METALLUM RESOURCES INC.

(A Development Stage Entity)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Metallum Resources Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2008 audited financial statements. Only changes in accounting principles have been disclosed in these unaudited interim consolidated financial statements. 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 unaudited interim 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 unaudited interim consolidated financial statements and (ii) the unaudited interim 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 unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim 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 internal controls over financial reporting process and the unaudited interim 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 unaudited interim 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.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Metallum Resources Inc.

(A Development Stage Entity)

INTERIM CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

	September 30, 2009	December 31, 2008
ASSETS		
Current		
Cash and cash equivalents	$ 632,418	$ 1,500,179
Sundry receivables	3,086	3,412
Prepaid expenses	11,256	11,123
Convertible debenture (Note 2)	500,000	-
	1,146,760	1,514,714
Equipment (Note 6)	5,538	6,589
Other Assets		
Deferred mineral property expenditures	2,656,980	2,652,980
Mineral property acquisitions	603,902	603,902
Amount received for earn-in percentage	(125,000)	(125,000)
	3,135,882	3,131,882
	$ 4,288,180	$ 4,653,185
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 39,424	$ 50,882
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	5,950,804	5,950,804
Warrants (Note 9)	828,000	828,000
Stock options (Note 10)	254,233	231,242
Contributed surplus	279,125	279,125
Deficit	(3,063,406)	(2,686,868)
	4,248,756	4,602,303
	$ 4,288,180	$ 4,653,185

Basis of Presentation and Going Concern (Note 1)
Proposed Transaction (Note 2)
Subsequent Events (Note 12)

Approved on Behalf of the Board:

"Greg Lipton"
Director

"Kevin Bullock"
Director

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

Metallum Resources Inc.

(A Development Stage Entity)

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	**2009**	2008
EXPENSES				
Consulting fees	**$ 33,975**	$ 30,000	**$ 99,143**	$ 81,000
Stock-based compensation	**3,607**	36,480	**22,991**	67,537
Professional fees	**55,057**	14,702	**192,115**	31,071
Stock maintenance and exchange fees	**5,209**	4,180	**24,616**	24,116
Advertising and promotion	**1,590**	402	**2,909**	9,828
Insurance	**5,324**	2,008	**14,779**	11,740
Rent	**3,300**	2,150	**9,900**	6,650
Conference	**-**	-	**2,918**	6,901
Office and administration	**1,490**	2,009	**4,663**	6,390
Travel	**-**	-	**5,872**	1,754
Amortization	**350**	244	**1,051**	584
Write-down of the McMillan Property	**-**	1,087,229	**-**	1,087,229
	109,902	1,179,404	**380,957**	1,334,800
Less: interest income	**(260)**	(10,175)	**(4,419)**	(27,109)
NET LOSS AND COMPREHENSIVE LOSS	**$ (109,642)**	$(1,169,229)	**$ (376,538)**	$(1,307,691)
Basic and diluted loss per share (Note 11)	**$ 0.00**	$ (0.02)	**$ (0.01)**	$ (0.02)
Weighted average number of shares outstanding	**53,803,828**	53,803,828	**53,803,828**	53,803,828

INTERIM CONSOLIDATED STATEMENTS OF DEFICIT

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	**2009**	2008
Deficit, beginning of period	**$(2,953,764)**	$(1,642,155)	**$(2,686,868)**	$(1,503,693)
Net loss for the period	**(109,642)**	(1,169,229)	**(376,538)**	(1,307,691)
Deficit, end of period	**$(3,063,406)**	$(2,811,384)	**$(3,063,406)**	$(2,811,384)

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

Metallum Resources Inc.
(A Development Stage Entity)

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

	Common Shares	**Share Capital**	**Warrants**	**Stock Options**	**Contributed Surplus**	**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	-	-
Fair value of stock options granted	-	-	-	92,631	-	-	92,631
Net loss for the period	-	-	-	-	-	(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
Fair value of stock options granted	-	-	-	22,991	-	-	22,991
Net loss for the period	-	-	-	-	-	(376,538)	(376,538)
Balance, September 30, 2009	**53,803,828**	**$ 5,950,804**	**$ 828,000**	**$ 254,233**	**$ 279,125**	**$(3,063,406)**	**$ 4,248,756**

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

Metallum Resources Inc.

(A Development Stage Entity)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

	Three Months Ended September 30, **2009**	Three Months Ended September 30, 2008	Nine Months Ended September 30, **2009**	Nine Months Ended September 30, 2008
CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net loss for the period	**$ (109,642)**	$(1,169,229)	**$ (376,538)**	$ (1,307,691)
Amortization	**350**	244	**1,051**	584
Write-down of McMillan Property	**-**	1,087,229	**-**	1,087,229
Stock-based compensation	**3,607**	36,480	**22,991**	67,537
Net change in non-cash working capital:				
Sundry receivables	**1,425**	(6,118)	**326**	(19,691)
Prepaid expenses	**3,071**	95,702	**(133)**	2,825
Accounts payable and accrued liabilities	**7,626**	(108,192)	**(11,458)**	(34,501)
	(93,563)	(63,884)	**(363,761)**	(203,708)
INVESTING ACTIVITIES				
Deferred mineral property expenditures	**(33)**	(65,833)	**(4,000)**	(395,330)
Acquisition of equipment	**-**	-	**-**	(2,978)
	(33)	(65,833)	**(4,000)**	(398,308)
FINANCING ACTIVITIES				
Cash paid on issuance of convertible debenture (Note 2)	**-**	-	**(500,000)**	-
DECREASE IN CASH AND CASH EQUIVALENTS	**(93,596)**	(129,717)	**(867,761)**	(602,016)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**726,014**	1,691,469	**1,500,179**	2,163,768
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 632,418**	$ 1,561,752	**$ 632,418**	$ 1,561,752
CASH AND CASH EQUIVALENTS CONSISTS OF:				
Cash	**$ 32,418**	$ 231,548	**$ 32,418**	$ 231,548
Guaranteed investment certificate	**600,000**	1,330,204	**600,000**	1,330,204
	$ 632,418	$ 1,561,752	**$ 632,418**	$ 1,561,752

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

Metallum Resources Inc.
(A Development Stage Entity)

INTERIM CONSOLIDATED STATEMENTS OF DEFERRED MINERAL PROPERTY EXPENDITURES

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Chester Township, Ontario				
Balance, beginning of period	**$ 2,566,292**	$ 2,560,824	**$ 2,563,824**	$ 2,557,344
Engineering and consulting	**-**	1,500	**1,500**	4,000
Other	**32**	-	**1,000**	980
	32	1,500	**2,500**	4,980
Balance, end of period	**$ 2,566,324**	$ 2,562,324	**$ 2,566,324**	$ 2,562,324
McMillan Property Option, Ontario				
Balance, beginning of period	**$ -**	$ 936,608	**$ -**	$ 663,340
Drilling	**-**	28,200	**-**	257,704
Engineering and consulting	**-**	20,155	**-**	59,782
Laboratory	**-**	1,170	**-**	4,320
Other	**-**	5,095	**-**	6,082
Write-down of expenditures	**-**	(991,228)	**-**	(991,228)
	-	(936,608)	**-**	(663,340)
Balance, end of period	**$ -**	$ -	**$ -**	$ -
M-18 Property Option, Argentina				
Balance, beginning of period	**$ 90,656**	$ 65,554	**$ 89,156**	$ 12,805
Professional and consulting	**-**	9,712	**1,500**	62,461
Balance, end of period	**$ 90,656**	$ 75,266	**$ 90,656**	$ 75,266
TOTAL DEFERRED MINERAL PROPERTY EXPENDITURES	**$ 2,656,980**	$ 2,637,590	**$ 2,656,980**	$ 2,637,590

Descriptions of the above noted properties may be found in note 7 of the December 31, 2008 audited 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 in Canada and Argentina. The Company holds a 92.5% interest in a group of 11 patented and 18 unpatented claims within Chester Township located west of Highway 144 midway between Sudbury and Timmins, Ontario, and an option to earn a 70% interest in a gold and silver property in the province of Chubut, Argentina. On August 20, 2009, the Company signed a definative agreement to sell its interest in the Chester Township claims. (Note 7)

The accompanying unaudited interim 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 $3,063,406 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 unaudited interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these unaudited interim consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities.

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, 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. It is anticipated that each Unit will consist of one common share and one common share purchase warrant of the Resulting Issuer exercisable for twelve months at $0.50 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 and obtaining all regulatory approvals (including that of the TSX Venture Exchange ("Exchange").

2. PROPOSED TRANSACTION (Continued)

To facilitate certain aspects of the Proposed Transaction, Metallum advanced to Solfotara, with Exchange approval, Cdn. $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 Exchange, of Cdn. $250,000 (for a total of Cdn. $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, receive shares (and in the case of Solfotara 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 those 2 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 further 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.

Among other things, the Spin Out Transaction is subject to (i) the approval of the shareholders of Solfotara at a meeting to be held in Vancouver on November 23, 2009, 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. It is the present intention of the parties that CDC will seek to effect an initial public offering and concurrent listing of its shares on the Alternative Investment Market of the London Stock Exchange (“AIM”).

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.

2. PROPOSED TRANSACTION (Continued)

If the Proposed Transaction is completed, Metallum will acquire an interest in five mineral properties in the Philippines, four of which are copper-gold porphyry targets lying within the prolific Philippine porphyry belt, and one of which is a gold fumarole.

As at September 30, 2009, the Proposed Transaction has not been so approved.

3. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian GAAP for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2009 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2009.

The consolidated balance sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2008, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2008.

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 September 30, 2009.

3. ACCOUNTING POLICIES (Continued)

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 interim consolidated financial statements.

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 September 30, 2009.

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. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combination". Section 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". 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". The Company is in the process of evaluating the requirements of these standards.

4. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, stock options, and warrants. 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 properties in which the Company currently has an interest are 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.

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.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it determines there is sufficient potential and if it has adequate financial resources to do so.

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 period ended September 30, 2009. The Company is not subject to externally imposed capital requirements.

5. PROPERTY AND FINANCIAL RISK FACTORS

(a) Property Risks

The Company's mineral properties are the Chester Township Property and the M-18 Property. Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon these two properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting these two properties 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 debenture receivable. Cash and cash equivalents are held with reputable Canadian chartered banks which are closely monitored by management. Financial instruments included in sundry receivables consist of sales tax receivable from government authorities in Canada. Debenture receivable pertains to funds advanced under the terms of the Proposed Transaction. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, sundry receivables, and debenture receivable is remote.

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 September 30, 2009, the Company had a cash and cash equivalents balance of $632,418 (December 31, 2008 - $1,500,179) to settle current liabilities of $39,424 (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.

5. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(b) Financial Risks (Continued)

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.

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 closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Fair Value

The Company has designated, for accounting purposes, its cash and cash equivalents as held-for-trading, which are measured at fair value. Sundry receivables and the convertible debenture are classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair market value due to its short-term nature. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which approximates fair market value due to its short-term nature.

(EXPRESSED IN CANADIAN DOLLARS)

5. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(b) Financial Risks (Continued)

Sensitivity Analysis

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

(i) Interest rate risk is remote as the interest rates on the Company's cash and cash equivalents have fixed interest rates.

(ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

(iii) 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 September 30, 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.

6. EQUIPMENT

September 30, 2009	Cost	Accumulated Amortization	Net Book Value
Computer	$ 6,389	$ 5,739	**$ 650**
Furniture and fixtures	7,423	2,535	**4,888**
	$ 13,812	$ 8,274	**$ 5,538**

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

Chester Township, Ontario

On August 20, 2009 the Company signed a definitive agreement with Trelawney Mining and Exploration Inc. ("Trelawney") to sell its 92.5% undivided legal and beneficial interest in its Chester Property. Consideration for the purchase shall consist of (i) the issuance to the Company by Trelawney of five million (5,000,000) common shares in the capital of Trelawney on the closing date; 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. The transaction contemplated by the Agreement is subject to receipt of all approvals required by Metallum, including that of the TSX-V. The parties have targeted a closing date of November 30, 2009.

8. CAPITAL STOCK

(a) AUTHORIZED

Unlimited number of common shares

(b) ISSUED

	SHARES	AMOUNT
Balance - December 31, 2008 and September 30, 2009	**53,803,828**	**$ 5,950,804**

9. WARRANTS

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

	NUMBER OF WARRANTS	AMOUNT
Balance - December 31, 2008 and September 30, 2009	**10,900,000**	**$ 828,000**

The following table reflects the actual warrants outstanding as at September 30, 2009:

Expiry Date	Exercise Price	Warrants Outstanding	Black-Scholes Value
December 10, 2009	$0.15	10,900,000	$ 828,000

(EXPRESSED IN CANADIAN DOLLARS)

10. STOCK OPTIONS

The following table reflects the continuity of stock options for the period:

	NUMBER OF STOCK OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
Balance - December 31, 2008	2,745,000	$0.10
Expired	(425,000)	$0.10
Balance - September 30, 2009	**2,320,000**	**$0.10**

The following table reflects the stock options outstanding as at September 30, 2009:

Expiry Date	Exercise Price ($)	Weighted Average Life Remaining	Options Outstanding	Black-Scholes Value
November 16, 2009	0.10	0.13 years	250,000	$ 13,999
February 24, 2010	0.105	0.40 years	175,000	9,886
March 16, 2010	0.105	0.46 years	25,000	1,225
April 1, 2010	0.10	0.50 years	295,000	21,240
February 20, 2012	0.135	2.39 years	100,000	13,000
May 1, 2013	0.10	3.59 years	1,325,000	101,339
November 7, 2013	0.10	4.11 years	150,000	3,255
		2.53 years	2,320,000	163,944
Add: expired stock options				90,289
				$ 254,233

(i) As at September 30, 2009, 2,024,167 of the 2,320,000 issued and outstanding stock options were fully vested and exercisable. These fully vested stock options have a weighted average exercise price of $0.10.

11. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the period end. 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.

12. SUBSEQUENT EVENT

On November 16, 2009, 250,000 incentive stock options expired without exercise.