



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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Metallum Resources Inc. (formerly Young-Shannon Gold Mines, Limited) were prepared by management in accordance with Canadian generally accepted accounting principles. 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 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 consolidated financial statements and (ii) the 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 consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the 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 financial reporting process and the 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 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.

Auditors' Report

To the Shareholders of
Metallum Resources Inc. (formerly Young-Shannon Gold Mines, Limited)
(A Development Stage Entity)

We have audited the consolidated balance sheet of Metallum Resources Inc. (formerly Young-Shannon Gold Mines, Limited) as at December 31, 2008 and the consolidated statements of operations and comprehensive loss, statement of changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2007 and for the year then ended were audited by other auditors who expressed an unqualified opinion on those consolidated financial statements in their report dated April 3, 2008.

MSCM LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 26, 2009

Metallum Resources Inc.
(Formerly Young-Shannon Gold Mines, Limited)
(A Development Stage Entity)
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)

December 31	2008	2007
ASSETS		
Current		
Cash and cash equivalents	\$ 1,500,179	\$ 2,163,768
Sundry receivables	3,412	3,863
Prepaid expenses	11,123	19,886
	1,514,714	2,187,517
Equipment (Note 5)	6,589	1,805
Other assets		
Deferred mineral property expenditures (Note 6)	2,652,980	3,233,489
Mineral property acquisitions (Note 7)	603,902	699,902
Amount received for earn-in percentage	(125,000)	(125,000)
	3,131,882	3,808,391
	\$ 4,653,185	\$ 5,997,713
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 50,882	\$ 60,166
Future income tax liability (Note 12)	-	244,700
	50,882	304,866
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	5,950,804	5,950,804
Warrants (Note 9)	828,000	1,011,975
Stock options (Note 10)	231,242	138,611
Contributed surplus	279,125	95,150
Deficit	(2,686,868)	(1,503,693)
	4,602,303	5,692,847
	\$ 4,653,185	\$ 5,997,713

Basis of Presentation and Going Concern (Note 1)
Subsequent Events (Note 13)

Approved on Behalf of the Board:

"Greg Lipton"
Director

"Kevin Bullock"
Director

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

Metallum Resources Inc.

(Formerly Young-Shannon Gold Mines, Limited)

(A Development Stage Entity)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

For the years ended December 31	2008	2007
EXPENSES		
Consulting fees	\$ 111,000	\$ 92,000
Stock-based compensation (Note 10)	92,631	32,929
Professional fees	71,287	62,897
Stock maintenance and exchange fees	26,500	23,223
Advertising and promotion	24,475	4,266
Insurance	17,061	14,824
Rent	9,950	9,000
Conference	9,291	4,462
Office and administration	7,640	7,487
Travel	1,754	4,814
Amortization	1,066	666
Write-down of the McMillan Property (Note 6 and 7)	1,091,378	-
	1,464,033	256,568
Less: interest income	(36,158)	(8)
LOSS AND COMPREHENSIVE LOSS, before income taxes	(1,427,875)	(256,560)
Recovery of income taxes - future (Note 12)	(244,700)	(123,800)
NET LOSS AND COMPREHENSIVE LOSS	\$(1,183,175)	\$ (132,760)
Basic and diluted loss per share (Note 11)	\$ (0.02)	\$ 0.00
Weighted average number of shares outstanding	53,803,828	32,919,783

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Metallum Resources Inc.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

	Share Capital	Warrants	Stock Options	Contributed Surplus	Deficit	Total
Balance, December 31, 2006	\$ 4,679,580	\$ 206,475	\$ 125,726	\$ 72,650	\$(1,370,933)	\$ 3,713,498
Private placement	2,180,000	-	-	-	-	2,180,000
Cost of issue - cash and shares	(202,614)	-	-	-	-	(202,614)
Private placement finders fees	67,969	-	-	-	-	67,969
Issuance of warrants - valuation	(828,000)	828,000	-	-	-	-
Exercise of stock options - cash	33,825	-	-	-	-	33,825
Exercise of stock options - valuation	20,044	-	(20,044)	-	-	-
Expiry of warrants	-	(22,500)	-	22,500	-	-
Fair value of stock options granted	-	-	32,929	-	-	32,929
Net loss for the year	-	-	-	-	(132,760)	(132,760)
Balance, December 31, 2007	5,950,804	1,011,975	138,611	95,150	(1,503,693)	5,692,847
Expiry of warrants	-	(183,975)	-	183,975	-	-
Fair value of stock options granted	-	-	92,631	-	-	92,631
Net loss for the year	-	-	-	-	(1,183,175)	(1,183,175)
Balance, December 31, 2008	\$ 5,950,804	\$ 828,000	\$ 231,242	\$ 279,125	\$(2,686,868)	\$ 4,602,303

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

Metallum Resources Inc.
(Formerly Young-Shannon Gold Mines, Limited)
(A Development Stage Entity)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

For the years ended December 31	2008	2007
CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the year	\$ (1,183,175)	\$ (132,760)
Amortization	1,066	666
Write-down of McMillan Property	1,091,378	-
Stock-based compensation (Note 10)	92,631	32,929
Recovery of income taxes - future	(244,700)	(123,800)
Net change in non-cash working capital:		
Sundry receivables	451	6,595
Prepaid expenses and sundry assets	8,763	(3)
Accounts payable and accrued liabilities	(9,284)	(109,182)
	(242,870)	(325,555)
INVESTING ACTIVITIES		
Deferred mineral property expenditures	(414,869)	(99,237)
Mineral property acquisitions	-	(11,755)
Acquisition of equipment	(5,850)	-
	(420,719)	(110,992)
FINANCING ACTIVITIES		
Issuance of common shares	-	2,079,180
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(663,589)	1,642,633
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,163,768	521,135
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,500,179	\$ 2,163,768
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 258,111	\$ 2,163,768
Guaranteed investment certificate	1,242,068	-
	\$ 1,500,179	\$ 2,163,768
SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest received	\$ 36,090	\$ 8
Fair value of shares issued for property option	\$ -	\$ 19,500
Fair value of shares issued on settlement of financial obligation	\$ -	\$ 31,458

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Metallum Resources Inc.

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(A Development Stage Entity)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(EXPRESSED IN CANADIAN DOLLARS)

1. BASIS OF PRESENTATION AND GOING CONCERN

Metallum Resources Inc. (formerly Young-Shannon Gold Mines, Limited) (the "Company" or "Metallum") carries on business involving the acquisition, exploration and development of properties for the mining of precious and base metals in Canada and Argentina. The Company holds a 92.5% interest in a group of 11 patented and 18 unpatented claims within Chester Township located west of Highway 144 midway between Sudbury and Timmins, Ontario, and an option to earn a 70% interest in a gold and silver property in the province of Chubut, Argentina.

On July 3, 2008, the Company changed its name from "Young-Shannon Gold Mines, Limited" to "Metallum Resources Inc.". Effective July 11, 2008, the Company's shares commenced trading on the TSX Venture Exchange as a Tier 2 Mining Issuer under the symbol "MRV".

During the year, the Company incorporated a wholly owned subsidiary, Metallum S.A., an entity registered in Mendoza, Argentina to hold its interest in, and to administer future activity in the Company's M-18 property.

The accompanying 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 \$(2,686,868) 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 consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Principles

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Metallum S.A. These consolidated financial statements have been prepared in accordance with Canadian GAAP. All references to the Company should be treated as references to the Company and its subsidiary.

Cash and Cash Equivalents

Cash consists of cash at banks and on hand; cash equivalents consist of highly liquid short-term investments, which may be settled on demand without penalty or within a maximum 90-day period from the date of purchase.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(EXPRESSED IN CANADIAN DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclose contingent assets and liabilities, and report amounts of revenue and expenses during the year. Actual results could differ from these estimates. During the fiscal years presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of mining assets, the fair value of stock based compensation and the fair value of financial assets and liabilities. These estimates and valuation assumptions are based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions. Should the underlying valuation assumption and estimates change, the recorded amounts could change by a material amount.

Other Assets

The Company considers its exploration costs to have the characteristics of property and equipment. As such, the Company defers all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to the specific properties until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis based on proven and probable reserves or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made.

The recoverability of the amounts shown for deferred mineral property expenditures and mineral property acquisitions is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet its obligations under various agreements and the success of future operations or dispositions.

Equipment

Equipment is recorded at cost and amortized over their estimated useful lives utilizing the following rates and methods:

Computer	30%	Declining balance
Furniture and fixtures	20%	Declining balance

Stock-Based Compensation

The Company has a stock option plan which is described in Note 10. Stock options granted during the year are accounted for in accordance with the fair value method of accounting for stock-based compensation. Under this method compensation expense is measured at fair value at the date of grant using the Black-Scholes option pricing model and recognized on a straight-line basis over the vesting period with a corresponding credit to stock options. Balances in stock options are transferred to share capital when the options are exercised.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(EXPRESSED IN CANADIAN DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Flow Through Shares

Resource expenditure deductions for Canadian income tax purposes related to Canadian exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The Company follows the accounting prescribed by the Canadian Institute of Chartered Accountants ("CICA") Emerging Issues Committee ("EIC") in EIC-146 "Flow-through Shares". On the date the expenditures are renounced, the Company records the income tax benefit arising from the renunciation as a recovery of income taxes in the consolidated statement of operations and comprehensive loss and a corresponding reduction in the share capital amounts recorded from the sale of the flow-through shares proceeds.

Future Income Taxes

Income taxes are calculated using the asset and liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheets are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using enacted or substantively enacted tax rates anticipated to apply in the periods that temporary differences are expected to reverse. The effect of a change in a tax rate is recognized in income in the period that includes the date of enactment or substantive enactment. The recognition of future benefits is limited to the extent that the realization of such benefits is more likely than not.

(Loss) Earnings per Share

Basic (loss) earnings per share are computed by dividing earnings by the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted (loss) earnings per share. Diluted (loss) earnings per share are computed similar to basic (loss) earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options. If dilutive, the number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year.

Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets, which consists primarily of mineral properties, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the asset to its net recoverable amount or its fair value where there are no cash flows identified with the property, which is normally determined using discounted value of future cash flows. Where estimates of future net cash flows are not available, and where other conditions suggest impairment, management assesses fair value, primarily by reference to comparable transactions. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value. The amount of the impairment is charged to income in the period when the impairment is determined.

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YEARS ENDED DECEMBER 31, 2008 AND 2007

(EXPRESSED IN CANADIAN DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Retirement Obligation

The Company recognizes its liabilities for obligations relating to the retirement of long lived assets and obligations arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs are recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which the liability is incurred. A corresponding increase in the carrying amount of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, changes in the extent of environmental remediation required, changes in the means of reclamation or changes in the cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised. No liability has been recorded in these consolidated financial statements.

Financial Instruments and Comprehensive Income (Loss)

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the consolidated balance sheets at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in the statement of operations in the period in which they arise; available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is de-recognized or impaired at which time the amounts would be recorded in net income.

The Company has made the following classifications:

Cash and cash equivalents	Held-for-trading
Sundry receivables	Loans and Receivables
Accounts payable and accrued liabilities	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are expensed on initial recognition. The Company accounts for regular purchases and sales of financial assets using trade date accounting.

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Disclosures and Financial Instruments – Disclosures and Presentation (Continued)

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these consolidated financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 4 to these consolidated financial statements.

General Standard of Financial Statement Presentation

In June 2007, the CICA amended Handbook Section 1400, Going Concern, to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The amendments to Section 1400 are effective for interim and annual reporting periods beginning on or after January 1, 2008. The application of this new standard had no impact on the Company's operating results or financial position.

Future Accounting Pronouncements

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 the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its consolidated financial statements.

Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174, "Mining Exploration Costs". This EIC provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract for the year ended December 31, 2008 and there was no significant impact on its consolidated financial statements as a result of applying this abstract.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements (Continued)

Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"), results in withdrawal of CICA 3062, Goodwill and other Intangible Assets and CICA 3450, Research and Developmental Costs, and amendments to Accounting Guideline 11, Enterprises in the Development Stage and CICA 1000, Financial Statement Concepts. The standard intends to reduce the differences with IFRS in the accounting for intangible assets and results. Under current Canadian standards, more items are recognized as assets than under IFRS. The objectives of CICA 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The new standard takes effect for fiscal years ending on or after October 1, 2008, with early adoption encouraged. The Company is evaluating the effects of adopting this standard.

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 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 IFRS 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.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The Company is currently evaluating the effects of adopting this standard.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position and the capital stock, warrant, and option components of its shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

- i) minimizing discretionary disbursements;
- ii) reducing or eliminating exploration expenditures which are of limited strategic value;
- iii) exploring alternate sources of liquidity.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2008. The Company is not subject to externally imposed capital requirements.

4. PROPERTY AND FINANCIAL RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS

(a) Property Risk

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

(b) Financial Risk

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.

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4. PROPERTY AND FINANCIAL RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk (Continued)

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 and sundry receivables. Cash and cash equivalents are held with reputable Canadian chartered banks which are closely monitored by management. Financial instruments included in sundry receivables consist of sales tax receivable from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents and sundry receivables is remote.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash and cash equivalents balance of \$1,500,179 (2007 - \$2,163,768) to settle current liabilities of \$50,882 (2007 - \$60,166). 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.

Market Risk

i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks.

ii) Foreign Currency Risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Argentina on a cash call basis from the operator of the Argentina project using Canadian currency. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. As a result, the Company's exposure to foreign currency risk is remote.

iii) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

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4. PROPERTY AND FINANCIAL RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS (Continued)

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.

Sensitivity Analysis

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

- (i) Interest rate risk is remote as the interest rates on the Company's cash and cash equivalents have fixed interest rates.
- (ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold and silver. Gold and silver prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold or silver may be produced in the future, a profitable market will exist for them.

As of December 31, 2008, the Company was not a gold or silver 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.

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5. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value December 31, 2008
Computer	\$ 6,389	\$ (5,550)	\$ 839
Furniture and fixtures	7,423	(1,673)	5,750
	\$ 13,812	\$ (7,223)	\$ 6,589

	Cost	Accumulated Amortization	Net Book Value December 31, 2007
Computer	\$ 6,389	\$ (5,190)	\$ 1,199
Furniture and fixtures	1,572	(966)	606
	\$ 7,961	\$ (6,156)	\$ 1,805

6. DEFERRED MINERAL PROPERTY EXPENDITURES

Deferred mineral property expenditures consist of :

	December 31, 2008	December 31, 2007
Drilling	\$ 1,541,859	\$ 1,541,859
Drilling - Phase 1	126,896	126,896
Drilling - Phase 2	172,176	681,181
Engineering and consulting	416,115	471,364
Laboratory	198,247	212,801
Surveying and sampling	49,411	50,741
Site preparation	33,363	33,363
Dewatering	29,482	29,482
Supplies	26,779	25,817
Travel	49,738	51,071
Maintenance	8,914	8,914
	\$ 2,652,980	\$ 3,233,489

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6. DEFERRED MINERAL PROPERTY EXPENDITURES (Continued)

The following represents a breakdown of the annual activity on each of the Company's properties:

	2008	2007
Chester Township, Ontario		
Balance, beginning of year	\$ 2,557,344	\$ 2,566,537
Engineering and consulting	5,500	4,500
Laboratory	-	309
Non-recoverable deposits (Note 7)	-	(15,000)
Other	980	998
	6,480	(9,193)
Balance, end of year	\$ 2,563,824	\$ 2,557,344
McMillan Property Option, Ontario		
Balance, beginning of year	\$ 663,340	\$ 567,715
Drilling	257,704	73,986
Engineering and consulting	63,841	20,495
Laboratory	4,410	1,144
Other	6,083	-
Write-down of expenditures	(995,378)	-
	(663,340)	95,625
Balance, end of year	\$ -	\$ 663,340
M-18 Property Option, Argentina		
Balance, beginning of year	\$ 12,805	\$ -
Engineering and consulting	76,351	7,713
Travel	-	5,092
	76,351	12,805
Balance, end of year	\$ 89,156	\$ 12,805
TOTAL MINERAL PROPERTY EXPENDITURES	\$ 2,652,980	\$ 3,233,489

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7. MINERAL PROPERTY ACQUISITIONS

Mineral property acquisitions consist of:

	2008	2007
Chester Township, Ontario		
92.5% of eleven patented gold mining claims	\$ 399,790	\$ 399,790
Chester Township, Ontario		
92.5% of eighteen unpatented mining claims	192,357	192,357
McMillan Property Option, Ontario	96,000	96,000
M-18 Property Option, Argentina	11,755	11,755
Write-off of property acquisition	(96,000)	-
	\$ 603,902	\$ 699,902

Chester Township, Ontario

The Chester gold property in Chester Township, Ontario, is situated some 121 kilometres south-southwest of Timmins, and 162 kilometres north-northwest of Sudbury. The Chester project is composed of 92.5% of eleven patented, contiguous mining claims, and eighteen unpatented mining claims.

Pursuant to an agreement dated March 27, 1987, the Company must pay a royalty of 3% of net smelter returns, once production begins on any of the eleven patented gold mining claims in Chester Township. The Company must pay a royalty of 3% of net smelter returns, once production begins on two of the eighteen unpatented mining claims. The eighteen unpatented mining claims in Chester Township were acquired from related parties in 1997 under an option agreement requiring payment of 200,000 common shares and \$50,000 in cash. The Company issued the shares and paid the vendors \$5,000 before the option period expired. An agreement dated May 15, 2002 revived the option and the Company paid the vendors \$15,000 in cash on July 31, 2002. The \$30,000 unpaid balance was settled by the issuance of 200,000 common shares on January 7, 2003.

During 2006, the Company entered into an agreement with a private company for a 46.25% undivided interest in the Company's Chester Gold Property. 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 stipulated under the terms of the agreement had passed and the offer to purchase had expired. An extension of two weeks was granted by the Company, however, the private company failed to raise the cash requirement.

On October 23, 2007, the Company announced that the Company had signed a definitive Option and Joint Venture Agreement (the "Agreement") with a private Canadian company, whereby the private company can earn a 46.25% interest in the Company's gold property in Chester Township, Ontario. Pursuant to the signing of the Agreement, the private company paid the Company \$10,000. A previous non-refundable cash payment of \$5,000 was paid to the Company upon signing of the Letter of Intent for this Agreement, earlier this year.

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7. MINERAL PROPERTY ACQUISITIONS (Continued)

Chester Township, Ontario (Continued)

The private company was required to spend a total of \$2,250,000 in exploration costs to earn its 46.25% interest including \$100,000 by December 31, 2007, \$150,000 by March 31, 2008, and \$500,000 in each twelve month period ending on March 31, until March 31, 2012. Also, cash payments of \$15,000 were to be made by the private company to the Company on each of the first four anniversaries of the effective date of the Agreement.

The private company was to undertake a strategy to go public and become listed on the TSX Venture Exchange, or other equivalent stock exchange, by Initial Public Offering, merger, or other financial transaction ("Public Transaction") within nine months following the execution date of the Agreement. Upon completing a Public Transaction, the private company would have caused the resulting issuer, subject to regulatory approval, to issue the following shares to the Company:

- (i) shares of the resulting issuer on closing of the Public Transaction having a value of \$100,000; and
- (ii) 50% of the number of shares issued under (i) above on each anniversary of the closing of the Public Transaction for each year that the Agreement is in force until exercise of the option.

Upon satisfying these obligations the private company had the option to acquire an additional 28.75% interest in the property by paying the Company \$300,000 cash and issuing the Company five times the number of shares in the resulting issuer which were issued per (i), above.

On October 24, 2008, the Company terminated the Option and Joint Venture Agreement (the "Agreement") that it signed with the private Canadian company in October, 2007 for its Chester Gold Property.

The private company failed to meet cash and work commitment obligations as defined by the Agreement due to prevailing current market conditions, although the Company had, during the past year, agreed to three amendments on three separate dates requesting modifications to the Agreement from the private company.

As such, control and the 92.5% ownership of the Chester Property remains with the Company.

McMillan Property Option, Ontario

Effective October 7, 2004, the Company optioned 26 mining claims including the former McMillan gold mine located southwest of Sudbury, Ontario. The terms of the option to earn a 50% interest are as follows:

	Cash	Common Shares	Work Commitment
Upon signing (paid)	\$ 10,000	150,000	\$ -
First anniversary (paid)	15,000	150,000	200,000
Second anniversary (paid)	20,000	150,000	300,000
Third anniversary	30,000	200,000	400,000
	\$ 75,000	650,000	\$ 900,000

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7. MINERAL PROPERTY ACQUISITIONS (Continued)

McMillan Property Option, Ontario (Continued)

The Company may increase its interest to 60% by spending an additional \$400,000 on the McMillan property and issuing 250,000 common shares to the vendor.

During 2007, the Company requested a six month extension to the third anniversary date of the McMillan Gold property Option and Joint Venture Agreement with Garson Gold Corp. ("Garson") on October 25, 2007 in consideration of its interest in continuing with the evaluation of the gold potential of the property. Cumulative exploration expenditures required by the third anniversary date by the Company was \$900,000, however, expenditures to December 31, 2007 were \$663,340. Garson granted the six month extension to the Company in return for an additional \$50,000 to be spent on exploration on the property. The Company anticipated expenditures of approximately \$300,000 to be utilized on a diamond drilling program on the McMillan Gold Property in the first few months of 2008 to further evaluate the gold zone that it has defined on previous drilling campaigns. Upon fulfillment of the cumulative \$950,000 in exploration expenditures the Company would have completed its work commitment required to exercise its option and to earn its 50% carried interest in the property.

Management has determined that no further work is warranted on the McMillan project. On October 10, 2008, the Company elected not to exercise its option agreement with Garson. Accordingly, \$96,000 of deferred acquisition costs and \$995,378 of deferred mineral property expenditures associated with this project have been written off.

M-18 Property Option, Argentina

On June 4, 2007, the Company signed an Option and Joint Venture Agreement ("M-18") to earn a 70% interest in the M-18 gold and silver property in the province of Chubut in Argentina from Silver Standard Resources Inc. ("Silver Standard"). The M-18 Property comprises 6,300 hectares measuring nine kilometres east-west by seven kilometres north-south.

The Company is required to spend \$US 1,000,000 over four years on exploration on M-18 to earn its 70% interest. Cumulative exploration expenditures on each anniversary date of June 4th will be \$US 250,000 by the first anniversary, \$US 500,000 by the second anniversary, \$US 750,000 by the third anniversary, and \$US 1,000,000 by the fourth anniversary. Likewise, cumulative option payments for the property will occur as follows: \$US 15,000 on the first anniversary date, \$US 25,000 on the second anniversary date, \$35,000 on the third anniversary date, and \$50,000 on the fourth anniversary date. In the first quarter of fiscal 2009, the Company successfully negotiated an amendment to the underlying agreement dated March 1, 2007, in favour of a new "Effective Date" of April 14, 2009.

If a NI 43-101 compliant resource estimate shows that the property is silver dominant, that is, greater than 50% of the value of the resource estimate, Silver Standard will have the option to back-in for a 51% interest in the property by incurring \$US 1,000,000 in exploration costs. All proposed exploration on the property will be through a management committee comprised of equal representation of the Company and Silver Standard until the Company exercises its option. However, the Company will determine how exploration funds will be spent on the property. If the Company does exercise its option it will then have the majority voting regarding operations on the property unless Silver Standard exercises its back-in right, in which event Silver Standard shall be entitled to majority voting.

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8. CAPITAL STOCK

(a) AUTHORIZED
 Unlimited number of common shares

(b) ISSUED

	SHARES	AMOUNT
Balance - December 31, 2006	31,170,078	\$ 4,679,580
Private placement, December 10, 2007 (i)	21,800,000	2,180,000
Issuance of warrants - valuation (i)	-	(828,000)
Costs of Issue - cash and shares (i)	-	(202,614)
Private placement finders fees (i)	543,750	67,969
Exercise of options - cash	290,000	33,825
Exercise of options - valuation	-	20,044
Balance - December 31, 2007 and 2008	53,803,828	\$ 5,950,804

(i) On December 10, 2007, the Company closed a non-brokered private placement of 21,800,000 units at a price of \$0.10 per unit for gross proceeds of \$2,180,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant.

Each whole common share purchase warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.15 per share for a period of 24 months following the closing date of the private placement. A fair value of \$828,000 was assigned to the warrants, as calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%; expected volatility 135.3%; risk free rate of return 3.75%, and an expected maturity of two years.

In connection to the above, the Company paid costs of issue comprised of cash commissions of \$109,125, and a finder's fee of 543,750 common shares of the Company, with a fair value of \$67,969.

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9. WARRANTS

The following table reflects the continuity of warrants for the years ended December 31, 2008 and 2007:

	NUMBER OF WARRANTS	AMOUNT
Balance - December 31, 2006	4,287,500	\$ 206,475
Issued (Note 8(b)(iii))	10,900,000	828,000
Expired (i)	(1,500,000)	(22,500)
Balance - December 31, 2007	13,687,500	1,011,975
Expired (ii)	(2,787,500)	(183,975)
Balance - December 31, 2008	10,900,000	\$ 828,000

(i) On May 1, 2007, a total of 1,500,000 warrants with an exercise price of \$0.125 expired.

(ii) On April 12, 2008, a total of 2,787,500 warrants with an exercise price of \$0.15 expired.

The following table reflects the actual warrants outstanding as at December 31, 2008:

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

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10. STOCK OPTIONS

The Company maintains a Stock Option Plan under which the Company may grant options to directors, officers, employees and consultants of the Company. The maximum number of Company shares that can be reserved under this plan is 5,000,000 (2007 - 5,000,000). Unless otherwise noted, the options granted vest according to an eighteen month schedule from the date of the grant at a rate of 16.67% every three months.

The following table reflects the continuity of stock options for the years ended December 31, 2008 and 2007:

	NUMBER OF STOCK OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
Balance - December 31, 2006	1,770,000	\$0.12
Granted (i)(ii)	250,000	0.12
Exercised	(290,000)	0.12
Balance - December 31, 2007	1,730,000	0.12
Granted (iii)(iv)	1,750,000	0.10
Expired	(735,000)	0.13
Balance - December 31, 2008	2,745,000	\$0.10

The following table reflects the stock options outstanding as at December 31, 2008:

Expiry Date	Exercise Price (\$)	Weighted Average Life Remaining	Options Outstanding	Black-Scholes Value
November 16, 2009	0.10	0.88 years	250,000	\$ 13,999
February 24, 2010	0.105	1.15 years	175,000	9,886
March 16, 2010	0.105	1.21 years	25,000	1,225
April 1, 2010	0.10	1.25 years	295,000	21,240
February 20, 2012	0.135	3.14 years	100,000	13,000
July 27, 2012	0.117	3.57 years	150,000	21,411
May 1, 2013	0.10	4.33 years	1,600,000	90,344
November 7, 2013	0.10	4.85 years	150,000	805
		3.40 years	2,745,000	171,910
Add: expired stock options				59,332
				\$ 231,242

As at December 31, 2008, 1,528,334 of the 2,745,000 issued and outstanding stock options were fully vested and exercisable. These fully vested stock options have a weighted average exercise price of \$0.10.

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10. STOCK OPTIONS (Continued)

- (i) On February 20, 2007, the Company granted 100,000 stock options to an officer of the Company at an exercise price of \$0.13. These options expire on February 20, 2012 and are subject to vesting equally over a period of 18 months from the date of grant. A fair value of \$0.13, or \$13,000 in aggregate assigned to these options was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 181.7%, risk-free rate of return 4.01% and expected maturity of 5 years.
- (ii) On July 27, 2007, the Company granted 150,000 stock options to a director of the Company at an exercise price of \$0.117. These options are subject to immediate vesting and expire on July 27, 2012. A fair value of \$0.1427, or \$21,411 in aggregate assigned to these options was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 167.1%, risk-free rate of return 4.53% and expected maturity of 5 years.
- (iii) On May 1, 2008, the Company granted 1,600,000 stock options to directors and officers of the Company at an exercise price of \$0.10. These options expire on May 1, 2013 and are subject to vesting equally over a period of 18 months from the date of grant. A fair value of \$0.078, or \$124,800 in aggregate assigned to these options was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 157.9%, risk-free rate of return 3.04% and expected maturity of 5 years.
- (iv) On November 7, 2008, the Company granted 150,000 stock options to a director of the Company at an exercise price of \$0.10. These options expire on November 7, 2013 and are subject to vesting equally over a period of 18 months from the date of grant. A fair value of \$0.026, or \$3,900 in aggregate assigned to these options was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 154.8%, risk-free rate of return 2.76% and expected maturity of 5 years.

11. BASIC AND DILUTED LOSS PER SHARE

Year ended December 31	2008	2007
Numerator:		
Net loss for the year	\$ (1,183,175)	\$ (132,760)
Denominator:		
Weighted average number of common shares outstanding	53,803,828	32,919,783
Basic and diluted loss per share	\$ (0.02)	\$ 0.00

The determination of the weighted average number of shares outstanding for the calculation of diluted loss per share does not include the effect of outstanding warrants and options since they are anti-dilutive.

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12. INCOME TAXES

The recovery of income taxes varies from the amounts that would be computed by applying the Canadian federal and provincial statutory rates to income (loss) before income taxes as follows:

Year ended December 31	2008	2007
Income taxes based on combined federal and provincial statutory rate of 33.5% (2007 - 36.12%)	\$ (478,338)	\$ (92,670)
Increase(decrease) in income tax resulting from:		
Stock compensation	31,031	11,894
Future tax benefits not recognized	-	40,295
Impact of future changes in enacted rates and other adjustments	231,545	(83,319)
Valuation allowance	(28,938)	-
Effective income tax provision (recovery)	\$ (244,700)	\$ (123,800)

The Company's income tax expense for each of the years ended is as follows:

Year ended December 31	2008	2007
Future (recovery)	\$ (244,700)	\$ (123,800)

A summary of the principal components of future taxes calculated in accordance with Canadian accounting principles as at December 31, 2008 and 2007 is as follows:

Year ended December 31	2008	2007
Operating losses carried forward	\$ 192,444	\$ 123,025
Capital losses carried forward	-	1,823
Equipment	1,709	1,300
Capital stock share issuance cost	17,528	47,169
Deferred mineral property	(68,602)	(246,000)
Valuation allowance	(143,079)	(172,017)
Net future income tax liability	\$ -	\$ (244,700)

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12. INCOME TAXES

As at December 31, 2008, the Company had net operating losses \$574,600 (2007 - \$455,600) which were provided with a valuation allowance. The following are the net operating loss carryforwards by year of expiry:

2014	\$	54,300
2015		123,600
2026		119,700
2027		146,000
2028		<u>220,000</u>
	\$	<u>663,600</u>

13. SUBSEQUENT EVENTS

- a) On February 27, 2009, the Company signed a Letter of Intent ("LOI") 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.

If the Proposed Transaction is completed, the shareholders of Solfotara will own approximately 80% of the fully diluted shares (pre-financing) of the Resulting Issuer (the entity formed out of the three-way amalgamation of Metallum, Solfotara and a wholly-owned subsidiary of Metallum formed to complete the Proposed Transaction) while the existing shareholders of Metallum will own approximately 20% of the fully-diluted shares (pre-financing) of the Resulting Issuer. It is a condition precedent to the closing of the Proposed Transaction, that a minimum \$3,500,000 private placement of units ("Units") of the Resulting Issuer at \$0.50 per Unit be completed. It is anticipated that each Unit will consist of one common share and one common share purchase warrant of the Resulting Issuer exercisable for twelve months at \$0.75 per share. It is also a condition of the Proposed Transaction that Metallum obtains shareholder approval, and implements, a consolidation of its shares on an approximate basis of one new share for every 6.4 old shares. Furthermore, the Proposed Transaction is subject to the parties entering into a definitive agreement and obtaining all regulatory approvals (including that of the TSX Venture Exchange ("Exchange")).

To facilitate certain aspects of the Proposed Transaction, Metallum agreed to advance to Solfotara, with Exchange approval (received), Cdn. \$250,000 (subsequently paid) to fund a property option payment due by Solfotara in respect to its Basay Property in the form of a secured convertible debenture ("Debenture"). If the Proposed Transaction is completed, the principal amount of the Debenture plus accrued interest will be convertible into common shares of Solfotara at an agreed price. If the Proposed Transaction is not completed, Solfotara will be required, unless the reason for the default lies with Metallum, to repay the Debenture advances with interest. The LOI contemplates that Metallum may make additional Debenture advances, again subject to Exchange approval, of up to a maximum of Cdn. \$250,000 (for a total of Cdn. \$500,000) prior to completion of the Proposed Transaction.

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13. SUBSEQUENT EVENTS (Continued)

The completion of the Proposed Transaction is subject to a number of conditions precedent including, but not limited to, satisfactory due diligence reviews, negotiation and execution of definitive transaction documentation, approval by both boards of directors, approval by both shareholders, availability of prospectus and registration exemptions or obtaining exemptive relief, obtaining necessary governmental and third party approvals and Exchange acceptance. There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

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

- b) In the first quarter of fiscal 2009, the Company successfully negotiated an amendment to the underlying agreement pertaining to the M-18 property, dated March 1, 2007, in favour of a new "Effective Date" of April 14, 2009.