



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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2008**

(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim 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. The most significant of these accounting principles have been set out in the December 31, 2007 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim 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 unaudited interim 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 unaudited interim consolidated financial statements and (ii) the unaudited interim 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 unaudited interim consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the unaudited interim consolidated financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the unaudited interim 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 unaudited interim 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.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Metallum Resources Inc.
(Formerly Young-Shannon Gold Mines, Limited)
(A Development Stage Entity)

INTERIM CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	September 30, 2008	December 31, 2007
ASSETS		
Current		
Cash and cash equivalents	\$ 1,561,752	\$ 2,163,768
Sundry receivables	23,554	3,863
Prepaid expenses	17,061	19,886
	1,602,367	2,187,517
Equipment	4,198	1,805
Other assets		
Deferred mineral property expenditures	2,637,590	3,233,489
Mineral property acquisitions	603,902	699,902
Amount received for earn-in percentage	(125,000)	(125,000)
	3,116,492	3,808,391
	\$ 4,723,057	\$ 5,997,713
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 25,664	\$ 60,166
Future income tax liability	244,700	244,700
	270,364	304,866
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	5,950,804	5,950,804
Warrants (Note 6)	828,000	1,011,975
Stock options (Note 8)	206,148	138,611
Contributed surplus	279,125	95,150
Deficit	(2,811,384)	(1,503,693)
	4,452,693	5,692,847
	\$ 4,723,057	\$ 5,997,713

Basis of Presentation and Going Concern (Note 1)

Subsequent Events (Note 9)

Approved on Behalf of the Board:

"Greg Lipton" (Director)

"Kevin Bullock" (Director)

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

Metallum Resources Inc.

(Formerly Young-Shannon Gold Mines, Limited)

(A Development Stage Entity)

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
REVENUE	\$ -	\$ -	\$ -	\$ -
EXPENSES				
Consulting fees	\$ 30,000	\$ 23,250	81,000	68,750
Stock-based compensation (Note 8)	36,480	24,101	67,537	30,762
Stock maintenance and exchange fees	4,180	3,947	24,116	18,716
Professional fees	14,702	7,650	31,071	28,192
Office and administration	2,009	1,576	6,390	6,307
Insurance	2,008	1,998	11,740	7,419
Rent	2,150	2,250	6,650	6,750
Conference	-	2,000	6,901	3,163
Travel	-	-	1,754	4,264
Advertising and promotion	402	-	9,828	1,941
Amortization	244	166	584	499
Write-down of the McMillan Property (Note 9)	1,087,229	-	1,087,229	-
	1,179,404	66,938	1,334,800	176,763
Less: interest income	(10,175)	-	(27,109)	(8)
NET LOSS AND COMPREHENSIVE LOSS	\$(1,169,229)	\$ (66,938)	\$(1,307,691)	\$ (176,755)
Basic and diluted loss per share (Note 7)	\$ (0.02)	\$ 0.00	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding	53,803,828	31,429,078	53,803,828	31,283,411

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

Metallum Resources Inc.

(Formerly Young-Shannon Gold Mines, Limited)

(A Development Stage Entity)

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Capital Stock				
Balance at beginning of period	\$ 5,950,804	\$ 4,702,432	\$ 5,950,804	\$ 4,679,580
Exercise of stock options - cash	-	20,150	-	33,825
Exercise of stock options - valuation	-	10,867	-	20,044
Balance at end of period	\$ 5,950,804	\$ 4,733,449	\$ 5,950,804	\$ 4,733,449
Warrants				
Balance at beginning of period	\$ 828,000	\$ 183,975	\$ 1,011,975	\$ 206,475
Warrants expired	-	-	(183,975)	(22,500)
Balance at end of period	\$ 828,000	\$ 183,975	\$ 828,000	\$ 183,975
Stock Options				
Balance at beginning of period	\$ 169,668	\$ 123,209	\$ 138,611	\$ 125,726
Stock options granted	36,480	24,102	67,537	30,762
Stock options exercised	-	(10,867)	-	(20,044)
Balance at end of period	\$ 206,148	\$ 136,444	\$ 206,148	\$ 136,444
Contributed Surplus				
Balance at beginning of period	\$ 279,125	\$ 95,150	\$ 95,150	\$ 72,650
Warrants expired	-	-	183,975	22,500
Balance at end of period	\$ 279,125	\$ 95,150	\$ 279,125	\$ 95,150
Deficit				
Balance at beginning of period	\$ (1,642,155)	\$ (1,480,750)	\$ (1,503,693)	\$ (1,370,933)
Net loss for the period	(1,169,229)	(66,938)	(1,307,691)	(176,755)
Balance at end of period	\$ (2,811,384)	\$ (1,547,688)	\$ (2,811,384)	\$ (1,547,688)
Total Shareholders' Equity, End of Period	\$ 4,452,693	\$ 3,601,330	\$ 4,452,693	\$ 3,601,330

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Metallum Resources Inc.

(Formerly Young-Shannon Gold Mines, Limited)

(A Development Stage Entity)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net loss for the period	\$ (1,169,229)	\$ (66,938)	\$ (1,307,691)	\$ (176,755)
Amortization	244	166	584	499
Write-down of McMillan Property	1,087,229	-	1,087,229	-
Stock-based compensation (Note 8)	36,480	24,101	67,537	30,762
Net change in non-cash working capital:				
Sundry receivables	(6,118)	(2,529)	(19,691)	3,196
Prepaid expenses and sundry assets	95,702	1,998	2,825	9,428
Accounts payable and accrued liabilities	(108,192)	(14,643)	(34,501)	(152,274)
	(63,884)	(57,845)	(203,708)	(285,144)
INVESTING ACTIVITIES				
Deferred mineral property expenditures	(65,833)	(2,250)	(395,330)	(102,144)
Mineral property acquisitions	-	-	-	(11,755)
Acquisition of equipment	-	-	(2,978)	-
	(65,833)	(2,250)	(398,308)	(113,899)
FINANCING ACTIVITIES				
Issuance of common shares	-	20,150	-	33,825
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(129,717)	(39,945)	(602,016)	(365,218)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,691,469	195,862	2,163,768	521,135
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,561,752	\$ 155,917	\$ 1,561,752	\$ 155,917
CASH AND CASH EQUIVALENTS CONSISTS OF:				
Cash	\$ 231,548	\$ 155,917	\$ 231,548	\$ 155,917
Guaranteed investment certificate	1,330,204	-	1,330,204	-
	\$ 1,561,752	\$ 155,917	\$ 1,561,752	\$ 155,917

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Metallum Resources Inc.

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(A Development Stage Entity)

INTERIM CONSOLIDATED STATEMENTS OF DEFERRED MINERAL PROPERTY EXPENDITURES

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Chester Township (Note 9(a))				
Balance, beginning of period	\$ 2,560,824	\$ 2,565,094	\$ 2,557,344	\$ 2,566,537
Engineering and consulting	1,500	1,125	4,000	3,375
Travel	-	-	-	309
Non refundable deposit	-	-	-	(5,000)
Other	-	-	980	998
	1,500	1,125	4,980	(318)
Balance, end of period	\$ 2,562,324	\$ 2,566,219	\$ 2,562,324	\$ 2,566,219
McMillan Property (Note 9(b))				
Balance, beginning of period	\$ 936,608	\$ 661,091	\$ 663,340	\$ 567,715
Drilling	28,200	-	257,704	73,986
Engineering and consulting	20,155	1,125	59,782	19,371
Laboratory	1,170	-	4,320	-
Other	5,095	-	6,082	1,144
Write-down of expenditures	(991,228)	-	(991,228)	-
	(936,608)	1,125	(663,340)	94,501
Balance, end of period	\$ -	\$ 662,216	\$ -	\$ 662,216
M-18 Property				
Balance, beginning of period	\$ 65,554	\$ 7,961	\$ 12,805	\$ -
Professional and consulting	9,712	-	62,461	5,793
Travel	-	-	-	2,168
	9,712	-	62,461	7,961
Balance, end of period	\$ 75,266	\$ 7,961	\$ 75,266	\$ 7,961
Total Deferred Mineral Property Expenditures	\$ 2,637,590	\$ 3,236,396	\$ 2,637,590	\$ 3,236,396

Descriptions of the above noted properties may be found in note 5 of the December 31, 2007 audited financial statements.

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

Metallum Resources Inc.

(Formerly Young-Shannon Gold Mines, Limited)

(A Development Stage Entity)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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. It also has an option to earn a 60% interest in the McMillan Gold Mine property, located 75 kilometres southwest of the Greater City of Sudbury, 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 period, 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 unaudited interim financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned significant revenue, has an accumulated deficit of \$2,811,384 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 financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities.

2. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of these consolidated financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as noted below. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2007, as they do not contain all disclosures required by GAAP for annual consolidated financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

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

Metallum Resources Inc.

(Formerly Young-Shannon Gold Mines, Limited)

(A Development Stage Entity)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

2. ACCOUNTING POLICIES (Continued)

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. The Company has included disclosures recommended by the new Handbook section in note 3 to these interim 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 interim 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. 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 unaudited interim financial statements as at and for the three and nine months ended September 30, 2008.

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. 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 is currently assessing the impact of IFRS on its financial statements.

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

Metallum Resources Inc.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

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2. ACCOUNTING POLICIES (Continued)

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

Future Accounting Changes (Continued)

Goodwill and Intangible Assets

In October 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company is currently assessing the impact of this new accounting standard on its financial statements.

3. 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 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 funds 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 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 nine months ended September 30, 2008. The Company is not subject to externally imposed capital requirements.

Metallum Resources Inc.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

4. RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS

(a) Property Risk

The Company's mineral properties are the Chester Township Property, McMillan Property, and the M-18 Property. Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon these three properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting these three 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.

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 accounts receivable. 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. Financial instruments included in prepaid expenses consist of miscellaneous service prepayments made to vendors. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, sundry receivables, and prepaid expenses is remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2008, the Company had a cash and cash equivalents balance of \$1,561,752 (December 31, 2007 - \$2,163,768) to settle current liabilities of \$25,664 (December 31, 2007 - \$60,166). Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

4. RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk (Continued)

Interest Rate Risk

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts of major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its financial institutions. As of September 30, 2008, the Company had \$1,330,204 (December 31, 2007 - \$nil) invested in certificates of deposit with a Canadian chartered bank.

Foreign Currency Risk

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.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. 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 as it relates to gold and silver to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at September 30, 2008, the carrying and fair value amounts of the Company's financial instruments related to cash and cash equivalents, sundry receivables, prepaid expenses and accounts payable and accrued liabilities are the same.

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.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

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4. RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS (Continued)

Sensitivity Analysis (Continued)

- (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. A decline in the market price of gold or silver may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's value.

As of September 30, 2008, the Company is 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.

5. CAPITAL STOCK

- (a) AUTHORIZED - Unlimited number of common shares
- (b) ISSUED

	SHARES	AMOUNT
Balance - December 31, 2007 and September 30, 2008	53,803,828	\$ 5,950,804

Metallum Resources Inc.

(Formerly Young-Shannon Gold Mines, Limited)

(A Development Stage Entity)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

6. WARRANTS

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

	NUMBER OF WARRANTS	AMOUNT
Balance - December 31, 2007	13,687,500	\$ 1,011,975
Expired	(2,787,500)	(183,975)
Balance - September 30, 2008	10,900,000	\$ 828,000

The following table reflects the actual warrants outstanding as of September 30, 2008:

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

7. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the period ended. The conversion of warrants and stock options to calculate diluted loss per share was not done, because the conversion was anti-dilutive.

8. STOCK OPTIONS

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

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - December 31, 2007	1,730,000	\$0.12
Issued	1,600,000	\$0.10
Expired	(735,000)	\$0.13
Balance - September 30, 2008	2,595,000	\$0.10

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

(EXPRESSED IN CANADIAN DOLLARS)

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(UNAUDITED)

8. STOCK OPTIONS (Continued)

The following table reflects the stock options outstanding as at September 30, 2008:

<u>Expiry Date</u>	<u>Exercise Price (\$)</u>	<u>Average Life Remaining</u>	<u>Options Outstanding</u>	<u>Black-Scholes Value</u>
November 16, 2009	0.10	1.13 years	250,000	\$ 13,999
February 24, 2010	0.105	1.40 years	175,000	9,886
March 16, 2010	0.105	1.46 years	25,000	1,225
April 1, 2010	0.10	1.50 years	295,000	21,240
February 20, 2012	0.135	3.40 years	100,000	13,000
July 27, 2012	0.117	4.08 years	150,000	21,411
May 1, 2013	0.10	4.58 years	1,600,000	66,055
	0.10	3.56 years	2,595,000	146,816
Add: expired stock options				59,332
	0.10	3.58 years	2,595,000	\$ 206,148

At September 30, 2008, 1,261,667 of the 2,595,000 outstanding stock options were fully vested and exercisable.

On May 1, 2008, the Company granted 1,600,000 options to directors and officers. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility 157.9%, risk free interest rate 3.04%, and an expected maturity of 5 years. As a result, the fair value of the options was estimated at \$124,800, and will be recognized as the underlying options vest. \$30,123 and \$66,055 has been recognized respectively in relation to these options for the three and nine months ended September 30, 2008.

9. SUBSEQUENT EVENTS

- a) On October 24, 2008, the Company announced that it has terminated the Option and Joint Venture Agreement (the "Agreement") that it signed with a 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 liquidity issues amplified by prevailing market conditions.
- b) Subsequent to period end, management determined that no further work was warranted on the Company's McMillan project. On October 10, 2008, the Company announced it has elected not to exercise its option agreement with Garson Gold Corp. Accordingly, \$96,000 of deferred acquisition costs and \$991,228 of deferred mineral property expenditures associated with this project have been written off in the current period.
- c) On November 7, 2008, the Company granted 150,000 incentive stock options to a director, with an exercise price of \$0.10, expiring on November 7, 2013.