

LUND GOLD LTD.

Interim Consolidated Financial Statements

Six months Ended December 31, 2008

(Unaudited – Prepared by Management)

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended December 31, 2008.

LUND GOLD LTD.

(An exploration stage company)

Consolidated Balance Sheets

As at (expressed in Canadian dollars, unaudited)

	<u>December 31,</u> <u>2008</u>	<u>June 30,</u> <u>2008</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 2,588,211	\$ 3,282,316
Receivables	45,774	73,462
Prepaid expenses and deposits	10,107	3,857
	<u>2,644,092</u>	<u>3,359,635</u>
Mineral properties (Note 5)	944,453	189,996
Exploration advance (Note 5)	715,907	940,155
Fixtures and equipment	125,968	75,178
Restricted cash	16,338	16,338
	<u>\$ 4,446,758</u>	<u>\$ 4,581,302</u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 120,801	\$ 70,469
Shareholders' equity		
Capital stock (Note 6)	17,162,387	17,143,387
Contributed surplus (Note 6)	1,175,940	1,175,940
Deficit	(14,012,370)	(13,808,494)
	<u>4,325,957</u>	<u>4,510,833</u>
	<u>\$ 4,446,758</u>	<u>\$ 4,581,302</u>

LUND GOLD LTD.

(An exploration stage company)

Consolidated Statements of Loss and Deficit

For the periods ended December 31

(expressed in Canadian dollars – unaudited, prepared by management)

	Three Months Ended December 31 2008	Three Months Ended December 31 2007	Six Months Ended December 31 2008	Six Months Ended December 31 2007
EXPENSES				
Amortization	\$ 7,066	\$ 1,459	\$ 14,086	\$ 2,919
Accounting and audit	8,000	20,250	16,000	26,742
Legal	13,680	2,420	17,005	3,383
Office and general	18,548	15,508	34,662	29,303
Rent	16,965	10,368	33,930	20,735
Salaries and benefits	61,131	52,330	111,211	96,549
Transfer agent and filing fees	7,418	10,871	12,032	12,001
Travel and public relations	18,546	16,835	34,400	30,651
	(151,354)	(130,041)	(273,326)	(222,283)
OTHER INCOME (EXPENSE)				
Interest income	19,537	22,688	49,258	55,860
Foreign exchange gain (loss)	15,907	(953)	20,192	(9,003)
	35,445	21,735	69,450	46,857
Loss and comprehensive loss for the period (Note 4)	(115,910)	(108,306)	(203,876)	(175,426)
Deficit – Beginning of period	(13,896,460)	(11,799,840)	(13,808,494)	(11,732,720)
Deficit – End of period	\$ (14,012,370)	\$ (11,908,146)	\$ (14,012,370)	\$ (11,908,146)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	48,203,033	38,410,663	48,193,250	38,410,663

LUND GOLD LTD.

(An exploration stage company)

Consolidated Statements of Cash Flows

For the periods ended December 31

(expressed in Canadian dollars – unaudited)

	Three Months Ended December 31 2008	Three Months Ended December 31 2007	Six Months Ended December 31 2008	Six Months Ended December 31 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (115,910)	\$ (108,306)	\$ (203,876)	\$ (175,426)
Items not involving cash				
Amortization	7,067	1,459	14,086	2,919
Change in non-cash working capital items				
Prepaid expenses and deposits	(6,250)	-	(6,250)	1,595
Receivables	(9,339)	13,509	27,688	(26,102)
Accounts payable and accrued liabilities	(14,766)	28,699	(12,632)	29,513
	<u>(139,198)</u>	<u>(64,639)</u>	<u>(180,984)</u>	<u>(167,501)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Adjustment to share issue costs	-	-	-	1,608
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on mineral properties	(359,646)	1,228	(448,245)	(411,471)
Purchase of fixed assets	(3,783)	(7,642)	(64,876)	(7,642)
	<u>(363,429)</u>	<u>(6,414)</u>	<u>(513,121)</u>	<u>(419,113)</u>
Change in cash and cash equivalents	(502,627)	(71,053)	(694,105)	(585,006)
Cash and cash equivalents – Beginning of period	3,090,838	2,553,808	3,282,316	3,067,761
Cash and cash equivalents – End of period	\$ 2,588,211	\$ 2,482,755	\$ 2,588,211	\$ 2,482,755

LUND GOLD LTD.

(An exploration stage company)

Notes to Interim Unaudited Consolidated Financial Statements

(Unaudited, Prepared by Management)

For the six months ended December 31, 2008

1. NATURE OF OPERATIONS

The Company is in the business of exploring resource properties. Current mineral exploration activities are at a sufficiently early phase that the Company classifies itself as exploration stage. The recoverability of the Company's investments in resource properties is dependent upon its ability to obtain necessary financing to complete exploration leading to the discovery of economically recoverable reserves and attaining future profitable commercial production or other sale proceeds.

2. INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

These interim unaudited consolidated financial statements do not contain all the information required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended June 30, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

With the exception of the adoption of new accounting standards described in Note 4, these interim unaudited consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual consolidated financial statements of the Company.

4. CHANGES IN ACCOUNTING POLICIES

New accounting policies

Effective with the new fiscal year beginning July 1, 2008, the Company adopted or faces the future adoption of certain new accounting standards issued by the CICA which may impact the Company as follows:

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, *General Standards on Financial Statement Presentation*, has been amended to include specific requirements to assess a company's ability to continue as a going concern. The adoption of this practice did not have an effect on the Company for the six months ended December 31, 2008.

Capital Disclosure

CICA Handbook Section 1535 *Capital Disclosures* sets out new requirements which establish standards for disclosing information about an entity's capital and how it is managed. The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders, including the maintenance of a sufficient level of funds to support the acquisition, exploration and development of mineral properties. The Board of Directors has not established 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 planned exploration and pay for administrative costs, the Company will spend its existing working capital and be required to raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties, if it believes there is sufficient geologic and economic potential, and 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 stage of development of the Company, is appropriate.

LUND GOLD LTD.

(An exploration stage company)

Notes to Interim Unaudited Consolidated Financial Statements

(Unaudited, Prepared by Management)

For the six months ended December 31, 2008

4. CHANGES IN ACCOUNTING POLICIES (continued)

Financial Instruments Disclosures

In March 2007, the CICA issued Section 3862 *Financial Instruments - Disclosures*, and Section 3863 *Financial instruments - Presentation*, which together comprise a complete set of disclosure and presentation requirements that revise and enhance the previous disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The adoption of this change on the disclosure in the financial statements did not have an effect on the Company for the six months ended December 31, 2008.

International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board ("AcSB") announced that publicly-listed companies are to adopt IFRS, replacing Canadian GAAP, for interim and annual financial statements relating to fiscal periods beginning on or after January 1, 2011. Accordingly, the Company will commence reporting under IFRS for its fiscal year commencing July 1, 2011, and will present its first IFRS-based financial statements for its fiscal quarter ending September 30, 2011. These statements will require comparative amounts determined under IFRS for the prior fiscal year period, which in turn will require the restatement to conform with IFRS of the Company's balance sheet at June 30, 2010. While the Company has begun assessing the adoption of IFRS in 2011, the complete financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. The Company has to date determined that it expects to be able to carry forward its accounting policies in respect of mineral properties unchanged under IFRS, which are among its most significant accounting policies.

5. MINERAL PROPERTIES

	Noront Ontario	Black Fox Ontario	Total
Balance, June 30, 2008	\$ 189,996	\$ -	\$ 189,996
Acquisition costs – issue of shares	-	19,000	19,000
Acquisition costs – for cash	-	25,000	25,000
Assays	-	41,502	41,502
Camp	-	7,480	7,480
Drilling	148,815	-	148,815
Geology, geochemistry, geophysics	94,834	231,298	326,132
Land and legal	-	4,270	4,270
Project management	26,302	-	26,302
Survey and linecutting	3,661	98,967	102,628
Travel and accommodation	-	53,328	53,328
Additions in period	273,612	480,845	754,457
Balance, December 31, 2008	\$ 463,608	\$ 480,845	\$ 944,453

LUND GOLD LTD.

(An exploration stage company)

Notes to Interim Unaudited Consolidated Financial Statements

(Unaudited, Prepared by Management)

For the six months ended December 31, 2008

5. MINERAL PROPERTY (continued)

Noront Property, Ontario

By agreement dated January 15, 2008 the Company obtained an option to acquire a 50 per cent interest in 13 claim blocks located in the McFauld's Lake district (Porcupine Mining Division) of northern Ontario. In consideration, the Company issued 400,000 common shares at the value of \$100,000. To maintain and in due course exercise the option, the Company is required to carry out work expenditures of \$1,000,000 on or before February 1, 2009, a further \$1,000,000 on or before February 1, 2010 and a further \$1,500,000 on or before February 1, 2011. The first year expenditure is a firm commitment and required the provision by the Company to the optionor, who acts as operator of the project, of a cash exploration advance of \$1,000,000 to fund this committed amount. At December 31, 2008 the remaining balance of the exploration advance was \$715,907 (June 30, 2008 – \$940,155). In addition, to maintain the option the Company is required to make payments to the optionor in cash, or in shares at the option of the optionor, of \$200,000 on or before February 1, 2009 and a further \$200,000 on or before February 1, 2010.

Black Fox Property, Ontario

By agreement dated May 15, 2008 which became effective July 18, 2008 upon regulatory acceptance, the Company obtained an option to acquire a 100 per cent interest in nine claim blocks located in the Thunder Bay Mining Division of northern Ontario. First year consideration was the issue by the Company of 100,000 of its common shares recorded as \$19,000 (issued) together with a cash payment of \$25,000 (paid). To maintain the option, additional cash payments will become due to the optionors, as to \$10,000 on or before May 15, 2009, as to \$20,000 on or before May 15, 2010 and as to \$30,000 on or before May 15, 2011. An additional 100,000 shares will become issuable to the optionors on or before May 15, 2009 and a final 100,000 shares will become issuable to the optionors upon the completion of a positive feasibility study. The optionors retain a 2.5 per cent net smelter royalty interest, of which 40 per cent can be purchased by the Company at any time for \$1,000,000.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized:			
An unlimited number of shares without par value			
Issued – June 30, 2008	48,103,033	\$ 17,143,387	\$ 1,175,940
Issued for mineral property – Note 5	100,000	19,000	-
Issued – December 31, 2008	48,203,033	\$ 17,162,387	\$ 1,175,940

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Notes to Interim Unaudited Consolidated Financial Statements

(Unaudited, Prepared by Management)

For the six months ended December 31, 2008

7. STOCK OPTIONS

At December 31, 2008, the following stock options were outstanding and exercisable:

Number of Shares	Exercise Price	Expiry Date
100,000	\$ 0.33	May 15, 2009
59,000	0.25	July 22, 2009
896,500	0.10	November 9, 2010
1,690,000	0.31	April 20, 2012
10,000	0.37	May 18, 2012
<hr/> 2,755,500		

8. WARRANTS

At December 31, 2008, the following share purchase warrants were outstanding and exercisable:

Number of Shares	Exercise Price	Expiry Date
4,762,500	\$ 0.40	April 11, 2009
1,250,000	0.40	April 13, 2009
4,487,852	0.40	April 16, 2010
804,500	0.24	April 16, 2010
<hr/> 11,304,852		

Of the warrants exercisable at \$0.40 until April 16, 2010 a total of 3,164,014 may be exercised for the issue of flow-through shares.

9. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following costs with a law firm controlled by a director and with companies related by way of directors in common:

	2008	2007
Legal fees	\$ 9,700	\$ 1,500
Rent	33,930	20,735
Salaries and benefits	41,600	37,000
	<hr/> \$ 85,230	<hr/> \$ 59,235

Legal fees and salary costs have been expensed to operations, capitalized to mineral properties or recorded as share issue costs, based on the nature of the expenditure.

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Notes to Interim Unaudited Consolidated Financial Statements

(Unaudited, Prepared by Management)

For the six months ended December 31, 2008

9. RELATED PARTY TRANSACTIONS (continued)

- b) Included in accounts payable at December 31, 2008 is \$25,784 (June 30, 2008 – \$nil) due to related parties.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

10. SEGMENTED INFORMATION

The Company's business is in one reportable business segment – the exploration of mineral properties in Canada, where all of the Company's equipment and mineral properties are located.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED DECEMBER 31, 2008

Introductory Comment and Overview

Lund Gold Ltd. is a junior mineral exploration company listed on the TSX Venture Exchange under the trading symbol “LGD”. The Company is in the business of exploring mineral properties, and is currently focusing on its Noront and Black Fox projects in Northern Ontario. The Noront project was acquired by option agreement in February 2008 and the Black Fox project by option agreement in May 2008. During the first and second fiscal quarters ended December 31, 2008, the Company was primarily engaged in designing and commencing exploration programs at the Black Fox Project, which received regulatory acceptance in July 2008, and in funding geophysical surveys and initial drilling at the Noront project.

This MD&A is dated February 24, 2009 and discloses specified information up to that date. Lund Gold is classified as a “venture issuer” for the purposes of National Instrument 51-102. Our financial statements are prepared in accordance with generally accepted accounting principles applicable in Canada. Unless otherwise cited, references to dollar amounts are Canadian dollars. Throughout this report we refer from time to time to “Lund”, “Lund Gold”, “the Company”, “we”, “us”, “our” or “its”. All these terms are used in respect of Lund Gold Ltd. which is the reporting issuer in this document. *We recommend that readers consult the “Cautionary Statement” on the last page of this report.* Additional information related to Lund Gold is available for view on SEDAR at www.sedar.com.

Overall Performance

Our principal milestones in the six months ended December 31, 2008 and to the date of this report were the following.

- **Black Fox Project:** On July 15 we received regulatory acceptance of and announced an option agreement in respect of nine claims totalling 76 units described as the Black Fox project located in Tuuri Township, in the Schreiber-Hemlo Greenstone Belt, in the Thunder Bay Mining Division, Ontario. Terms of the option agreement are described in Note 5 to the second quarter financial statements. On September 9 we announced the commencement of gold exploration, comprised of detailed geological and geochemical sampling, prospecting, trenching and geophysics, to be followed by diamond drilling on targets established. This news release provides extensive discussion about the prospectivity of this project, and is filed on SEDAR.
- **Noront Project:** On July 16 we announced results from an airborne VTEM geophysical survey, which established a number of aeromagnetic and electromagnetic anomalies. On September 18 we announced that at least two geophysical anomalies would be immediately followed by ground geophysical surveys. On November 20 we announced that an initial drill program was commencing. This latest news release provides extensive discussion about the nature and prospectivity of the geophysical targets, and is filed on SEDAR.

These activities demonstrate our continuing focus on and progress in advancing our exploration projects.

Summary of Quarterly Results

	Three Months Ended December 31, 2008	Three Months Ended September 30, 2008	Three Months Ended June 30, 2008	Three Months Ended March 31, 2008 ¹	Three Months Ended December 31, 2007	Three Months Ended September 30, 2007	Three Months Ended June 30, 2007	Three Months Ended March 31, 2007
Total assets	\$4,446,758	\$4,526,117	\$4,581,302	\$2,423,811	\$4,249,261	\$4,307,160	\$4,166,476	\$1,655,415
Mineral properties	944,453	357,877	189,996	100,000	1,681,073	1,660,592	1,038,920	528,867
Working capital	2,523,291	3,046,880	3,289,166	1,197,223	2,251,548	2,386,517	3,072,242	1,092,097
Shareholders' equity	4,325,957	4,441,867	4,510,833	2,334,229	3,962,362	4,070,668	4,136,180	1,647,442
Revenues	nil	nil	nil	nil	nil	nil	nil	nil
Net loss ¹	(115,910)	(87,966)	(93,048)	(1,807,300)	(108,306)	(67,120)	(571,960)	(61,897)
Loss per share	(0.00)	(0.00)	(0.00)	(0.05)	(0.00)	(0.00)	(0.02)	(0.00)

Note 1 – The loss for the March 31, 2008 quarter includes \$1,700,042 recognized on the write-off of all Carneirinho project costs. Excluding this item, the loss was \$107,258.

Results of Operations

Lund's management believes that the most relevant measures of the results of operations for an exploration stage company are found in the statement of cash flows.

The statement of cash flows portrays a focus on mineral exploration, relatively modest drawdowns of cash attributable to operations, and the ability maintain robust cash resources and to otherwise manage our financial assets. Continuous programs of resource project expenditure reflect the essence of the business we are in as a development stage company. Net of non-cash items, our administrative operations have consumed between approximately \$55,000 and \$110,000 per quarter over the past two fiscal years. We expect this level to continue over our one- to two-year planning horizon.

Our expenses for the six months ended December 31, 2008 were approximately \$273,000, up from approximately \$222,000 in the preceding year's first two quarters. Increases occurred in most of our cost centres, consistent with our levels of financing and number of projects, with the largest increases being in salary costs, legal fees, rent, and amortization. The rent and amortization increases reflect costs of a new lease and of leasehold improvements added.

Interest earnings diminished somewhat in the new fiscal year reflecting reducing balances of financing proceeds and lower interest rates available. A foreign exchange gain was realized on our holdings of U.S. dollar bank balances as that currency strengthened against the Canadian dollar. We no longer hold significant U.S. dollar balances.

Liquidity, including in the context of current capital markets

Based on our existing working capital, we expect to maintain adequate liquidity to meet our funding needs anticipated for the balance of the fiscal year currently in progress and for the following fiscal year. This robust working capital position principally reflects the private placement financing which closed in April 2008. We believe Lund Gold's working capital position demonstrates a capacity to carry on our exploration operations, and related administrative costs, in spite of the recent and current dramatic negative developments and sentiments in the capital markets both generally, and in how these factors are affecting the mineral exploration sector in particular.

The Company does not currently own or have an interest in any producing resource properties and has not derived any revenues from the sale of resource products in the last two financial years. Our exploration activities have been funded through sales of common shares, and we expect that we will continue to be able to utilize this source of financing until we develop cash flow from operations, although such cash flow is well beyond our current planning horizon. There can be no assurance, however, that we will be able to obtain required financing in the future on acceptable terms, or at all. In the near term, our plan is to continue our exploration programs on our projects.

Capital Resources

During the six months ended December 31, 2008, the Company continued to have the benefit of the proceeds of our private placement financings which closed in April 2008 and which are fully described in our year end financial statements dated June 30, 2008, available on SEDAR.

Based on our existing working capital, the Company does not expect to require additional financing during the current or following fiscal year. At December 31, 2008 the Company was committed to expending a total of \$1,000,000 on the Noront project; this amount is fully funded by the balance of funds advanced to the project operator.

Related Party Transactions

During the six months ended December 31, 2008, the Company incurred legal fees of \$9,700 paid or accrued to a company controlled by a director and officer of the Company. The Company also paid or accrued salaries and benefits of \$41,600 to its Chief Executive Officer, and incurred office rent costs of \$33,930 with a company related by way of common directors. A portion of the CEO's compensation has been recorded as mineral project costs.

At December 31, 2008, accounts payable due to related parties totaled \$25,784 which has been subsequently settled in the normal accounts payable cycle.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the Company and the related parties.

Recent Accounting Pronouncements

As described in Note 4 to the financial statements, effective July 1, 2008 the Company adopted certain new standards established by the CICA for fiscal years beginning on or after October 1, 2007; these standards are set out in CICA Handbook Section 3862 *Financial instruments – disclosures*, Section 3863 *Financial instruments – presentation*, and

Section 1535 *Capital disclosures*. The adoption of these new standards has not had a significant effect on the content of or disclosures made in our financial statements.

International financial reporting standards (IFRS)

Also as described in Note 4 to the financial statements, in February 2008 the Canadian authority, the Accounting Standards Board (“AcSB”), announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will publish its first financial statements under IFRS for the interim fiscal quarter ending September 30, 2011. Those statements will include comparative amounts, determined under IFRS, for our prior fiscal year ended June 30, 2011, requiring a balance sheet restated under IFRS as at June 30, 2010. The Company has begun assessing the adoption of IFRS for 2011; however, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. The Company has to date determined, based upon current pronouncements of the International Accounting Standards Board, that its accounting policies for mineral properties as set out in Note 2 to our most recent year-end financial statements are likely to be carried forward without material change under IFRS. These policies are among the most significant utilized by the Company.

Financial Instruments

The Company’s financial instruments consist of cash, receivables, restricted cash, and accounts payable and accrued liabilities. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Because these items have short maturities, the fair value of these financial instruments is approximately equal to their carrying values, unless otherwise noted. At December 31, 2008 all of the Company’s ongoing projects were located in Canada and their costs incurred in Canadian dollars. Because of this, the Company now has no material exposure to foreign currency risk. The minor foreign exchange gain in the statement of operations reflects US dollar holdings held during a period of improving US dollar exchange rates.

Risk Factors

The Company and its operations are subject to a significant number of risk factors, which are set out and discussed in greater detail in our most recent annual financial statements, which are filed on SEDAR. To the date of this report, there have been no significant changes to the risk factors therein described, with the exception of some very material adverse developments in the categories “Market risks”, “Financing risk” and “Commodity price risk”. Updates to these particular risk factors are set out as follows.

Market risks

The Company’s securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change, both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome for the Company and its securities. At the time of issuing this report, it is clear that the mineral exploration industry, along with the majority of all industries, finds itself in the midst of such an adverse change in these factors. Users of this report are also referred to “Liquidity, including in the context of current capital markets” above.

Financing risk

Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. The Company has no producing properties and generates no operating revenues; therefore, for the foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing substantial exploration budgets. In recent months it is evident that the capital markets have reversed in a materially adverse direction from previously having been favourable to the financing of mineral exploration during the past several years, during which time the Company was successful in obtaining financing for its projects. There can be no assurance that the capital markets will be favourable in the future, and/or that the Company will be able to raise the financing needed to continue its exploration programs on favourable terms, or at all. Restrictions on the Company’s ability to finance could have a material adverse outcome for the Company and its securities.

Commodity price risk

The Company’s exploration projects seek base metals at the Noront Project and gold at the Black Fox Project. While these commodity categories had up until the most recent months been the subject of significant price increases from

levels prevalent earlier in the decade, base metal prices have recently experienced significant and volatile market price declines, and there can be no assurance that attractive price levels will be restored, or that investors' evaluations, perceptions, beliefs and sentiments will favourably regard both or either of these target commodity categories. Adverse effects in these commodities' prices, or in investors' beliefs about trends in those prices, could continue to have a material adverse effect on the Company and its securities.

Other Required Disclosure

Additional Disclosure for Venture Issuers without Significant Revenue

At June 30, 2008, the Company had incurred acquisition and exploration costs of \$189,996 with respect to its Noront Property and during the six months ended December 31, 2008, the Company incurred a further \$273,612 in exploration costs. The major components of the exploration costs are set out in detail in note 5 to the statements, which sets out that the principal cost centres were for geology and geophysics costs, and diamond drilling costs. Also as set out in detail in note 5 to the statements, during the six months to December 31, 2008 the Company acquired an interest in the Black Fox project and incurred \$436,845 in exploration costs as well as \$44,000 in acquisition costs, by the issue of 100,000 shares and the payment of \$25,000 in cash as set out in the same financial statement note, which sets out that the principal cost centres were for surveying and linecutting, and for geology, geochemistry and geophysics.

Operating expenses for the six months ended December 31, 2008 were \$273,326, a 23 per cent increase from \$222,283 for the comparable six months ended December 31, 2007. Factors underlying this increase are described above under the heading "Results of Operations".

Disclosure of Outstanding Share Data

The authorized share capital of the Company consisted at December 31, 2008 of an unlimited number of common shares without par value of which 48,203,033 were outstanding at December 31, 2008 and as of the date hereof. The Company's authorized capital was increased to an unlimited number in October 2008.

At December 31, 2008 and the date hereof the Company had outstanding warrants entitling the purchase of 6,012,500 shares of the Company at a price of \$0.40 per share until April 11 or 13, 2009, for the purchase of 4,487,852 shares of the Company at a price of \$0.40 per share until April 16, 2010, and for the purchase of 804,500 shares of the Company at a price of \$0.24 per share until April 16, 2010, for a total of 11,304,852 warrants.

At December 31, 2008 and the date hereof the Company had the following incentive stock options outstanding:

Number of Stock Options	Exercise Price	Expiry Date
100,000	\$0.33	May 15, 2009
59,000	\$0.25	July 22, 2009
896,500	\$0.10	November 9, 2010
1,690,000	\$0.31	April 20, 2012
<u>10,000</u>	\$0.37	May 18, 2012
<u>2,755,500</u>		

During the period reported on, 474,000 options priced at \$0.52 and 21,500 options priced at \$0.65 expired without being exercised.

Vancouver, British Columbia



February 24, 2009

Refer to the Cautionary Statement on the page following

Cautionary Statement

This document contains “forward-looking statements” within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration results and plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of exploration investment and scope of exploration programs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company’s documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.