

CADAN RESOURCES CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED September 30, 2010

This Management Discussion and Analysis of the financial condition and results of operations has been prepared as at November 29, 2010. The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein, and in the following Management Discussion and Analysis ("MD&A"), are reported in Canadian dollars. Additional information relevant to the activities of the Company can be found on SEDAR at www.sedar.com.

To assist shareholders and potential investors to learn more about Cadan Resources Corporation (the "Company") and keep up-to-date with its exploration and developments, the Company's website provides maps and details of its Philippine gold-silver, gold stockworks and porphyry skarn copper-gold and gold projects. Readers are encouraged to visit the site at www.cadanresources.com.

1. Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

2. Use of Mineral Reserve and Resource Terminology

The mineral resources described in this MD&A are estimates and have been prepared in compliance with National Instrument 43-101 of the Canadian Securities Administrators. The definitions of the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in, and required to be disclosed by, National Instrument 43-101.

3. Company Overview

The Company is a mineral company engaged in the exploration and development of precious and base metal projects located in the Philippines. Its corporate objective is to advance the exploration of each project to the point where it can be developed economically, either by itself, or, in a development joint venture.

In the Philippines, the Company operates through its partially-owned affiliates, Philco Mining Corporation ("PMC"), Batoto Resources Corporation ("BRC"), TMC Tribal Mining Corporation ("TMC") and Sunbird Philippines Holding Inc, collectively, the "Philippine companies". The Company owns 40% of each of the Philippine companies. These companies have been consolidated as they meet the criteria for variable interest entities. CNF management and resources are focused on the systematic exploration of the Comval porphyry skarn copper-gold deposits and targets owned by the Philippine companies: the Tagpura, Maangob, Kapanawan and Kalamatan porphyry copper-gold deposits; the Cadan porphyry copper-gold prospect; the Batoto-Tarale gold prospect; and the T'Boli gold-silver deposit located in south-central Mindanao, Philippines.

On December 18, 2008, the Company announced the development of the T'Boli gold-silver mine and the advancement of its key "lateral development" program and the development of the Comval copper-gold and gold projects in the Philippines. The Company will close the Colombian operation, which has been on a care and maintenance basis. No material cost is anticipated.

As of the date of the MD&A, the Company has not earned any production revenue nor has found any proven reserves. Exploration and operating activities have been financed primarily by the issuance of common shares.

The Company is a reporting issuer in British Columbia and Alberta and is listed on the TSX Venture Exchange ("TSXV-CXD") and Frankfurt (with the symbol A0MZ25).

At a general meeting of shareholders on October 21, 2009, the shareholders of the Company approved a consolidation of share capital on a five old to one new basis. The Company began trading on a post consolidated basis on November 10, 2009, with a new symbol "CXD".

4. Directors & Management

Mr. John D Anderson	Director and Chairman of the Board
Mr. Brett Taylor	Director, CEO and President
Mr. Bill Goode	Director, Director Technical Development
Mr. Robert Gordon Butchart	Director, Chief Operating Officer
Dr. Douglas Evans	Director
Mr. Alan S Phillips	Director
Mr. Derick Sinclair, CA	CFO
Ms. Monita Faris	Manager, Corporate Relations

5. Direction

The Company continued its focus on its Comval porphyry copper-gold projects, its T'Boli epithermal gold-silver mine and the central corridor gold stockworks projects, highlighted to date by the Batoto-Tarale mineralized zones, in the Philippines.

6. Mine Development

T'Boli Gold-Silver Mine

The T'Boli exploratory mining operation has focused on the decline, the west drift and the X-cut area to date. At the end of the quarter, the West Drift had progressed approximately 100m west of the decline, having exploited a mineralized structure that is typically 1m in width and averages approximately 10-12g/t Au. The decline has progressed approximately 160m from the turn-out in the Beehive Tunnel and, at the current face, the decline is approximately 20m below the Beehive RL. A total of 400m of exploration decline and X-cut rehabilitation has now been completed from the Mafoko portal to the current decline face position (Figure 1).

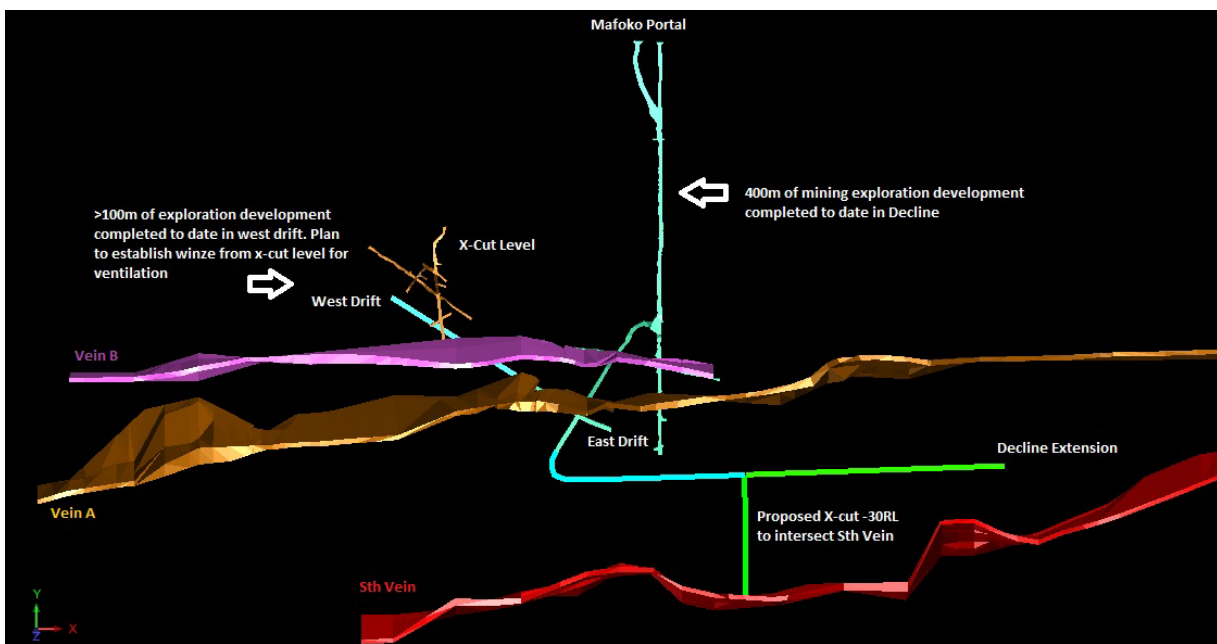


Figure 1 – Plan view showing the T'Boli mine plan layout and the position of the three main ore zones recognized to date.

It is planned to progress the west Drift another 40-50m horizontally to a position that will allow a ventilation shaft to be connected to that of which has already been initiated at the X-cut level.

The decline will be continued approximately another 220m to be in a position approximately 60m below the Beehive RL, and at this point the decline will be turned south to intersect the South Vein.

As a second priority, a X-cut will be established approximately 70m past the current face location. At this point (30m below the Beehive) the X-cut will be advanced south again to intercept the South Vein system and provide up to four additional ore headings. A schematic long-section is presented in Figure 2 below.

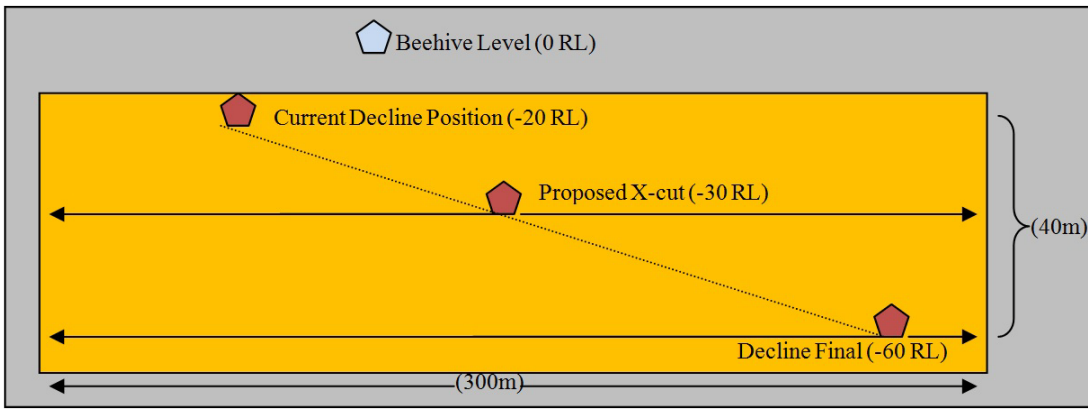


Figure 2 – Long section looking north, showing potential ore reserve panel, if two “veins” are exploited over a 300m strike length between the -20 and -60 RL’s. This would equate to 85,000 tonnes of ore, if the “veins” are 1.5m wide on average and have a bulk density of 2.35. This would supply the current processing plant for 12-14 months. Historic drilling results from TD008 intersected 4m @ 18.7 g/t in this zone.

Geological work focused on the mapping and sampling of the underground workings, with face sampling being undertaken every two meters in the west drift. Sampling has also been undertaken on both walls of the decline taking samples every one meter along the wall. Routine check sampling of the ore stockpiles has also been undertaken. All assays are now being done by McPhar Laboratories, with sample preparation in General Santos and analysis by fire-assay in Manila. Recently, the on-site fire assay has been commissioned and an AAS machine has been purchased. The installation of the AAS machine is planned for the 4th quarter.

Underground mapping has shown that the west drift is exploiting a mineralized structure that has a consistent strike of between 290° and 310° and can be interpreted to be north-west in its geometry. This structure is oblique to the interpreted east-west striking Vein A and Vein B. The following survey pick-up and geological map clearly shows this relationship, indicating that the original geological model presented in early reports is overly simplified, and additional veins are likely to exist.

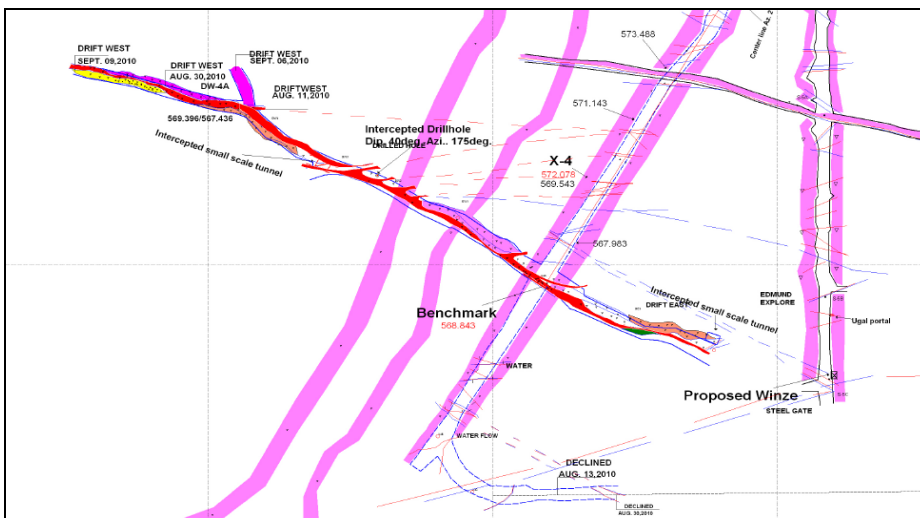


Figure 3 – Plan view showing geological mapping of the decline and west drift. Note that the west drift is exploiting a north-west trending mineralized structure.

Gold Resource Table

Vein	INDICATED*			INFERRED*		
	Tonnes ¹	g/t ²	Kg	Tonnes ³	g/t ⁴	kg
South	343,700	9.4	3,230	170,000	9.4	1,600
North-A	371,100	7.1	2,630	189,000	7.0	1,320
North-B	151,200	10.5	1,590	75,000	10.5	790
Totals⁵	866,000⁵	8.6	7,450⁵	434,000⁵	8.5	3,710⁵

* Estimates are as of November 28, 2009, and are for gold only. The NI 43-101 Inferred Resource reported by Cooper (2002) established silver/gold ratios ranging from 2:1 to 6:1 and averaging approximately 4:1.

Notes:

1 – estimated from polygons constructed on longitudinal sections around the veins in (a) underground tunnel workings surveyed and sampled by Eastern, (b) Cadan’s current underground workings and (c) diamond drill intersections - with nominal 1m vein widths except where drill intersections indicate otherwise, and assumed SG of 2.5.

2 – assignment of grades to polygons based on perusal of assay results for (a) tunnel samples (diluted to 1m width with the wall rock assigned a grade of 0.5g/t Au and 40g/t Au top cut), (b) Cadan’s sampling results from current underground workings and (c) vein intersection assay results in drill holes within the polygons – acceptable practice in operating narrow vein gold mines.

3 – projection of “Indicated” polygons nominally 50m down dip and along strike into areas with obvious potential but no data.

4 – grades assigned at the average grade of polygons making up the “Data Supported” estimates.

5 – includes 25% mining dilution at 0.5g/t Au.

The NI 43-101 Technical Report was prepared by Mr. Kevin Shultz, FAusIMM(CP), a consulting mining engineer and geologist and Fellow of the Australasian Institute of Mining & Metallurgy (Chartered Professional) with more than 35 years experience in Australia, Western USA, Canada, Papua New Guinea, Tanzania, and other African countries.

Tagpura Porphyry Copper-Gold

During the quarter, reserve definition drilling was initiated at the Tagpura porphyry skarn copper-gold project located in Comval, East Mindanao, Philippines.

This planned drilling program consists of nine (9) holes for a total of 470 meters. The results of this drilling will be used to finalize pit designs and for mine planning as part of the previously announced 100,000 tonne trial heap leach facility.

The program started in early September 2010, using the 100% owned company LY 24 drill rig. Diamond Hole TGD 108 was drilled to 139.10m and was cored from the surface. Preliminary XRF results have now been received for this hole, with the entire hole anomalous in copper and averaging 0.55% Cu for its entire length (139.1m). The high grade skarn zone was intersected from 33m to 64m and this intersection returned an average grade of 1.21% Cu over the 31 meters.

Visual inspection of the high grade skarn zone, from the core, shows magnetite and garnet skarn hosting chalcopyrite and chalcocite mineralization (See Figure 1 below).

Drilling has now commenced on the second hole of the program.



Figure 4 – TGD 108 - copper mineralization in porphyry skarn

The Tagpura porphyry skarn zone has an indicated “*conceptual or order of magnitude*” potential tonnage range of 10 million to 15 million tonnes, with a potential grade range of 0.50% copper and 0.20 g/t gold to 0.70% copper and 0.31 g/t gold. (See News Release, dated Tuesday, August 5, 2008).

Sufficient drilling has now been completed to allow the calculation of a NI 43-101 compliant resource and an independent qualified person has been appointed to undertake the NI 43-101 Technical Report.

Near term production and early positive cash flow is possible from the Tagpura porphyry skarn, which demonstrates an additional style of mineralization that may be particularly suitable for “bacterial heap leaching”. An initial metallurgical test has indicated heap leach amenability. Further analysis of this is underway. A bacterial heap leach operation, with a start up capacity of 2 Mt per year is being reviewed, with an initial supporting potential tonnage range of some 10Mt to 20Mt.

An initial five to 10 year plus mine life is thus envisaged, from the Tagpura porphyry skarn alone, with low cost metal production.

The Tagpura porphyry skarn high grade zone is located within an existing open pit. This enables the “box cut” mining method to be considered the most appropriate approach, particularly as there is no overburden to remove, and thus mining costs are optimized.

7. Exploration

On June 1, 2010, the Company announced that the NI 43-101 compliant Technical Report, released on May 11, 2010, on its Comval Projects, located in the Eastern Mindanao mineral belt of the Philippines, has highlighted a mineralized corridor some 14 km long by 2.5 km wide, within which lies a group of six regionally significant gold prospects and which has the potential for a regionally significant gold discovery.

Highlights:

- ❖ The NI 43-101 Qualified Person, Mr. Kevin Shultz FAusIMM (CP), has reviewed Cadan’s potential for large tonnage stockwork gold deposits at the Company’s Batoto and Tarale gold stockworks, and four other large areas of partly defined gold stockworks.

- ❖ Mr. Schultz describes the basic data for the compilation of the Batoto historical non NI 43-101 compliant resource of 39 million tonnes at 1.8g/t for 2.1 million ounces.
- ❖ He states that the mineralization may extend another one kilometer to the southwest from Batoto and link with the large Santa Fe gold stockwork. He further states that, since 2003, Cadan has exposed 80 gold bearing veins in an area 2.5km by 3.0km at Batoto, and that in 1981, 80,000 tonnes was mined and processed at Batoto at a grade of 4-5g/t Au.
- ❖ Selective mining at Tarale in 2004/5 of 3275 tonnes returned an average of 5.9g/t Au at 90% recoveries. The Tarale system is 700m south of Batoto and samples as high as 780g/t have been recorded.
- ❖ Two bulk samples from the Santa Fe stockwork (11.6 tonnes and 50 tonnes) have averaged 3.9g/t Au and 3.17g/t Au respectively.
- ❖ The Surigaonon stockwork was assigned a historical non NI 43-101 compliant resource of 2.85 million tonnes at 2.1g/t Au.
- ❖ Schultz states that exploration is far from complete and the ComVal projects offer the potential for the discovery of regionally significant epithermal gold systems.
- ❖ Reconnaissance exploration some 3km north of the main gold stockworks has defined an area 6km by 2km with widespread gold occurrence in drainage systems, intense red clay alteration, an interpreted collapse structure some 500m in diameter and anomalous bulk leach extractable gold samples. This area remains virtually unexplored.

The Batoto Gold Prospect

Drilling continued at Batoto during the quarter with an additional hole drilled for a total of 251.3 meters.

The results for the six holes sent for analysis in the previous quarter have now been received and the significant intercepts include:

Hole Number	From	To	Width	Au g/t
BDDH-07	110	120	10	0.68
BDDH-08	60	79	19	0.43
BDDH-08	88	111.4	23.4	0.52
BDDH-09	104	111	7	0.88
BDDH-10E	30	31	1	12.3
BDDH-10E	121	122	1	15.3
BDDH-11	108	127	19	0.65
BDDH-12	82	102	20	0.43

The Batoto gold prospect, 150m by 400m, is a stockwork of quartz veins associated with locally intense quartz pyrite-sericite argillic alteration cropping out around the spur of a mountain ridge between elevations 400m and 800m above sea level. Gold mineralization occurs within a west-southwest trending zone known as the Clark Mineralized Zone (“CMZ”). Workings of local indigenous people within the CMZ are exposed over about 1 kilometer in a west-southwesterly direction from the northeastern point of the spur but the mineralization may extend at least another kilometer to the west-southwest and link with the Santa Fe gold prospect.

Identified in 1980 by Sabena Mining Corporation, it was explored by 787 rock chip samples from some 7,000m of road cuts, systematic trenches and 400m of adits, drifts and cross cuts, reportedly averaging 1.6g/t Au and giving rise to a number of historic “ore reserve” estimates. In 1981, one estimate by geological consultants amounted to 39 million tonnes at 1.8g/t Au for 2.1 million ounces of gold. It should be noted that the foregoing historic “ore reserve” estimate was not prepared in accordance with CIM standards. Further, a qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. The Company is not treating the historical estimate as current mineral resources or mineral reserves as defined in sections 1.2 and 1.3 of NI 43-101, and the historical estimate should not be relied upon. The foregoing historical resource is highly speculative and should only be considered as indicative of mineralization potential.

In 1981, Sabena Mining Corporation constructed a 500t/d gold processing plant and mined and processed approximately 80,000t from a small open cut on the Batoto prospect. The ore was reported to have a grade of 4-5g/t Au, with the material between the main veins appearing to be pervasively mineralized and averaging about 1.4g/t Au.

8. Outlook

The exploration program of the Comval project is designed to expand the size of the potential bulk tonnage and open pit resources.

The Company is implementing a “validation work program” over a large gold-silver stockwork system, now covering some 15 km x 3km, within which lies the Batoto gold target, with a historic Philippine resource of some **39Mt @ 1.8g/t gold, for some two million ounces of gold.** (See section on Batoto Tarale gold).

Of the copper-gold styles of mineralization, the porphyry breccia and the skarn zones have the potential for bulk tonnage deposits. The total extent of the mineralization is currently unknown, beyond the potential for the porphyry copper-gold mineralization to host between 1 and 1.7Bt and the skarn copper-gold mineralization to host between 10Mt and 20Mt.

Drill targeting will be multi disciplinary, with the highest priority given to targets where geological, geochemical and geophysical parameters are coincident.

9. Qualifications

Technical aspects of this MD&A were prepared and verified by William Donald Goode, a member of the AusIMM and Technical Director of Cadan Resources. He is the qualified person, as required by National Instrument 43-101, and is the technical person responsible for this news release. The qualified person has verified the data disclosed in this news release.

Mr. Goode is a graduate of the West Australian School of Mines in Mining Geology and Mine Surveying and holds a current Underground Supervisor’s Certificate of Competency. He has more than 45 years’ experience in geology, mining and mineral exploration, including resource calculations. His experience covers gold, silver, base metals and uranium exploration and mining in Australia and Asia.

He previously held the position of Chief Geologist at Lake View and Star’s Fimiston underground gold mine and was assistant Chief Geologist for Great Boulder Mine’s three underground nickel mines, where he gained extensive experience in nickel exploration. He was Chief Mine Geologist for Metals Exploration in the Philippines (1974-76) and Australia.

Since 1981, he has worked as a consulting geologist and owned and operated underground gold mines. During this period, he conducted resource calculations for several major international mining companies. Mr. Goode also has industry experience in financing and prospect identification, ranging from the development to the pre-mining feasibility stage.

10. Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

All amounts in Cdn\$,000, except per share data	Nine months ended September 30	Years ended December 31,				
		2010 \$	2009 \$	2008 \$	2007 \$	2006 \$
Operations:						
Revenues	-	-	-	-	-	-
Income (loss)	(1,038)	(1,498)	(820)	(1,828)	(874)	
Income (Loss) per share	(0.03)	(0.05)	(0.03)	(0.10)	(0.05)	
Dividends per share	-	-	-	-	-	
Balance Sheet:						
Working capital/(deficit)	1,053	529	368	3,197	1,328	
Total assets	25,204	20,102	16,223	14,740	10,721	
Total Long-term liabilities	-	-	-	-	-	

The following selected financial information is derived from the unaudited consolidated interim financial statements of the Company prepared in accordance with Canadian GAAP.

	2010				2009				2008
Quarters ended	Sept 30 \$	Jun 30 \$	Mar 31 \$	Dec 31 \$	Sept 30 \$	Jun 30 \$	Mar 31 \$	Dec 31 \$	
Operations:									
Revenues	-	-	-	-	-	-	-	-	
Net income (loss)	(337)	(289)	(412)	30	(728)	(631)	(169)	(217)	
Income (loss) per share	(0.01)	(0.01)	(0.01)	0.005	(0.025)	(0.023)	(0.007)	(0.009)	
Dividends	-	-	-	-	-	-	-	-	
Balance Sheet:									
Working capital	1,053	944	2,430	529	849	(382)	(60)	368	
Total assets	25,204	23,265	23,591	20,102	18,807	16,938	16,460	16,223	
Total long-term liabilities	-	-	-	-	-	-	-	-	

10.1. Results of Operations

During the quarter ended September 30, 2010, the Company recorded a loss of \$337,194, compared with a loss of \$728,444 for September 2009, a decrease of \$391,250 over last year.

This variance consisted of:

- Stock Based Compensation was \$502,131 lower than 2009. The Company issued no incentive options in the quarter ended September 30, 2010. In 2009, the Company issued 1,040,000 incentive options to various directors and consultants of the Company, with an estimated valuation using the Black-Scholes pricing model of \$502,131.
- Travel was \$22,670 primarily due to higher investor related travel last year.

Partially offset by:

- Consulting fees and regulatory and shareholder costs were \$69,340 higher primarily due to adjustments to consulting agreements related to investor relations activities.
- Office rent, web site and other miscellaneous expenses were \$19,639 higher in 2010.
- Foreign exchange was \$44,572 higher due to strengthening of the Philippine peso against the Canadian dollar in 2010.

10.2. Financial Condition and Capital Resources

At September 30, 2010, the Company had working capital of approximately \$1,053,517 (December 31, 2009, \$529,179).

During the quarter ending September 30, 2010, the Company invested \$426,581 (2009 - \$364,339) on the exploration of its Philippine properties (see detailed schedule below), invested \$1,228,459 (2009 - \$609,760) to purchase capital assets, primarily in the Philippines, and used \$257,048 (2009 - \$581,087) for operating activities.

The Company is continuing to progress all three of its projects in the Philippines: developing its T'Boli gold-silver mine including completing the construction of the processing facility and continuing the underground development of the mine, as we progress towards full-scale production; advancing its Tagpura porphyry copper-gold project towards a 100,000 tonne trial test of the copper-gold porphyry skarn at Tagpura; drilling at its Batoto gold prospect to test extensions of the main vein mineralization and test extensions to the veins below previous drilling.

Exploration and Development Costs Capitalized throughout 2010 and 2009

Through its subsidiaries and the Philippine affiliates, the Company has interests in certain permits and licenses to explore and develop mineral properties located in the Philippines (see table below).

	Panag, Suriganon and Tagpura	Batoto	T'Boli	2010 Total	2009 Total
Incurring during period					
Assaying	2,211	-	56,932	59,143	1,916
Community development	69,092	40,620	107,082	216,794	115,212
Consultants	133,163	31,445	452,837	617,445	170,966
Depreciation and amortization	27,259	8,161	30,862	66,282	25,171
Drilling costs	181,534	-	-	181,534	272,622
Exploration and mineral processing	634,916	113,597	469,803	1,218,316	449,273
Field supplies and miscellaneous	160,224	202,900	519,585	882,709	462,026
Taxes, licenses and fees	8,697	4,348	15,557	28,602	14,710
Geological	110,392	-	-	110,392	95,748
Transportation and travel	119,895	41,035	176,127	337,057	238,225
Deferred exploration costs					
Total for period	1,447,383	442,106	1,828,785	3,718,274	1,845,869

10.3. Related Party Transactions and Balances

During the nine months ended September 30, 2010, the Company incurred consulting fees totaling \$418,500 (2009 - \$373,500), which include consulting fees capitalized as part of deferred exploration costs from individuals who are officers and/or directors and/or shareholders of the Company or an affiliated company in the Philippines. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. At September 30, 2010, the Company owed \$55,319 (December 31, 2009 - \$183,495) to the individuals. Amounts due to related parties are non-interest bearing, unsecured and without specific terms of repayment. Amounts are expected to be repaid within one year.

11. Significant Accounting Policies and Estimates

The preparation of our financial statements, in conformity with Canadian Generally Accepted Accounting Principles ("GAAP"), requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of expenditures during the reporting period.

11.1. Investments in and Expenditures on Resource Properties

The Company records deferred exploration costs, which consist of costs attributable to the investment in and exploration of resource property interests, at cost. All direct and indirect costs relating to the acquisition and exploration of the resource interests are capitalized on the basis of specific claim blocks until the resource interests to which they relate are placed into production, the resource interests are disposed of through sale or management has determined there to be an impairment. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or if a resource interest is abandoned or the permit licenses are allowed to lapse, the resource interests and deferred exploration costs will be written off to operations.

On an ongoing basis, the capitalized costs are reviewed on a property-by-property basis to consider whether there are any conditions that indicate impairment on the subject property. When such conditions are identified, an impairment loss is recognized for the difference between the fair value and carrying value.

11.2. Asset retirement obligations (“ARO”)

The Company’s proposed and incurred mining and exploration activities are subject to various laws and regulations for federal and regional jurisdictions, in which it operates, governing the protection of the environment. These laws are continually changing. The Company believes its operations are in compliance with all applicable laws and regulations. The Company expects to make, in the future, expenditures that comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. Reclamation and remediation obligations arise from the acquisition, development, construction and normal operations of mining properties, plant and equipment.

The Company recognizes an estimate of the liability associated with an ARO in the consolidated financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material ARO’s to record in these consolidated financial statements.

11.3. Consolidation of Variable Interest Entities

The Company follows the Canadian Institute of Chartered Accountants (“CICA”) Accounting Guideline 15 (“AcG-15”), “Consolidation of Variable Interest Entities”. AcG-15 requires the Company to consider whether it holds interests in other entities that expose the Company to the majority of the financial risk of those entities. In cases where the Company determines itself to be the “primary beneficiary” of another entity, the other entities financial statements are consolidated into the Company’s consolidated financial statements.

11.4. Stock-based Compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of, the date at which the counterparty performance is completed or the date the performance commitment is reached, or, the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or resource properties, with the offset credit to contributed surplus. For directors and employees, the options are recognized over the vesting period, and, for non-employees, the options are recognized over the related service period. If, and when, the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

11.5. International Financial Reporting Standards (“IFRS”)

A decision of the CICA Accounting Standards Board (the “AcSB”) will require the Company to report under IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010, will require the restatement for comparative purposes of amounts reported by the Company for interim periods and for the year ended December 31, 2010.

The Company has started reviewing its Investments and Expenditures on Resource Properties, Property Plant and Equipment records and consolidation processes to determine if there will be material impact under IFRS. The Company will continue to educate its staff on IFRS and review and evaluate its accounts, transactions and processes to ensure compliance with IFRS. The Company is in the process of selecting its accounting policies and its transitional exemptions under IFRS.

12. Risks and Uncertainties

Mining and exploration involves a high degree of risk, and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to conduct its planned explorations, meet its administrative overhead and maintain its resource interests. The Company’s ability to continue in operation is dependent on its ability to secure additional financing to fund planned exploration and its ongoing administrative expenditures, and,

while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

The recoverability of the Company's investment in, and expenditures on, resource properties is dependent on several factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of resource interests.

The Company is in compliance with all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations, and actions, could cause additional expense, capital expenditures, restrictions, and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's resource properties are located in the Philippines and consequently, are subject to certain risks, including currency fluctuations and possible political and economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations to the mining industry.

13. Shareholder information

13.1. Common Shares

The Company has authorized an unlimited number of common shares without par value and at September 30, 2010, there were 42,148,502 (December 31, 2009, 34,750,053) common shares outstanding.

On February 24, 2010, the Company completed a non-brokered private placement consisting of 5,144,523 units priced at \$0.85 per Unit, for gross proceeds of \$4,372,845. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each Warrant is exercisable to acquire one common share of the Company at a price of \$1.25 until July 24, 2011. The Company paid finders' fees of \$190,592 representing 5% of gross proceeds from finders in connection with the financing. In addition, finders were issued non-transferable finders' warrants with a fair value of \$190,507 entitling the holders to purchase up to 448,453 common shares, at a price of \$0.95 per share until July 24, 2011. Other cash share issuance costs in the amount of \$21,934 were incurred by the Company related to this placement. The fair value of warrants issued to finders has been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 0.28%; volatility of 98.6%; expected life of eighteen months; and dividend yield of nil.

On September 1, 2010, the Company completed the first tranche of a non-brokered private placement consisting of 1,953,846 units priced at \$0.65 per Unit, for gross proceeds of \$1,270,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each whole Warrant is exercisable to acquire one common share of the Company at a price of \$1.00 per share for the first 2 years from the Closing date and at a price of \$1.25 per share for the 3 years thereafter. The Company paid finders' fees of \$72,800 and issued 7,000 Units with a value of \$4,550 together representing 7% of gross proceeds from finders in connection with the financing. In addition, finders were issued non-transferable finders' warrants with a fair value of \$78,190 entitling the holders to purchase up to 112,000 common shares, for a period of five years at a purchase price of \$1.00 per Warrant Share until September 15, 2012, and a purchase price of \$1.25 per Warrant Share until September 15, 2015. The fair value of warrants issued to finders has been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 1.98%; volatility of 116.28%; expected life of 5 years; and dividend yield of nil. Other cash share issuance costs in the amount of \$7,100 were also incurred by the Company related to this placement.

The Company subsequently completed the second tranche of the non-brokered private placement consisting of 2,746,171 Units priced at \$0.65 per unit for a gross proceeds of \$1,785,011.15. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each Warrant is exercisable to acquire one common share of the Company at a price of \$1.00 until October 18, 2012, and then exercisable at \$1.25 until October 18, 2015. The Company also issued 58,935 Finder Units and 175,082 finder's warrants under the same terms. Other cash share issuance costs in the amount of \$75,495.69 were incurred by the Company related to this placement.

As of the date of this report, there were a total of 44,953,608 common shares outstanding.

13.2. Stock Options

The Company has a stock option plan whereby the Board of Directors is authorized to grant options to a rolling ceiling of 10% of the issued and outstanding common shares of the Company. Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. The terms of the option and the option price are fixed by the directors at the time of grant, subject to price restrictions imposed by the TSX Venture Exchange.

At September 30, 2010, there were 3,237,000 (December 31, 2009, 3,187,000) incentive stock options to purchase common shares between \$0.50 and \$0.95 that expire between September 30, 2014, and April 15, 2018.

On March 1, 2010, the Company granted 150,000 incentive stock options to a consultant of the Company. The exercise price of the options is \$0.95 each and they are exercisable until March 1, 2015. The fair value of stock options granted was \$122,480 (\$0.82 each) as estimated at the date of grant using the Black-Scholes option pricing model.

During the quarter ending June 30, 2010, a former consultant exercised options to purchase 100,000 common shares at \$0.50 per share for gross proceeds of \$50,000.

As of the date of this report, there were a total of 3,237,000 stock options outstanding with exercise prices of between \$0.50 and \$0.95 per share.

13.3. Warrants

At September 30, 2010, there were 19,795,817 (December 31, 2009, 12,191,655) warrants to purchase common shares outstanding, with exercise prices between \$0.75 per share and \$1.50 per share, that expire between October 13, 2010, and September 2015.

On February 24, 2010, the Company completed a non-brokered private placement consisting of 5,144,523 units priced at \$0.85 per Unit, for gross proceeds of \$4,372,845. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each Warrant is exercisable to acquire one common share of the Company at a price of \$1.25 until July 24, 2011.

On March 17, 2010, the Company amended the terms of warrants issued on October 13, 2009, increasing them to full warrants to acquire 1,000,000 common shares, reduced the exercise price from \$1.50 to \$1.25 per share and extended the expiry date by one year to August 13, 2011.

On September 1, 2010, the Company completed the first tranche of a non-brokered private placement consisting of 1,953,846 units priced at \$0.65 per unit, for gross proceeds of \$1,269,999.90. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each Warrant is exercisable to acquire one common share of the Company at a price of \$1.00 until September 15, 2012, and then exercisable at \$1.25 until September 15, 2015. The Company also issued 7,000 Finder Units and 112,000 finder's warrants with the same terms as the warrants attached to the Units.

The Company subsequently completed the second tranche of the non-brokered private placement consisting of 2,746,171 Units priced at \$0.65 per unit for a gross proceeds of \$1,785,011.15. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each Warrant is exercisable to acquire one common share of the Company at a price of \$1.00 until October 18, 2012, and then exercisable at \$1.25 until October 18, 2015. The Company also issued 58,935 Finder Units and 175,082 finder's warrants with the same terms as the warrants attached to the Units.

As of the date of this report, there are a total of 22,676,005 warrants outstanding with exercise prices of between \$0.75 and \$1.50 per share that expire between August 10, 2011, and October, 18, 2015.

13.4. Amended the terms of outstanding share purchase warrants.

On March 17, 2010, the Company amended the terms of 500,000 warrants increasing them to full warrants to acquire 1,000,000 common shares, reduced the exercise price from \$1.50 to \$1.25 per share and extended the expiry date by one year to August 13, 2011. The value of the amendments to these warrants was accounted for using the Black-Scholes pricing model which assigned a value of \$473,337 to the amendments. In accordance with Generally Accepted Accounting Principles (GAAP), the Company charged these costs directly to retained earnings.