

The information set forth in this document should be read in conjunction with the audited consolidated financial statements of Metallum Resources Inc. (formerly Young-Shannon Gold Mines, Limited) ("the Company" or "Metallum") for the years ended December 31, 2008 and 2007, in accordance with Canadian generally accepted accounting principles and the related notes thereto.

### **Forward Looking Statements**

Except for the historical statements contained herein, this management's discussion and analysis presents "forward-looking statements" within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and other minerals and metals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Metallum to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to international operations, risks related to the integration of acquisitions; risks related to joint venture operations; actual results of current exploration activities; actual results of current or future reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and other minerals and metals; possible variations in ore reserves, resources, grade or recovery rates; failure of equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; and delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the management and officers of Metallum believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Metallum does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

## Description of Business

The Company is engaged in the exploration and development of a mineral property in the region of Sudbury, Ontario, Canada and an option to earn a 70% interest in a gold and silver property in the province of Chubut, Argentina. 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 Argentina property.

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".

## Financial Highlights

The following tables set out financial performance highlights for the last eight quarters.

### SUMMARY OF QUARTERLY RESULTS

	Fourth Quarter December 31, 2008	Third Quarter September 30, 2008	Second Quarter June 30, 2008	First Quarter March 31, 2008
Revenue	\$0	\$0	\$0	\$0
Expenses	\$129,233	\$1,179,404	\$89,453	\$65,943
Interest income	\$9,049	\$10,175	\$13,285	\$3,649
Future income tax recovery	(\$244,700)	\$0	\$0	\$0
Net income (loss)	\$124,516	(\$1,169,229)	(\$76,168)	(\$62,294)
Net income (loss) per share - basic and diluted	\$0.00	(\$0.02)	\$0.00	\$0.00
Cash flows used in operating activities	(\$39,162)	(\$63,884)	(\$63,996)	(\$75,828)
Cash, end of period	\$1,500,179	\$1,561,752	\$1,691,469	\$2,040,793
Assets	\$4,653,185	\$4,723,057	\$5,963,999	\$5,921,781
Long-term (future tax) liabilities	\$0	\$244,700	\$244,700	\$244,700

**Metallum Resources Inc.**  
**(Formerly Young-Shannon Gold Mines, Limited)**  
**Management's Discussion and Analysis for the**  
**Year Ended December 31, 2008**  
**Expressed in Canadian Dollars**  
**Dated April 24, 2009**

	Fourth Quarter December 31, 2007	Third Quarter September 30, 2007	Second Quarter June 30, 2007	First Quarter March 31, 2007
Revenue	\$0	\$0	\$0	\$0
Expenses	\$79,805	\$66,938	\$58,472	\$51,353
Interest income	\$0	\$0	\$8	\$0
Future income tax recovery	(\$123,800)	\$0	\$0	\$0
Net income (loss)	\$43,995	(\$66,938)	(\$58,464)	(\$51,353)
Net income (loss) per share - basic and diluted	\$0.00	\$0.00	\$0.00	\$0.00
Cash flows used in operating activities	\$(40,411)	\$(57,845)	\$(43,209)	\$(184,090)
Cash, end of period	\$2,163,768	\$155,917	\$195,862	\$257,824
Assets	\$5,997,713	\$3,986,904	\$4,024,234	\$4,079,825
Long-term (future tax) liabilities	\$244,700	\$368,500	\$368,500	\$368,500

**SELECTED ANNUAL INFORMATION**

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Interest income	\$36,158	\$8	\$25
Expenses	\$1,464,033	\$256,568	\$253,652
Future income tax (recovery)	(\$244,700)	(\$123,800)	\$59,282
Net loss	(\$1,183,175)	(\$132,760)	(\$312,909)
Net loss per share	(\$0.02)	\$0.00	(\$0.01)
Cash flows used in operating activities	(\$242,870)	(\$325,555)	(\$158,979)
Cash, end of year	\$1,500,179	\$2,163,768	\$521,135
Assets	\$4,653,185	\$5,997,713	\$4,251,346
Long-term (future tax) liabilities	\$0	\$244,700	\$368,500

Year Ended December 31, 2008

The Company incurred a loss for the year ended December 31, 2008 of \$1,183,175, compared to a loss of \$132,760 for the comparative year ended December 31, 2007. The negative variance of \$1,050,415 is primarily driven by the \$1,091,378 write-down of deferred expenditures associated with the decision to discontinue the McMillan project, as well as the costs associated with the fair value assigned to stock options subject to vesting during the year. The Company also experienced variances in stock exchange and maintenance fees as a result of growing shareholder base, and moderate increase in professional fees charged for general matters. Furthermore, increased directors & officers insurance coverage has led to a moderate rise in premiums, and attendance at a major conference in the first quarter of fiscal 2008 has led to more significant travel, advertising and conference charges. The increase in costs has been partially mitigated by a marked increase in interest income, as the Company moved to invest the proceeds of the private placement completed in December 2007 in secure, interest bearing guaranteed investment certificates.

The following chart reflects the breakdown of office and administration expense for the years ended December 31, 2008 and 2007:

Administrative Expenses	Year Ended	
	December 31, 2008	December 31, 2007
Bank charges and interest	415	111
Delivery charges	894	300
Investor costs	656	736
Membership fees	350	250
Telephone and fax	2,675	2,006
Printing	146	2,231
Website maintenance	1,195	337
Miscellaneous	1,309	1,516
<b>Totals</b>	<b>7,640</b>	<b>7,487</b>

The year ended December 31, 2008 saw an increase in delivery expenses, reflecting the cost of transporting the Company's booth and presentation materials to a mining conference held in British Columbia. A mitigating decline in printing costs is seen as the Company continues to utilize the materials printed in prior years. Furthermore, the increase in telephone and fax is reflective of the costs of administering the Company's interests pertaining to its recently acquired M-18 property in Argentina. A moderate increase was also experienced in website maintenance, reflective of efforts regarding the rebranding of the Company with respect to its legal name change to Metallum Resources Inc. from Young-Shannon Gold Mines, Limited. Lastly, an increase in bank charges and interest was seen on a year over year basis, associated with the costs of administering the Company's M-18 property option in Argentina.

Administrative Expenses	Three Months Ended	
	December 31, 2008	December 31, 2007
Bank charges and interest	62	7
Delivery	35	68
Investor costs	-	-
Membership fees	-	-
Telephone and fax	587	856
Printing	59	-
Website maintenance	-	-
Miscellaneous	249	249
<b>Totals</b>	<b>992</b>	<b>1,180</b>

On a quarter over quarter comparative basis, fourth quarter administrative expenses have remained consistent. Nominal variances in bank charges, consistent with the costs of international commerce associated with the Company's M-18 Argentinean property serve to raise costs, while a decline in telephone and fax expense is a function of the costs to conclude negotiations with respect to the acquisition of the M-18 option in the fourth quarter of fiscal 2007.

#### **Liquidity and Capital Resources**

Metallum reported working capital as at December 31, 2008 of \$1,463,832 (December 31, 2007 – \$2,127,351) and cash and cash equivalent balances of \$1,500,179 (December 31, 2007 – \$2,163,768). Of the \$1,500,179 of cash and cash equivalents, on December 31, 2008, \$258,111 (December 31, 2007 - \$2,163,768) was held in cash and the residual \$1,242,068 (December 31, 2007 - \$nil) was held in a guaranteed investment certificate yielding an average annualized return of 1%. The Company does not hold investments with exposure to the sub-prime lending market, asset backed commercial paper, nor any derivative thereof.

The Company continues to fund its exploration activities through equity financing, with the last injection of funds occurring on December 10, 2007 by means of a non-brokered private placement consisting of 21,800,000 units at a price of \$0.10 per unit, yielding 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 until December 10, 2009. In connection with this private placement, 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.

Although the Company has sufficient capital resources to meet its immediate obligations, the Company may seek to raise additional funding to finance future exploration programs. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to finance resource based junior companies, in addition to the results of the Company's exploration programs and the acquisition of additional projects.

The Company has no credit facilities with financial institutions, accordingly its financial instruments consist of cash, sundry receivables and accounts payable and accrued liabilities. Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values because of their short term nature.

At this time, the Company is not anticipating an ongoing profit from operations, therefore it will rely on its ability to obtain equity or debt financing for growth. The Company may need additional capital, and may raise additional funds should its Board deem it advisable.

#### **Industry and Economic Factors Affecting Metallum Resources Inc.**

The Company's future performance is largely tied to the outcome of its drilling and exploration programs, the price of gold and other precious minerals, and the overall health and stability of junior capital markets, inclusive of the TSX Venture Exchange. The financial markets upon which the Company is reliant are widely expected to experience continued volatility for the remainder of the calendar year and potentially through 2009-2010, reflective of investor anxiety with regard to the stability of the global economy, weakening global growth prospects, and their associated impact upon liquidity, security and return. This has led to sustained declines in commodity markets. Furthermore, unprecedented uncertainty in the credit markets has also led to increased difficulties in accessing capital.

Junior exploration companies worldwide have been hit particularly hard by these trends. Accordingly, the Company may have difficulty raising additional equity financing for the purposes of gold and other precious mineral exploration without significantly diluting the position of its current shareholders. With continued market volatility and slower worldwide economic growth anticipated, the Company's strategy is to manage its treasury in a planned, deliberate and prudent manner while attempting to limit any future offering to a point in time where the associated capital markets have favourably stabilized. The Company believes this focused strategy will enable it to meet the near-term challenges presented by the capital markets while maintaining the momentum on key initiatives. The Company has a strong belief in the exploration potential of its properties and aims to emerge from the current economic situation in a solid financial position.

#### **Off-Balance Sheet Arrangements**

Metallum does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

#### **Proposed Transactions**

There is no imminent decision by the Board of Directors of the Company with respect to any transaction beyond what is included in this MD&A.

### **Critical Accounting Estimates**

The preparation of the Company's financial statements requires management to make certain estimates that affect the amounts reported in the financial statements. The accounting estimates considered to be significant include estimates of the recoverability of mineral interests and stock-based compensation.

The recoverability of the amounts shown for mining interests 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.

The Company uses a Black-Scholes model to determine the fair value of options and warrants. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data and comparables in the estimate of future volatilities.

### **Accounting Changes**

#### 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.

#### 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.

#### 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.

#### 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. Section 1400 is 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.

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## **Capital Management**

The Company considers its capital structure to consist of share capital, stock options, and warrants. 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.

## **Financial and Other Instruments**

The Company is not involved in any hedging program, nor is it a party to any financial instruments that may have an impact on its financial position.

## **Future Accounting Changes**

### International Financial Reporting Standards ["IFRS"]

In January 2006, the CICA's Accounting Standards Board ["AcSB"] formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability ["PAEs"]. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. 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 will be required to have prepared, in time for its first quarter 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010.

### Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"), results in withdrawal of 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.

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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 continually evaluating the effects of adopting this standard.

Capitalization of Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC 174, "Mining Exploration Costs", which 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.

**Results of Operations: Chester Property, 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.

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.

#### **Results of Operations: McMillan Property, Ontario**

On October 25, 2004 the Company optioned the McMillan gold project, which is located 75 kilometres southwest of the Greater City of Sudbury in Mongowin and McKinnon Townships. The Company optioned 26 claims, which included the former producing McMillan gold mine. The option, from (Garson Resources Ltd. ("Garson") (previously MBMI Resources Inc. ("MBMI")), gave Metallum the right to earn up to a 60% interest in the former gold producer. The terms of the option, are as follows to earn a 50% interest:

After the 3rd Anniversary, Metallum had the option to increase its interest to 60% by spending an additional \$400,000 on the McMillan property and issuing an additional 250,000 shares to Garson. Upon the exercise of the Option, Metallum and Garson will be deemed to have formed a Joint Venture.

On October 10, 2008, the Company announced it had elected not to exercise its option agreement with Garson Gold Corp. Accordingly, \$96,000 of deferred acquisition costs and \$991,229 of deferred mineral property expenditures associated with this project were written off in the third quarter of fiscal 2008.

### **Results of Operations: M-18 Property, Argentina**

On June 4, 2007, the Company signed an Option and Joint Venture Agreement (the "Agreement") (dated March 1, 2007) 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 9 kilometres east-west by 7 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. Exploration expenditures on each anniversary date of June 04 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 of \$US 125,000 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.

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 vote regarding operations on the property unless Silver Standard exercises its back-in right, in which event Silver Standard shall be entitled to majority voting.

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.

The qualified person, as required under National Instrument 43-101, for the Chester, McMillan, and M-18 projects is Greg Lipton, P.Geol., the Company's President and CEO. He is a practising member of the Association of Professional Geoscientists of Ontario (APGO).

### **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 advanced to Solfotara, with Exchange approval, Cdn. \$250,000 to fund a property option payment due by Solfotara in respect to its Basay Property in the form of a secured convertible debenture ("Debenture"). If the Proposed Transaction 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.

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 the board of directors and by shareholders of both companies, 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.

## **Risks and Uncertainties**

The Company's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative in nature.

The business of exploration for minerals and mining involves a high degree of risk. A relatively small proportion of properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on any of the mineral properties in which the Company holds interest or intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company has limited experience in the development and operation of mines and has relied on and may continue to rely upon consultants and others for exploration and operating expertise. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined, and fluctuations in the price of any minerals produced.

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, or mining operations, at its projects.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. The prices of mineral products have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

The mining industry is intensely competitive. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees, contractors and consultants.

The Company's operations are subject to environmental regulations promulgated by local, provincial and federal government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. Further, the Company's properties are in the exploration stage and are not commercially viable at this time. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

### **Dependence on Key Employees**

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

### **Potential Dilution**

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

### **Current Global Financial Conditions**

Current global financial conditions have been characterized by increased volatility, declining liquidity and the exit of a number of traditional investors from public markets. Access to public financing has been made more challenging by a global contraction of commercial and consumer credit markets. The ensuing decline in consumption has led to a marked erosion of investor confidence and risk tolerance. A major consequence/contributor to these factors may be seen in the unparalleled number of established financial institutions facing involuntary corporate reorganization, insolvency, bankruptcy and/or governmental intervention. While the most sensational of the corporate casualties have occurred in the United States, the global nature today's economic reality has left no interrelated public market unscathed. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company or at all. Any or all of these economic factors, as well as other factors not specifically identified herein, may cause a decline in asset values that could be deemed to be other than temporary, resulting in impairment losses. If such conditions continue, the Company's operations could be negatively impacted, and the trading price of its common shares may be adversely affected.

Securities of mining and mineral exploration companies, including the common shares of the Company, have experienced substantial volatility in the past, and especially during the fourth quarter of 2008 and early 2009, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also significantly affected by short-term changes in commodity prices, base and precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business.

### **Additional Disclosure for Venture Issuers without Significant Revenue**

The balance of Mineral Property Acquisitions and Deferred Mineral Property Expenditures declined to \$3,131,882 on December 31, 2008 (December 31, 2007 - \$3,808,391), primarily due to the \$1,091,378 write-down of the McMillan property, partially mitigated through expenditures on other properties, the details of which are provided in the corresponding audited consolidated financial statements.

## **IFRS IMPLEMENTATION PLAN**

The AcSB has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended March 31, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Property, plant and equipment (measurement and valuation);
- Provisions, including asset retirement obligations;
- Stock-based compensation;
- Accounting for joint ventures;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	In progress, expected to be complete during Q2 2009
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	Throughout 2009
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	Throughout 2009
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Q4 2009 – Q1 2010
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q4 2009 – Q2 2010
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout 2010

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### **Management's Responsibility for Financial Information**

The Company's consolidated financial statements are the responsibility of the Company's management, and have been approved by the board of directors. The consolidated financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the consolidated financial statements are presented fairly in all material respects.

### **Disclosure and Internal Financial Controls**

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 audited 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 years presented by the audited consolidated financial statements; and
- (ii) the audited 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 years presented by the audited consolidated financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Disclosure of Outstanding Share Data**

Metallum shares trade on the TSX Venture Exchange under the symbol "MRV". The Company is authorized to issue an unlimited number of common shares without par value. On April 24, 2009, there were 53,803,828 common shares issued and outstanding, 2,595,000 stock options outstanding with a weighted average exercise price of \$0.10 expiring between 2009 and 2013, and 10,900,000 warrants outstanding with a weighted average exercise price of \$0.15 expiring in 2009.

### **Additional Information**

Additional information relating to the Company is available on the SEDAR website [www.sedar.com](http://www.sedar.com), or on the Company's corporate website [www.metallumresourcesinc.com](http://www.metallumresourcesinc.com).