ALLOY CAPITAL CORP.

FINANCIAL STATEMENTS

FOR THE THIRD QUARTERS ENDING

SEPTEMBER 30, 2010 and 2009

ALLOY CAPITAL CORP.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Pursuant to National Instrument 51-102 Continuous Disclosure Obligations, financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Corporation's independent auditor has not performed a review of these financial statements.

ALLOY CAPITAL CORP.
BALANCE SHEETS

	September 30, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 317,403**	$ 345,987
GST receivable	**8,042**	6,783
GST receivable	**1,218**	-
	$ 326,663	$ 352,770
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 8,500**	$ 11,273
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	**$ 451,686**	$ 437,367
Contributed surplus (Note 5)	**125,137**	138,785
Deficit	**(258,660)**	(234,655)
	318,163	341,497
	$ 326,663	$ 352,770

Incorporation and operations (Note 1)

See accompanying notes to financial statements

Approved by the Directors:

(signed) "Arthur Wong" Director

(signed) "Eugene Chen" Director

ALLOY CAPITAL CORP.
STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

	Three Months Ended September 30th		**Nine Months Ended September 30th**	
	2010	2009	**2010**	2009
Interest revenue	**$ 64**	$ 268	**$ 134**	$ 2,832
Expenses				
General and administrative	**7,121**	9,549	**24,139**	30,971
Net loss and comprehensive loss	**(7,057)**	(9,281)	**(24,005)**	(28,139)
Deficit, beginning of period	**(251,603)**	(221,370)	**(234,655)**	(202,512)
Deficit, end of period	**$ (258,600)**	$ (230,651)	**$ (258,600)**	$ (230,651)
Net Loss per share, basic and diluted	**$ (0.001)**	$ (0.002)	**$ (0.005)**	$ (0.006)
Weighted average number of common shares outstanding – basic and diluted	**5,001,702**	**5,000,000**	**5,000,574**	**5,000,000**

See accompanying notes to the financial statements

ALLOY CAPITAL CORP.
STATEMENT OF CASH FLOWS

	Three Months Ended September 30th		Nine Months Ended September 30th	
	2010	2009	**2010**	2009
Cash provided by (used for):				
Operating activities				
Net loss	**$ (7,057)**	$ (9,281)	**$ (24,005)**	$ (28,139)
Changes in non-cash working capital				
GST receivable	**(231)**	(233)	**(1,259)**	(1,568)
Accrued interest receivable	**-**	4,034	**-**	1,636
Deposits	**(1,218)**	-	**(1,218)**	-
Accounts payable and accrued liabilities	**(794)**	(8,266)	**(2,773)**	(3,725)
	(9,300)	(13,746)	**(29,255)**	(31,796)
Financing activities				
Issuance of options	**671**	**-**	**671**	**-**
Increase (decrease) in cash	**(8,629)**	(13,746)	**(28,584)**	(31,796)
Cash and cash equivalents, beginning of period	**326,032**	361,588	**345,987**	379,638
Cash and cash equivalents, end of period	**$ 317,403**	$ 347,842	**$ 317,403**	$ 347,842

See accompanying notes to the financial statements

Note 1 Incorporation and Operations

Alloy Capital Corp. (the "**Corporation**") was incorporated under the *Business Corporations Act* (Alberta) on November 13, 2007. The Corporation is classified as a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange Inc. ("**Exchange**"). The principal business of the Corporation is the identification and evaluation of assets or businesses for acquisition with a view to completing a qualifying transaction, as defined by the Exchange.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

Note 2 Significant Accounting Policies

The interim financial statements of the Company are presented in accordance with Canadian Generally Accepted Accounting Principles (GAAP). These interim financial statements have been prepared using the same accounting policies and methods of computation as the financial statements for the year ended December 31, 2009. These interim financial statements do not contain all the disclosures required for annual financial statements. Accordingly, they should be read in conjunction with the annual financial statements and the notes thereto for the year ended December 31, 2009.

Note 3 Cash and Cash Equivalents

The proceeds raised from the issue of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds and $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

Note 4 Share Capital

Authorized:
Unlimited number of common voting shares without nominal or par value
Unlimited number of preferred shares

The Preferred Shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to each of the shares.

Common Shares Issued:

	September 30, 2010		December 31, 2009	
	Number	**Value**	**Number**	**Value**
Outstanding Common Shares, beginning of period	**5,000,000**	**$ 437,367**	**5,000,000**	**$ 437,367**
Stock option plan:				
Options exercised for cash	**4,474**	**671**	**-**	**-**
Transferred from contributed surplus, exercised options	**-**	**359**	**-**	**-**
Transferred from contributed surplus, expired options	**-**	**13,289**	**-**	**-**
Outstanding Common Shares, end of period	**5,004,474**	**$ 451,686**	**5,000,000**	**$ 437,367**

Stock Options

The Corporation maintains a Stock Option Plan (the "**Plan**") for directors and officers, employees and consultants of the Corporation. Each option entitles the holder to acquire one share of the Corporation. Pursuant to the Plan, the Board of Directors has reserved a total of 10% of the issued and outstanding common shares for the issuance of stock options. Stock options granted under the Plan may not be outstanding for a period greater than five years.

A summary of the status of the Corporation's options as of September 30, 2010 and December 31, 2009 and changes during the period then ended is presented below:

	September 30, 2010		December 31, 2009	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Balance – beginning of period	**670,000**	**$ 0.15**	**670,000**	**$ 0.15**
Exercised	**(4,474)**	**$ 0.15**	**-**	**-**
Expired	**(165,526)**	**$ 0.15**	**-**	**-**
Balance – end of period	**500,000**	**$ 0.15**	**670,000**	**$ 0.15**

ALLOY CAPITAL CORP.
Notes to Financial Statements
For the Three Months Ended September 30, 2010 and 2009

Options outstanding and exercisable:

	September 30, 2010		December 31, 2009	
Exercise Price	**Number**	**Weighted average remaining life in years**	**Number**	**Weighted average remaining life in years**
$ 0.15	-	-	170,000	0.68
$ 0.15	500,000	3.17	500,000	3.92
	500,000		670,000	

Note 5 Contributed Surplus

	September 30, 2010	December 31, 2009
Balance, beginning and end of period	$ 138,785	$ 138,785
Options exercised	(359)	-
Options expired	(13,289)	-
Balance, beginning and end of period	$ 125,137	$ 138,785

Note 6 Income Taxes

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian and provincial statutory income tax rate of 28.0% (2009 – 29.0%) to income before income taxes. The differences for the three month periods ending September 30th result from the following:

	September 30, 2010	September 30, 2009
Loss before taxes	**$ (7,057)**	$ (9,281)
Computed expected recovery	**$ 1,980**	$ 2,690
Deductible financing costs	**720**	750
Change in valuation allowance	**(2,700)**	(3,440)
	$ -	$ -

The differences for the nine month periods ending September 30th result from the following:

	September 30, 2010	September 30, 2009
Loss before taxes	**$ (24,005)**	$ (28,139)
Computed expected recovery	**$ 6,960**	$ 8,160
Deductible financing costs	**2,240**	2,240
Change in valuation allowance	**(9,200)**	(10,400)
	$ -	$ -

The components of the future income tax assets are as follows:

	September 30, 2009	September 30, 2009
Future income tax assets		
Non-capital losses carried forward	**$ 40,960**	$ 30,880
Share issue costs	**5,790**	8,350
	46,750	39,230
Valuation allowance	**(46,750)**	(39,230)
Balance, end of period	**$ -**	$ -

As at December 31, 2009, the Corporation has $132,112 in non-capital losses available to claim against future taxable income. Future tax benefits which may arise as a result of these non-capital losses and share issue costs have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization. The non-capital losses expire as follows:

2028	**$ 87,672**
2029	**44,440**
	$ 132,112

Note 7 Financial Instruments

Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities is approximated by their carrying amount due to their short-term nature.

Risks Associated with Financial Assets and Liabilities

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The financial risks include credit risk, liquidity risk and market risk relating to interest rates. Market risk is the risk that the fair value (for assets or liabilities considered to be held-for-trading and available for sale) or future cash flows (for assets or liabilities considered to be held-to-maturity, other financial liabilities, and loans and receivables) of a financial instrument will fluctuate due to movements in market prices. The objective of market risk management is to manage and control material market price exposures within acceptable limits, while maximizing returns. The Corporation's market risk, credit risk, and liquidity risk exposures are outlined as follows:

a) Market Risk

Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate. The Corporation's exposure to interest rate risk relates to its cash and cash equivalents, which bears interest at a fixed rate. The Corporation had no interest rate contracts in-place to mitigate exposure to interest rate changes for the period ended September 30, 2010.

b) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. This risk relates to the Corporation's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, and authorization of contractual agreements. The Corporation seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change.

c*) Credit Risk*

Credit risk represents the financial loss that the Corporation would suffer if the Corporation's counterparties to a financial instrument, in owing an amount to the Corporation, fail to meet or discharge their obligation to the Corporation. The primary source of credit risk for the Corporation arises from its accrued interest from bank term deposits and cash and cash equivalents held at counterparties in excess of federal deposit and insurance limits. The Corporation has not had any credit losses in the past and the risk of financial loss is considered low. As at September 30, 2010, the Corporation has no financial assets that are impaired due to credit risk related defaults. The Corporation's maximum credit risk exposure associated with accrued receivable is limited to the carrying amount of the accrued receivables. The carrying amount of accrued receivable reflects Management's assessment of the credit risk associated with the bank.

Note 8 Capital Disclosures

The Corporation's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Corporation considers its capital structure to include shareholders' equity, debt and working capital. To maintain or adjust the capital structure, the Corporation may from time-to-time, issue shares, raise debt and/or adjust its capital spending to manage its current and projected debt levels.

The Corporation monitors its capital structure based on the current and projected ratio of total debt to shareholders equity.

	September 30, 2010	December 31, 2009
Total debt	$ 8,500	$ 11,273
Total equity	318,163	341,497
Debt to equity ratio	0.027	0.033

The Corporation's share capital is not subject to external restrictions. There were no changes in the Corporation's approach to capital management since December 31, 2009.

Note 9 Subsequent Event

The Corporation has entered into a share exchange agreement dated October 16, 2010 to acquire all of the issued and outstanding shares of Lancaster Exploration Ltd. ("**Lancaster**"), a private company incorporated in the British Virgin Islands engaged in the exploration for rare earth elements in Africa. If completed, the proposed transaction will constitute Alloy's Qualifying Transaction as set forth in Policy 2.4 of the Exchange.

The Proposed Transaction

The proposed transaction contemplates that Alloy will acquire all of the issued and outstanding shares of Lancaster through the issuance of 19,852,899 post-consolidated common shares of the Corporation (the "**Common Shares**") to the sole shareholder of Lancaster, at a deemed price of $0.50 per share (the "**Acquisition**"). At an annual general and special shareholders meeting held on October 27, 2010, the shareholders of Alloy have approved a consolidation of the Common Shares on a 2.5 for 1.0 basis (the "**Consolidation**") and a name change for the Corporation to "Mkango Resources Ltd." upon completion of the Acquisition. All of the outstanding options of Alloy will continue on with the appropriate adjustment for the Consolidation.

Note 10 Subsequent Event (Continued)

Upon completion of the Acquisition, Lancaster will be a wholly-owned subsidiary of the Corporation. Completion of the Acquisition is subject to various closing conditions, including, but not limited to:

1. Receipt of all necessary regulatory approvals and in particular Exchange approval of the Acquisition as Alloy's Qualifying Transaction; and
2. The completion of a brokered private placement financing of Alloy for gross proceeds of not less than $5,000,000.

Private Placement

Pursuant to the terms of an agency agreement to be entered into between Byron Securities Limited (the "**Agent**"), Lancaster and the Corporation, the Agent will, on a commercially reasonable best efforts private placement basis, act as agent for the sale of a minimum of 10,000,000 units to a maximum of 15,000,000 units (the "**Units**") of Alloy at a minimum price of $0.50 per Unit, for gross proceeds of a minimum of $5,000,000 and a maximum of $7,500,000 (the "**Offering**"). All securities issued under the Offering will occur after the Consolidation.

Each Unit consists of one Common Share (a "**Unit Share**") and one-half of one warrant (a "**Warrant**"). Each whole Warrant will entitle the holder to acquire one Common Share (a "**Warrant Share**") at a price of $0.75 per Warrant Share, for a period of 24 months from issuance. The securities issued pursuant to the Offering will be subject to a statutory and Exchange imposed restriction on resale for a period not exceeding four months from issuance.

A cash commission equal to 7% of the gross proceeds from the Offering will be paid to the Agent upon completion of the Offering. In addition, the Agent shall receive a $25,000 corporate finance fee and Agent's warrants (the "**Agent's Warrants**") equal to 7% of the number of Units sold under the Offering. Each Agent's Warrant is exercisable into one Agent's unit (the "**Agent's Unit**") at a price of $0.50 for a period of 24 months from issuance. Each Agent's Unit consists of one Common Share and one-half of one warrant (the "**Agent's Unit Warrant**"). Each whole Agent's Unit Warrant entitles the Agent to acquire one Common Share at a price of $0.75 for a period of 24 months from issuance of the Agent's Warrants. The Agent is also entitled to be reimbursed for its expenses and reasonable legal fees plus disbursements incurred in connection with the Offering.

The proceeds of the Offering will be released on completion of the Acquisition and will be used to complete the proposed exploration program for Alloy, working capital and general corporate purposes.