financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the consolidated financial statements are presented fairly in all material respects.

Disclosure and Internal Financial Controls

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 years 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.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- (iii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Disclosure of Outstanding Share Data

Metallum shares trade on the TSX Venture Exchange under the symbol "MRV". The Company is authorized to issue an unlimited number of common shares without par value. On April 29, 2010, there were 53,803,828 common shares issued and outstanding, 1,575,000 stock options outstanding with a weighted average exercise price of \$0.10 expiring between 2012 and 2013.

Additional Information

Additional information relating to the Company is available on the SEDAR website www.sedar.com, or on the Company's corporate website www.metallumresourcesinc.com.