

**YOUNG-SHANNON GOLD MINES, LIMITED
(A Development Stage Entity)**

**FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2006**

Responsibility for Financial Statements

The accompanying financial statements for Young-Shannon Gold Mines, Limited have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2005 audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditors' Involvement

The auditors of Young-Shannon Gold Mines, Limited have not performed a review of the unaudited financial statements for the three and nine months ended September 30, 2006 and September 30, 2005.

Young-Shannon Gold Mines, Limited
(A Development Stage Entity)

BALANCE SHEETS

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	September 30, 2006	December 31, 2005
<u>Assets</u>		
Current		
Cash	\$ 602,889	\$ 242,525
Sundry receivables	2,277	7,538
Prepaid expenses	1,800	9,900
	<u>606,966</u>	<u>259,963</u>
Property and equipment	<u>2,701</u>	<u>3,394</u>
Other assets		
Deferred mineral property expenditures (Note 3)	2,966,837	2,959,212
Mineral property acquisitions	648,647	648,647
Amount received for earn-in percentage	<u>(125,000)</u>	<u>(125,000)</u>
	<u>3,490,484</u>	<u>3,482,859</u>
	<u>\$ 4,100,151</u>	<u>\$ 3,746,216</u>
<u>Liabilities</u>		
Current		
Accounts payable and accrued liabilities	\$ 13,696	\$ 133,004
Future income tax liability	<u>309,218</u>	<u>309,218</u>
	<u>322,914</u>	<u>442,222</u>
<u>Shareholders' Equity</u>		
Capital stock (Note 4)	4,247,426	4,163,408
Shares to be issued (Note 8)	541,732	-
Warrants (Note 5)	22,500	75,910
Stock options (Note 7)	120,208	86,900
Contributed surplus	72,650	35,800
Deficit	<u>(1,227,279)</u>	<u>(1,058,024)</u>
	<u>3,777,237</u>	<u>3,303,994</u>
	<u>\$ 4,100,151</u>	<u>\$ 3,746,216</u>

(Going concern - see Note 1)

Young-Shannon Gold Mines, Limited
(A Development Stage Entity)

STATEMENTS OF OPERATIONS AND DEFICIT

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
EXPENSES	<u>\$ 44,846</u>	<u>\$ 76,196</u>	<u>\$ 169,255</u>	<u>\$ 212,844</u>
NET LOSS for the period	<u>(44,846)</u>	<u>(76,196)</u>	<u>(169,255)</u>	<u>(212,844)</u>
DEFICIT, beginning of period	<u>(1,182,433)</u>	<u>(1,103,651)</u>	<u>(1,058,024)</u>	<u>(967,003)</u>
DEFICIT, end of period	<u>\$ (1,227,279)</u>	<u>\$ (1,179,847)</u>	<u>\$ (1,227,279)</u>	<u>\$ (1,179,847)</u>
Basic and diluted loss per share (Note 6)	0.00	0.00	0.01	0.01
Weighted average number of shares outstanding	25,198,828	21,238,828	24,970,335	21,238,828

Young-Shannon Gold Mines, Limited
(A Development Stage Entity)

STATEMENTS OF CASH FLOWS

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net loss for the period	\$ (44,846)	\$ (76,196)	\$ (169,255)	\$ (212,844)
Amortization	231	321	693	964
Write-off of the La Cucharas Gold and Silver property	-	13,452	-	13,452
Stock-based compensation	6,058	10,494	33,308	27,319
Settlement of financial obligation through issuance of common shares (Note 4(b))	-	-	31,458	-
Net change in non-cash working capital	<u>(2,780)</u>	<u>90,209</u>	<u>(105,947)</u>	<u>87,445</u>
	<u>(41,337)</u>	<u>38,280</u>	<u>(209,743)</u>	<u>(83,664)</u>
INVESTING ACTIVITIES				
Deferred mineral property expenditures	(2,250)	(70,139)	(32,625)	(559,903)
Non-refundable deposit on property	-	-	25,000	-
	<u>(2,250)</u>	<u>(70,139)</u>	<u>(7,625)</u>	<u>(559,903)</u>
FINANCING ACTIVITIES				
Issuance of common shares	-	-	36,000	-
Cost of issue - cash (financing from 2004)	-	-	-	(7,500)
Shares to be issued	<u>541,732</u>	<u>-</u>	<u>541,732</u>	<u>-</u>
	<u>541,732</u>	<u>-</u>	<u>577,732</u>	<u>(7,500)</u>
CHANGE IN CASH	498,145	(31,859)	360,364	(651,067)
CASH, beginning of period	104,744	190,879	242,525	810,087
CASH, end of period	\$ 602,889	\$ 159,020	\$ 602,889	\$ 159,020

Young-Shannon Gold Mines, Limited
(A Development Stage Entity)

STATEMENTS OF DEFERRED MINERAL PROPERTY EXPENDITURES

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Chester Township				
Balance, beginning of period	\$ 2,564,287	\$ 2,543,151	\$ 2,586,057	\$ 2,336,984
Drilling	-	37,419	-	167,398
Engineering and consulting	1,125	3,756	3,375	38,418
Laboratory	-	763	-	7,237
Travel	-	-	-	27,123
Non-recoverable deposit (Note 3)	-	-	(25,000)	-
Other	-	968	980	8,897
Total expenditures during the period	1,125	42,906	(20,645)	249,073
Balance, end of period	2,565,412	2,586,057	2,565,412	2,586,057
McMillan Property				
Balance, beginning of period	400,300	283,597	373,155	-
Drilling	-	12,176	19,634	213,862
Engineering and consulting	1,125	1,605	6,527	70,207
Laboratory	-	-	-	11,961
Survey	-	-	-	1,330
Other	-	-	2,109	18
Total expenditures during the period	1,125	13,781	28,270	297,378
Balance, end of period	401,425	297,378	401,425	297,378
La Cucharas Gold and Silver Property				
Balance, beginning of period	-	-	-	-
Non-refundable advance	-	12,500	-	12,500
Other	-	952	-	952
Write-off	-	(13,452)	-	(13,452)
Total expenditures during the period	-	-	-	-
Balance, end of period	-	-	-	-
	\$ 2,966,837	\$ 2,883,435	\$ 2,966,837	\$ 2,883,435

Young-Shannon Gold Mines, Limited (A Development Stage Entity)

NOTES TO FINANCIAL STATEMENTS

(PREPARED BY MANAGEMENT)

Three and Nine Months Ended September 30, 2006

(UNAUDITED)

1. BASIS OF PRESENTATION AND GOING CONCERN

Young-Shannon Gold Mines, Limited (the "Company" or "Young-Shannon") carries on business in one segment, being the acquisition, exploration and development of properties for the mining of precious and base metals in Canada. The Company holds a group of 11 patented and 18 unpatented claims within Chester Township located west of Highway 144 midway between Sudbury and Timmins, Ontario. It also has an option to earn a 60% interest in the McMillan Gold Mine property, located 75 kilometres southwest of the Greater City of Sudbury. To date, the Company has not earned significant revenue and is considered to be in the development stage.

The unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2006 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2006.

The balance sheet at December 31, 2005 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements. The interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended December 31, 2005. For further information, refer to the financial statements and notes thereto included in the Company's annual financial statements for the year ended December 31, 2005.

The accompanying financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. 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. 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 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 financial statements, then adjustments would be necessary to the carrying values of assets and liabilities.

2. NEW ACCOUNTING PRONOUNCEMENTS

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Handbook Section 3865, Hedges. These standards are effective for interim and annual financial statements for the Company's fiscal years beginning October 1, 2006.

Young-Shannon Gold Mines, Limited (A Development Stage Entity)

NOTES TO FINANCIAL STATEMENTS

(PREPARED BY MANAGEMENT)

Three and Nine Months Ended September 30, 2006

(UNAUDITED)

3. DEFERRED MINERAL PROPERTY EXPENDITURES

The property description can be found in the December 31, 2005 audited financial statements.

On July 17, 2006, the Company announced that the June 30, 2006 deadline for payment of \$2,000,000, less the \$25,000 non-refundable deposit, from a private company for a 46.25% undivided interest in the Company's Chester Gold Property has passed and the offer to purchase has expired. An extension of two weeks was granted by the Company, however, the private company failed to raise the cash requirement.

4. CAPITAL STOCK

(a) AUTHORIZED

Unlimited number of common shares

(b) ISSUED

	SHARES	AMOUNT
Balance - December 31, 2005	24,538,828	\$ 4,163,408
Issued on settlement of financial obligation (i)	300,000	31,458
Exercise of warrants (ii)	360,000	36,000
Exercise of warrants - black-scholes valuation	-	16,560
Balance - September 30, 2006	25,198,828	\$ 4,247,426

(i) Pursuant to the settlement agreement with MacMillan Gold Corp. on February 14, 2006, the Company issued 300,000 common shares with an assigned value of \$31,458. For details pertaining to this settlement, refer to Note 12 of the December 31, 2005 audited financial statements.

(ii) On June 22, 2006, a total of 360,000 common shares were issued at \$0.10 per common share upon the exercise of warrants.

Young-Shannon Gold Mines, Limited
(A Development Stage Entity)

NOTES TO FINANCIAL STATEMENTS

(PREPARED BY MANAGEMENT)

Three and Nine Months Ended September 30, 2006

(UNAUDITED)

5. WARRANTS

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

	NUMBER OF WARRANTS	AMOUNT (\$)
Balance - December 31, 2005	5,172,500	75,910
Exercised	(360,000)	(16,560)
Expired (i)	(3,312,500)	(36,850)
Balance - September 30, 2006	1,500,000	22,500

The following table reflects the actual warrants outstanding as of September 30, 2006:

Expiry Date	Exercise Price (\$)	Warrants Outstanding	Black-Scholes Value (\$)
May 1, 2007	0.125	1,500,000	22,500

(i) On June 22, 2006, a total of 3,312,500 warrants with an exercise price of \$0.25 expired.

6. 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 ended. The conversion of warrants and stock options to calculate diluted loss per share was not done, because the conversion was anti-dilutive.

7. STOCK OPTIONS

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

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$
Balance - December 31, 2005	1,475,000	0.11
Granted in a prior period	420,000	0.10
Expired in a prior period	(125,000)	0.10
Balance - September 30, 2006	1,770,000	0.11

**Young-Shannon Gold Mines, Limited
(A Development Stage Entity)**

NOTES TO FINANCIAL STATEMENTS

(PREPARED BY MANAGEMENT)

Three and Nine Months Ended September 30, 2006

(UNAUDITED)

7. STOCK OPTIONS (Continued)

The following table reflects the stock options outstanding as at September 30, 2006:

Expiry Date	Exercise Price (\$)	Options Outstanding	Black-Scholes Value (\$)
February 27, 2008	0.13	890,000	62,400
November 16, 2009	0.10	250,000	13,221
February 24, 2010	0.105	210,000	11,863
March 16, 2010	0.105	25,000	1,225
April 1, 2010	0.10	395,000	23,700
		1,770,000	112,409
Add: expired stock options		-	7,799
		1,770,000	120,208

8. SUBSEQUENT EVENTS

On October 12, 2006, the Company announced it had closed a non-brokered private placement of 5,575,000 units at a price of \$0.11 per unit for gross proceeds of \$613,250. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder thereof to purchase one common share of the Company at a price of \$0.15 per share for a period of 18 months following the closing date of the private placement.

All securities issued in connection with the private placement are subject to a four month plus one day statutory hold period.

A 5% finder's fee comprising 158,750 common shares of the Company was paid to Trilogy Capital Limited and a 5% finder's fee comprising of 87,500 common shares of the Company was paid to VC Group Investments, S.A. A 5% cash commission was paid to Brant Securities Limited in the amount of \$1,375 and to Haywood Securities Inc. in the amount of \$2,200.

As of September 30, 2006, \$541,732 had been received for units to be issued in conjunction with this private placement.

**Young-Shannon Gold Mines, Limited
(A Development Stage Entity)**

SUPPLEMENT I TO FINANCIAL STATEMENTS (CONTINUED)

(PREPARED BY MANAGEMENT)

Three and Nine Months Ended September 30, 2006

(UNAUDITED)

Expenses breakdown

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Consulting fees	\$ 20,250	\$ 22,500	\$ 69,994	\$ 70,621
Stock-based compensation	6,058	10,494	33,308	27,319
Stock maintenance and exchange fees	2,952	3,027	17,792	19,741
Professional fees	7,573	16,465	18,329	38,054
Office and administration	833	3,426	7,841	10,602
Insurance	2,700	2,700	8,100	8,100
Rent	2,250	2,250	6,750	6,750
Conference	2,000	-	4,483	5,943
Travel	-	1,626	1,715	9,826
Amortization	231	321	693	964
Advertising and promotion	-	-	275	-
Management fees	-	-	-	4,000
Write-off of the LaCucharas Gold and Silver property	-	13,452	-	13,452
	44,847	76,261	169,280	215,372
Less: interest income	(1)	(65)	(25)	(2,528)
	\$ 44,846	\$ 76,196	\$ 169,255	\$ 212,844