METALLUM RESOURCES INC.

(A Development Stage Entity)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 (UNAUDITED)

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, 2009 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, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents	**$ 5,422,071**	$ 469,297
Sundry receivables	**9,084**	10,334
Prepaid expenses	**5,584**	4,569
Convertible debenture receivable (Notes 2 and 9))	**500,000**	500,000
Investment in Trelawney Resources Inc.	**-**	2,900,000
	5,936,739	3,884,200
Equipment (Note 6)	**18,546**	5,588
Other Assets		
Deferred mineral property expenditures	**111,085**	90,656
Mineral property acquisitions	**11,755**	11,755
	122,840	102,411
	$ 6,078,125	$ 3,992,199
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 47,546**	$ 129,486
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	**5,950,804**	5,950,804
Stock options (Note 8)	**120,250**	152,036
Contributed surplus	**1,243,764**	1,211,413
Accumulated Other Comprehensive Income	**-**	50,000
Deficit	**(1,284,239)**	(3,501,540)
	6,030,579	3,862,713
	$ 6,078,125	$ 3,992,199

Basis of Presentation and Going Concern (Note 1)
Proposed Transaction (Notes 2 and 9)
Subsequent Events (Note 9)

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

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
EXPENSES				
Professional fees	**$ 47,069**	$ 55,057	**$ 180,541**	$ 192,115
Consulting fees	**43,685**	33,975	**103,459**	99,143
Stock maintenance and exchange fees	**(32,493)**	5,209	**21,605**	24,616
Stock-based compensation	**-**	3,607	**565**	22,991
Insurance	**10,960**	5,324	**27,317**	14,779
Rent	**3,300**	3,300	**9,900**	9,900
Office and administration	**3,837**	1,490	**14,311**	4,663
Travel	**771**	-	**771**	5,872
Advertising and promotion	**913**	1,590	**5,347**	2,909
Conference	**12,357**	-	**18,912**	2,918
Amortization	**1,416**	350	**2,004**	1,051
	91,815	109,902	**384,732**	380,957
Net (loss) for the period before the following:	**(91,815)**	(109,902)	**(384,732)**	(380,957)
Interest income	**647**	260	**1,321**	4,419
Gain on sale of investment in Trelawney Resources Inc.	**-**	-	**2,600,712**	-
NET INCOME (LOSS)	**$ (91,168)**	$ (109,642)	**$ 2,217,301**	$ (376,538)
Basic and diluted income (loss) per share	**$ 0.00**	$ 0.00	**$ 0.04**	$ (0.01)
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, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Deficit, beginning of period	**$(1,193,071)**	$(2,953,764)	**$(3,501,540)**	$(2,686,868)
Net income (loss) for the period	**(91,168)**	(109,642)	**2,217,301**	(376,538)
Deficit, end of period	**$(1,284,239)**	$(3,063,406)	**$(1,284,239)**	$(3,063,406)

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	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2008	53,803,828	$5,950,804	$ 828,000	$ 231,242	$ 279,125	$ -	$(2,686,868)	$4,602,303
Expiry of warrants	-	-	(828,000)	-	828,000	-	-	-
Stock-based compensation	-	-	-	25,082	-	-	-	25,082
Re-classification of expired stock options	-	-	-	(104,288)	104,288	-	-	-
Other comprehensive income	-	-	-	-	-	50,000	-	50,000
Net loss for the period	-	-	-	-	-	-	(814,672)	(814,672)
Balance, December 31, 2009	**53,803,828**	**$5,950,804**	**$ -**	**$ 152,036**	**$1,211,413**	**$ 50,000**	**$(3,501,540)**	**$3,862,713**
Stock-based compensation	-	-	-	565	-	-	-	565
Re-classification of expired stock options	-	-	-	(32,351)	32,351	-	-	-
Reclassification of realized gains on available-for-sale marketable securities to income	-	-	-	-	-	(50,000)	-	(50,000)
Net income for the period	-	-	-	-	-	-	2,217,301	2,217,301
Balance, September 30, 2010	**53,803,828**	**$5,950,804**	**$ -**	**$ 120,250**	**$1,243,764**	**$ -**	**$(1,284,239)**	**$6,030,579**

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, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net income (loss) for the period	**$ (91,168)**	$ (109,642)	**$ 2,217,301**	$ (376,538)
Amortization	**1,416**	350	**2,004**	1,051
Gain on sale of investment in Trelawney Resources Inc.	**-**	-	**(2,600,712)**	-
Stock-based compensation	**-**	3,607	**565**	22,991
Net change in non-cash working capital:				
Sundry receivables	**(4,921)**	1,425	**1,250**	326
Prepaid expenses	**20,519**	3,071	**(1,015)**	(133)
Accounts payable and accrued liabilities	**(9,735)**	7,626	**(81,940)**	(11,458)
	(83,889)	(93,563)	**(462,547)**	(363,761)
INVESTING ACTIVITIES				
Deferred mineral property expenditures	**-**	(33)	**(20,429)**	(4,000)
Net proceeds on sale of investments	**-**	-	**5,450,712**	-
Acquisition of equipment	**(14,962)**	-	**(14,962)**	-
	(14,962)	(33)	**5,415,321**	(4,000)
FINANCING ACTIVITIES				
Cash paid on issuance of convertible debenture	**-**	-	**-**	(500,000)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(98,851)**	(93,596)	**4,952,774**	(867,761)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**5,520,922**	726,014	**469,297**	1,500,179
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 5,422,071**	$ 632,418	**$ 5,422,071**	$ 632,418
CASH AND CASH EQUIVALENTS CONSISTS OF:				
Cash	**$ 5,422,071**	$ 32,418	**$ 5,422,071**	$ 32,418
Guaranteed investment certificate	**-**	600,000	**-**	600,000
	$ 5,422,071	$ 632,418	**$ 5,422,071**	$ 632,418
SUPPLEMENTARY CASH FLOW INFORMATION:				
Interest received	**$ 647**	$ -	**$ 6,138**	$ -

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, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
M-18 Property Option, Argentina				
Balance, beginning of period	**$ 111,085**	$ 90,656	**$ 90,656**	$ 89,156
Professional and consulting	**-**	-	**20,429**	1,500
Balance, end of period	**$ 111,085**	$ 90,656	**$ 111,085**	$ 90,656
Chester Township, Ontario				
Balance, beginning of period	**$ -**	$ 2,566,292	**$ -**	$ 2,563,824
Engineering and consulting	**-**	-	**-**	1,500
Other	**-**	32	**-**	1,000
	-	32	**-**	2,500
Balance, end of period	**$ -**	$ 2,566,324	**$ -**	$ 2,566,324
TOTAL DEFERRED MINERAL PROPERTY EXPENDITURES	**$ 111,085**	$ 2,656,980	**$ 111,085**	$ 2,656,980

Descriptions of the above noted properties may be found in note 7 of the December 31, 2009 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. The Company holds an option to earn a 70% interest in a gold and silver property in the province of Chubut, Argentina.

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 $1,284,239 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.

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.

On November 1, 2010, the Proposed Transaction was terminated following the withdrawal of conditional approval from 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 was completed, the principal amount of the Debenture plus accrued interest was be convertible into common shares of Solfotara at an agreed price. If the Proposed Transaction was not completed, Solfotara was required, unless the reason for the default lies with Metallum, to repay the Debenture advances with interest. Under the terms of the LOI, Metallum made an additional secured Debenture advance, 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") its 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 were to, 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 was anticipated that it would have been shareholders of Metallum at the Effective Date that would have been entitled to approximately 0.836 of a CDC share for every one common share held of the resulting Company or issuer.

2. PROPOSED TRANSACTION (Continued)

On November 1, 2010, the Proposed Transaction was terminated following the withdrawal of conditional approval from the Exchange. As such, the distribution of the 7,029,334 shares of CDC to Metallum shareholders will not occur.

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, 2010 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2010.

The consolidated balance sheet at December 31, 2009 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, 2009, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 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 GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that publicly accountable, profit oriented enterprises will be required to report under IFRS for interim and annual financial statements for periods commencing on or after January 1, 2011. Accordingly, the Company will be required to have prepared, in time for its fiscal 2011 first quarter filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. This will be an ongoing process as the International Accounting Standards Board and the AcSB continue to issue new standards and recommendations. The Company is in the process of evaluating the potential impact of IFRS on its financial statements. Based on the current guidance provided regulatory bodies, it is anticipated that the Company's financial results and position as disclosed in its current Canadian GAAP financial statements will not differ significantly from that which is required in accordance with IFRS.

3. ACCOUNTING POLICIES (Continued)

Future Accounting Changes (Continued)

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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

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

4. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

(i) To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and

(ii) To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising capital stock, stock options, contributed surplus, accumulated other comprehensive income and deficit which at September 30, 2010 totaled \$6,030,579 (December 31, 2009 - \$3,862,713).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its mineral properties. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three and nine months ended September 30, 2010. The Company is not subject to any externally imposed capital requirements.

5. PROPERTY AND FINANCIAL RISK FACTORS

(a) Property Risks

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

(b) Financial Risks

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

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, sundry receivables, and convertible debenture receivable. Cash and cash equivalents are held with a reputable Canadian chartered bank and a reputable national brokerage firm 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 convertible debenture receivable is remote. As at September 30, 2010, 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 September 30, 2010, the Company had a cash and cash equivalents balance of $5,422,071 (December 31, 2009 - $469,297) to settle current liabilities of $47,546 (December 31, 2009 - $129,486). 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. 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.

(c) 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 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.

5. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(d) Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a nine 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, 2010, 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.

(e) Fair Value Hierarchy and Liquidity Risk Disclosure

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	$ 5,422,071	$ -	$ -

(EXPRESSED IN CANADIAN DOLLARS)

6. EQUIPMENT

September 30, 2010	Cost	Accumulated Amortization	Net Book Value
Computer	$ 21,351	$ 7,055	**$ 14,296**
Furniture and fixtures	7,867	3,617	**4,250**
	$ 29,218	$ 10,672	**$ 18,546**

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

7. CAPITAL STOCK

(a) AUTHORIZED

Unlimited number of common shares

(b) ISSUED

	SHARES	AMOUNT
Balance - December 31, 2009 and September 30, 2010	**53,803,828**	**$ 5,950,804**

8. 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, 2009	2,070,000	$0.10
Expired	(495,000)	0.10
Balance - September 30, 2010	**1,575,000**	**$0.10**

(EXPRESSED IN CANADIAN DOLLARS)

8. STOCK OPTIONS (Continued)

The following table reflects the stock options outstanding as at September 30, 2010:

Expiry Date	Exercise Price ($)	Weighted Average Life Remaining	Options Outstanding	Black-Scholes Value
February 20, 2012	0.135	1.39 years	100,000	$ 13,000
May 1, 2013	0.10	2.59 years	1,325,000	103,350
November 7, 2013	0.10	3.11 years	150,000	3,900
		2.56 years	1,575,000	$ 120,250

As at September 30, 2010, all of the 1,575,000 issued and outstanding stock options were fully vested and exercisable. These fully vested stock options have a weighted average exercise price of $0.10 and a weighted average life remaining of 2.56 years.

9. SUBSEQUENT EVENTS

On November 1, 2010, the Proposed transaction with Solfotara Mining Corporation was terminated following the withdrawal of conditional approval from the Exchange.

On November 8, 2010, the Company announced that the Board of Directors granted 2,700,000 options under the Company's Stock Option Plan to its various directors and/or officers. The options have been granted for a period of 5 years, vest immediately, and have an exercise price of $0.145.