

Lund Gold Ltd.

Consolidated Financial Statements

June 30, 2009

AUDITORS' REPORT

To the Shareholders of
Lund Gold Ltd.

We have audited the consolidated balance sheets of Lund Gold Ltd. as at June 30, 2009 and 2008 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

October 22, 2009



LUND GOLD LTD.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30

	2009	2008
ASSETS		
Current		
Cash	\$ 2,897,033	\$ 3,282,316
Receivables	29,358	73,462
Prepaid expenses and deposits	<u>6,945</u>	<u>3,857</u>
	2,933,336	3,359,635
Mineral properties (Note 4)	629,216	189,996
Exploration advance (Note 4)	-	940,155
Fixtures and equipment (Note 3)	112,669	75,178
Restricted cash (Note 12)	<u>16,338</u>	<u>16,338</u>
	<u>\$ 3,691,559</u>	<u>\$ 4,581,302</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ <u>124,393</u>	\$ <u>70,469</u>
Shareholders' equity		
Capital stock (Note 5)	16,692,285	17,143,387
Contributed surplus (Note 5)	1,175,940	1,175,940
Deficit	<u>(14,301,059)</u>	<u>(13,808,494)</u>
	<u>3,567,166</u>	<u>4,510,833</u>
	<u>\$ 3,691,559</u>	<u>\$ 4,581,302</u>

Nature and continuance of operations (Note 1)

Contingency (Note 12)

Subsequent event (Note 15)

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

LUND GOLD LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED JUNE 30

	2009	2008
EXPENSES		
Accounting and audit	\$ 33,632	\$ 46,742
Amortization	28,311	9,955
Filing and transfer fees	21,073	26,531
Legal fees	20,816	16,487
Office and general	62,551	73,094
Property examination	29,570	-
Rent	68,388	44,808
Salaries and benefits	216,438	173,518
Travel and public relations	57,849	66,781
	<u>(538,628)</u>	<u>(457,916)</u>
OTHER INCOME (EXPENSE)		
Write-off of mineral property (Note 4)	(493,882)	(1,717,447)
Interest income	56,128	105,099
Foreign exchange gain (loss)	20,120	(5,510)
Part XII.6 tax	(10,905)	-
	<u>(428,539)</u>	<u>(1,617,858)</u>
Loss before income taxes	(967,167)	(2,075,774)
Future income tax recovery (Note 11)	474,602	-
Loss and comprehensive loss for the year	(492,565)	(2,075,774)
Deficit, beginning of year	<u>(13,808,494)</u>	<u>(11,732,720)</u>
Deficit, end of year	<u>\$ (14,301,059)</u>	<u>\$ (13,808,494)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>
Weighted average number of common shares outstanding	<u>48,216,457</u>	<u>40,523,478</u>

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

LUND GOLD LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (492,565)	\$ (2,075,774)
Items not involving cash		
Amortization	28,311	9,955
Write-off of mineral property	493,882	1,717,447
Future income tax recovery	(474,602)	-
Changes in non-cash working capital items		
(Increase) decrease in receivables	44,104	(44,880)
(Increase) decrease in prepaid expenses and deposits	(3,088)	5,187
Increase (decrease) in accounts payable and accrued liabilities	<u>1,168</u>	<u>22,457</u>
Net cash used in operating activities	<u>(402,790)</u>	<u>(365,608)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued for cash	-	2,613,018
Share issue costs	<u>-</u>	<u>(264,196)</u>
Net cash provided by financing activities	<u>-</u>	<u>2,348,822</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mineral properties	(604,689)	(705,660)
Exploration advance recovered (advanced)	701,452	(1,000,000)
Purchase of fixtures and equipment	<u>(79,256)</u>	<u>(62,999)</u>
Net cash provided by (used in) investing activities	<u>17,507</u>	<u>(1,768,659)</u>
Change in cash during the year	(385,283)	214,555
Cash, beginning of year	<u>3,282,316</u>	<u>3,067,761</u>
Cash, end of year	<u>\$ 2,897,033</u>	<u>\$ 3,282,316</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosure with respect to cash flows (Note 14)

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

LUND GOLD LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on June 22, 1978 under the provisions of the Company Act of British Columbia. The Company is in the business of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company is in the exploration stage.

The business of exploring mineral properties involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The recoverability of the amounts shown for mineral properties is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these properties, and future profitable production or proceeds from the disposition of the mineral properties. The amounts shown as mineral properties represent net costs to date, and do not necessarily represent present or future values. Further, the Company expects its current capital resources will not be sufficient to complete its exploration and development plans and operations through its current operating period and will be required to raise additional funds through future equity issuances. The Company's ability to continue as a going concern is therefore dependent on its ability to raise additional funds through equity issuances.

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

	2009	2008
Working capital	\$ 2,808,943	\$ 3,289,166
Deficit	(14,301,059)	(13,808,494)

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in these consolidated financial statements are as follows:

Basis of consolidation

These consolidated financial statements include the accounts of the Company and two wholly-owned inactive subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

Comprehensive income

Pursuant to CICA Handbook Section 1530 "Comprehensive Income", the Company has determined that it has no assets, liabilities or transactions which give rise to comprehensive income or loss. Accordingly, the Company has no comprehensive income or loss to present in its statement of operations, nor does it provide a statement of accumulated other comprehensive income or loss.

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs over the related vesting period for the granting of all stock options and direct awards of stock. Any consideration paid by the option holder to purchase shares is credited to capital stock.

Fixtures and equipment

Fixtures and equipment are carried at cost less cumulative amortization. Amortization is calculated on the following bases:

Computer equipment	Straight line over five years
Furniture and fixtures	Straight line over five years
Leasehold improvements	Straight line over life of lease

During fiscal 2008, the Company revised its estimate of useful lives relating to computer equipment and furniture and fixtures. The change did not have a material effect on the financial statements.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include financial instruments, the estimation of stock-based compensation, the determination of environmental obligations, impairment of mineral claims and deferred exploration expenditures, useful lives for amortization, and valuation allowances for future tax assets. Actual results could differ from those estimates.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per common share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive. Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets not recognized in previous years, due to the recording of a valuation allowance, will be applied against the resulting future income tax liability and recognized as a recovery of future income taxes in the statement of operations.

Financial instruments – recognition and measurement

The Company classifies all financial instruments as either held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Financial instruments are measured at fair value on initial recognition. Subsequent measurement and changes in fair value depend on the financial instrument classification. Held-for-trading financial instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Available-for-sale financial instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New accounting standards adopted in the year

The Company adopted the following new accounting standards for its fiscal year beginning July 1, 2008. The adoption of these standards did not have any material effect on the Company's consolidated financial statements.

Financial instruments

The Company adopted new CICA Handbook Section 3862, *Financial instruments – disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages such risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial instruments – recognition and measurement*, Section 3863, *Financial instruments – presentation*, and Section 3865, *Hedges*.

The Company adopted new CICA Handbook Section 3863, *Financial instruments – presentation*, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It 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.

Capital disclosures

The Company adopted new CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed.

Assessing going concern

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

Other than additional disclosures in Notes 1, 9 and 10, the adoption of the sections had no impact on the Company's financial statements.

Recent accounting pronouncements

Goodwill and intangible assets

Section 3064 replaces the current standard for goodwill and intangible assets and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that costs be expensed as incurred.

The Company will adopt these requirements commencing in the interim period ending September 30, 2009. This standard is not expected to have a material effect on the Company's financial statements.

LUND GOLD LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Business combinations

In January 2009, the CICA issued a new handbook section 1582, "Business Combinations", effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP and with U.S. GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. This standard is not expected to have a material effect on the Company's financial statements.

International financial reporting standards (IFRS)

In February 2008 the Canadian Accounting Standards Board announced that publicly-listed companies are to adopt IFRS, replacing Canadian GAAP, for interim and annual financial statements relating to fiscal years 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 sheets at June 30, 2010 and 2011. 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.

3. FIXTURES AND EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 2,289	\$ 496	\$ 1,793	\$ 2,289	\$ 38	\$ 2,251
Furniture and fixtures	12,508	2,620	9,888	8,613	143	8,470
Leasehold improvements	127,457	26,469	100,988	65,550	1,093	64,457
	<u>\$ 142,254</u>	<u>\$ 29,585</u>	<u>\$ 112,669</u>	<u>\$ 76,452</u>	<u>\$ 1,274</u>	<u>\$ 75,178</u>

LUND GOLD LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

4. MINERAL PROPERTIES

	Black Fox Project, Ontario	Noront Project, Ontario	Carneirinho Project, Brazil	Total
Acquisition costs:				
Balance, June 30, 2008	\$ -	\$ 100,000	\$ -	\$ 100,000
Additions – issue of shares	23,500	-	-	23,500
Additions – for cash	35,000	-	-	35,000
Written off	-	(100,000)	-	(100,000)
Balance, June 30, 2009	58,500	-	-	58,500
Exploration costs:				
Balance, June 30, 2008	-	89,996	-	89,996
Assays	45,807	-	-	45,807
Camp and administration	10,941	-	-	10,941
Drilling	-	162,196	-	162,196
Geology, geophysics, geochemistry	338,812	110,706	-	449,519
Land and legal	4,270	-	-	4,270
Project management	-	27,323	-	27,323
Survey and linecutting	98,993	3,661	-	102,654
Travel and accommodation	71,893	-	-	71,893
Written off	-	(393,882)	-	(393,882)
Balance, June 30, 2009	570,716	-	-	570,716
Total costs, June 30, 2009	\$ 629,216	\$ -	\$ -	\$ 629,216
Acquisition costs:				
Balance, June 30, 2007	\$ -	\$ -	\$ 594,443	\$ 594,443
Additions – issue of shares	-	100,000	-	100,000
Written off	-	-	(594,443)	(594,443)
Balance, June 30, 2008	-	100,000	-	100,000
Exploration costs:				
Balance, June 30, 2007	-	-	444,477	444,477
Assays	-	-	40,828	40,828
Camp and administration	-	-	208,934	208,934
Drilling	-	-	285,987	285,987
Geology, geophysics, geochemistry	-	89,996	125,024	215,020
Travel and accommodation	-	-	17,754	17,754
Written off	-	-	(1,123,004)	(1,123,004)
Balance, June 30, 2008	-	89,996	-	89,996
Total costs, June 30, 2008	\$ -	\$ 189,996	\$ -	\$ 189,996

4. MINERAL PROPERTIES (cont'd....)

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mineral properties. The Company has investigated title to all its mineral properties and to the best of its knowledge, title to all of its properties are in good standing.

Black Fox Project, 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 (issued) together with a cash payment of \$25,000 (paid). To maintain the option, additional cash payments became or will become due to the optionors, as to \$10,000 on or before May 15, 2009 (paid), 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 were issuable to the optionors on or before May 15, 2009 (issued) 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.

Noront Project, Ontario

The Company's interest in this project was held pursuant to an agreement dated January 15, 2008 which provided the Company the 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 shares at the value of \$100,000. In February 2008 the Company advanced cash of \$1,000,000 to the optionor, as operator of the project, of which \$940,155 remained unexpended at June 30, 2008. During fiscal 2009, the operator expended a further \$238,703 from the advance. The Company determined effective March 31, 2009 that exploration results did not warrant continuance of the option agreement, which was accordingly terminated, and total costs of \$493,882 were written off and charged to the statement of operations. The operator returned the unexpended balance of funds advanced in the amount of \$701,452 to the Company in April 2009 on the termination of the option.

Carneirinho Project, Brazil

The Company's interest in this project was held pursuant to an option agreement entered into in January 2005 with an arm's length optionor and pursuant to an acquisition agreement dated April 2007 between the Company and Oromin Explorations Ltd. ("Oromin"), a company related by way of common directors. In April 2008 the Company elected to terminate the option and accordingly total project costs of \$1,717,447 were written off and charged to the statement of operations.

LUND GOLD LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
An unlimited number of common shares without par value			
Issued			
Balance as at June 30, 2007	38,410,663	\$ 14,770,344	\$ 1,098,556
Private placement (a)	8,975,704	2,533,851	-
Share issue costs	-	(339,975)	77,384
Mineral property acquisition (Note 4)	400,000	100,000	-
Exercise of warrants	316,666	79,167	-
Balance as at June 30, 2008	48,103,033	17,143,387	1,175,940
Mineral property acquisition (Note 4)	200,000	23,500	-
Tax benefits renounced to flow-through share subscribers (Note 11)	-	(474,602)	-
Balance as at June 30, 2009	48,303,033	\$ 16,692,285	\$ 1,175,940

In October 2008 the Company altered its authorized share capital to an unlimited number of common shares. Previously the authorized capital was 200,000,000 common shares without par value.

Share issuances

- a) In April 2008, the Company completed a private placement of 2,647,676 non-flow-through units at a price of \$0.24 per unit and a private placement of 6,328,028 flow-through units at a price of \$0.30 per unit for net cash proceeds of \$2,271,260, net of cash commissions of \$181,488 and other cash share issue costs of \$81,103. Each non-flow-through unit consisted of one common share and one-half of a share purchase warrant, each full warrant entitling the holder to purchase one additional share at a price of \$0.40 per share until April 16, 2010. Each flow-through unit consisted of one flow-through common share and one-half of a share purchase warrant, each whole warrant entitling the holder to purchase one additional common share at a price of \$0.40 per share until April 16, 2010. In addition, the Company issued to agents and as finder's fees a total of 804,500 compensation warrants each exercisable for the purchase of one common share at the price of \$0.24 per share until April 16, 2010. The fair value of the compensation warrants was estimated to be \$77,384 which has been recorded as share issue costs with a corresponding amount recorded as contributed surplus. The fair value was estimated using the Black-Scholes option pricing model with a risk-free interest rate of 2.54%, an expected life of two years, expected volatility of 71.18% and an expected dividend yield of 0.0%.

LUND GOLD LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

6. STOCK OPTIONS

The Company has an incentive stock option plan (the "Plan") to grant options to employees, officers, directors and consultants of the Company. The maximum number of shares reserved for issuance under the Plan shall not exceed 10 per cent of the issued share capital of the Company. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

Stock option transactions are summarized as follows:

	2009		2008	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	3,251,000	\$ 0.28	3,251,000	\$ 0.28
Granted	-	-	-	-
Expired	(595,500)	0.49	-	-
Outstanding and Exercisable, end of year	2,655,500	\$ 0.24	3,251,000	\$ 0.28

As at June 30, 2009, the following stock options are outstanding and exercisable:

Number of Shares	Exercise Price	Expiry Date
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
2,655,500		

* These options expired unexercised.

LUND GOLD LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

7. SHARE PURCHASE WARRANTS

Share purchase warrant transactions are summarized as follows:

	2009		2008	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	11,304,852	\$ 0.39	9,365,857	\$ 0.35
Issued	-	-	5,292,352	0.38
Exercised	-	-	(316,666)	0.25
Expired	(6,012,500)	0.38	(3,036,691)	0.25
Outstanding, end of year	5,292,352	\$ 0.38	11,304,852	\$ 0.39

As at June 30, 2009, the following share purchase warrants are outstanding:

Number of Shares	Exercise Price	Expiry Date
4,487,852	0.40	April 16, 2010
804,500	0.24	April 16, 2010
5,292,352		

8. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following costs with a law firm controlled by a director, companies related by way of common directors and a director/officer as follows:

	2009	2008
Legal fees	\$ 16,000	\$ 19,650
Rent	68,388	44,808
Salaries and benefits	81,200	76,600
	\$ 165,588	\$ 141,058

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

- b) Included in accounts payable at June 30, 2009 is \$5,992 (2008 - \$ Nil) due to a law firm controlled by a director of the Company.

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.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant credit or interest rate risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

Financial risk factors

The Company's risk exposures and the impact on its financial instruments are summarized as follows.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company manages liquidity risk by ensuring that it maintains sufficient liquidity to meet liabilities as they become due. As at June 30, 2009 the Company had cash balances totaling \$2,897,033 (June 30, 2008 – \$3,282,316) to settle current liabilities of \$124,393 (June 30, 2008 – \$ 70,469). Most of the Company's financial liabilities have payment terms of 10 to 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 and equity prices.

(a) Interest rate risk

The Company holds cash balances with a major Canadian chartered bank and has no interest-bearing debt. The Company periodically monitors and is satisfied with the credit rating of its bank.

(b) Foreign exchange rate risk

The Company's mineral properties are located in Canada, the line items in its statement of operations are incurred predominantly in Canadian dollars, and any future equity raised is expected to be in Canadian dollars. Accordingly, the Company is not currently exposed to foreign exchange risk.

(c) Price risks

The Company has not yet commenced production of mineral commodities, and does not hold any equity positions. Accordingly, the Company is not currently exposed to price risks.

LUND GOLD LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

10. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in shareholders' equity. The Company's objective when managing capital is to maintain its capacity to continue as a going concern in order to provide returns to shareholders, while minimizing dilution to existing shareholders. As an exploration stage company, the Company is unable to self-finance its operations; therefore, its ability to continue as a going concern is dependent on its ability, when required, to raise additional funds through equity issuances.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2009	2008
Loss before income taxes	\$ (967,167)	\$ (2,075,774)
Expected income tax recovery	\$ 295,026	\$ 681,061
Items not deductible for tax purposes	(159,269)	(662,005)
Items deductible for tax purposes	37,036	69,609
Recognized (unrecognized) benefit of non-capital losses	301,809	(88,665)
Net future income tax recovery	\$ 474,602	\$ -

The significant components of the Company's future income tax assets are as follows:

	2009	2008
Future income tax assets		
Resource expenditures and equipment	\$ 1,441,910	\$ 1,865,982
Share issuance costs	51,703	85,343
Non-capital loss carry-forwards	607,340	496,428
	2,100,953	2,447,753
Less: valuation allowance	(2,100,953)	(2,447,753)
Net future income tax assets	\$ -	\$ -

During the year ended June 30, 2008, the Company issued 6,328,028 common shares on a flow-through basis for gross proceeds of \$1,898,408. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenses incurred on the Company's mineral properties to the flow-through participants. During the year ended June 30, 2009 the Company has renounced exploration expenditures of \$1,898,408 which resulted an initial future income tax liability and a charge against capital stock of \$474,602.

The Company has non-capital losses of approximately \$2,400,000 available for deduction against future years' taxable income. These losses, if not utilized, will expire through 2029. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. The future tax benefits which may arise as a result of these non-capital losses, resource expenditures and equipment and share issue costs have not been recognized in these consolidated financial statements and have been offset by a valuation allowance.

12. CONTINGENCY

As at June 30, 2009 and 2008, the Company has restricted cash in the amount of \$16,338. These funds were paid into court in fiscal 2005 pending the outcome of legal action brought against the Company by a former officer of the Company in order to settle a fee dispute. The Company believes the case to be without merit, anticipates settlement will be in favour of the Company and accordingly no provision has been made in the financial statements.

13. SEGMENT INFORMATION

The Company has one business segment, the exploration of mineral properties. The Company's mineral properties and equipment are all currently located in Canada.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended June 30, 2009 consisted of the Company:

- a) Issuing 200,000 common shares with a value of \$23,500 towards the acquisition of the Black Fox property.
- b) Applying mineral property expenditures of \$238,703 through an exploration advance.
- c) Incurring mineral property expenditures of \$72,398 through accounts payable.

Significant non-cash transactions for the year ended June 30, 2008 consisted of the Company:

- a) Issuing 400,000 common shares at a value of \$100,000 towards the acquisition of the Noront property.
- b) Issuing 804,500 broker warrants with a value of \$77,384 relating to a private placement. These were recorded as share issue costs.
- c) Applying mineral property expenditures of \$59,845 through an exploration advance.
- d) Incurring mineral property expenditures of \$6,188 through accounts payable.
- e) Incurring fixture and equipment expenditures of \$13,454 through accounts payable.

15. SUBSEQUENT EVENT

On September 17, 2009 the Company entered into an option agreement to acquire a 100 per cent interest in 16 claims located in the Omineca Mining Division of the Province of British Columbia. To exercise the option, the Company has agreed to pay the optionors \$203,000 over four years, issue a total of 650,000 of its common shares over five years, and incur exploration expenditures totaling \$575,000 over four years. The optionors retain a royalty equal to three per cent of net smelter returns, of which the Company may acquire one-third at any time by making a cash payment to the optionors of \$2,000,000.